TANKLESS SYSTEMS WORLDWIDE INC
Form 10QSB
August 21, 2003

.U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 000-28083

TANKLESS SYSTEMS WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

NEVADA	**88-0362112**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2920 E. Camelback Rd., Suite 150, Phoenix, Arizona 85016

(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (602) 957-8574

Elution Technologies, Inc.

6245 N. 24th Parkway, Suite 215, Phoenix, AZ 85016

(Former Name and Address)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity. As of June 30, 2003 1,892,856 shares, $0.001 par value

Transitional Small Business Disclosure Format (check one): YES [ ] NO {X}

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PART I

FINANCIAL INFORMATION

ITEM 1.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial statements were prepared by management and have not been reviewed by the Company s Certifying Accountants.

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

BALANCE SHEETS

June 30, 2003 and December 31, 2002

ASSETS	June 30, 2003 (Unaudited)	December 31, 2002
Current		
Cash	$ -	$ 617
Prepaid expenses Note 3	5,378	16,250
	5,378	16,867
Property and equipment Note 4	-	-
	$ 5,378	$ 16,867

LIABILITIES

	June 30, 2003	December 31, 2002
Current		
Accounts payable and accrued liabilities Note 7	$ 50,580	$ 48,403
Accrued interest payable	48,672	40,547
Due to related parties Note 7	10,200	12,500
Convertible notes payable Note 6	130,000	130,000
Convertible notes payable to related parties Note 7	-	-
	239,452	231,450

STOCKHOLDERS DEFICIENCY

Stockholders deficiency

Common stock: $0.001 par value		
Authorized: 100,000,000		
Issued and outstanding: 1,892,578 (12/31/02: 7,024,022)	1,893	1,498
Additional paid-in capital	1,121,979	1,044,623
Deficiency accumulated during the development stage	(1,357,946)	(1,260,704)
	(234,074)	(214,583)
	$ 5,378	$ 16,867

Nature and Continuance of Operations Note 1

Commitments Notes 5 and 6

Subsequent Events and Contingency Notes 5, 8 and 10

SEE ACCOMPANYING NOTES.

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TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENTS OF OPERATIONS

for the six months ended June 30, 2003, and 2002

and for the period from November 23, 1993 (Date of Inception) to June 30, 2002

(Unaudited)

	June 30 2003	June 30, 2002	November 23, 1993 (Date of Inception) to June 30, 2003
Expenses			
General and administrative Note 7	$ 89,116	$ 83,565	$ 1,144,270
Depreciation	-	1,452	11,468
Research and development	-	-	61,434
Loss on disposal of capital assets	-	-	3,245
	89,116	85,017	1,220,417
Loss from operations	(89,116)	(85,017)	(1,220,417)
Interest expense	(8,125)	(17,633)	(137,528)
Net loss	$ (97,241)	$ (102,650)	$ (1,357,945)
	==========	==========	==========
Basic and diluted loss per share	$ (0.02)	$ (0.14)	
	==========	==========	
Weighted average number of common shares outstanding	6,761,856	723,285	
	==========	==========	

SEE ACCOMPANYING NOTES.

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TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS DEFICIENCY

for the period from November 23, 1993 (Date of Inception) to June 30, 2002

	Common Stock (Note 8) Shares	Amount	Additional Paid-in Capital	Deficiency Accumulated During the Development Stage	Total
Balance, at November 23, 1993					
(Date of Inception)	-	$ -	$ -	$ -	$ -
Issuance of shares for cash					
on November 30, 1993, at par	500,000	500	4,500	-	5,000
Net loss	-	-	-	(4,808)	(4,808)
Balance, at December 3,1 1993	500,000	500	4,500	(4,808)	192
Net loss	-	-	-	(	(

				124)	124)
Balance, at December 31, 1994	500,000	500	4,500	(4,932)	68
Net loss	-	-	-	(39)	(39)
Balance, at December 31, 1995	500,000	500	4,500	(4,971)	29
Net loss	-	-	-	(439)	(439)
Balance, at December 31, 1996	500,000	500	4,500	(5,410)	(410)
Net loss	-	-	-	(39)	(39)
Balance, at December 31, 1997	500,000	500	4,500	(5,449)	(449)
Net loss	-	-	-	(1,496)	(1,496)
Balance, at December 31, 1998	500,000	500	4,500	(6,945)	(1,945)
Common stock issued for services rendered	30,000	30	121,970	-	122,000
Capital contribution	-	-	1,500	-	1,500
Net loss	-	-	-	(422,847)	(422,847)
Balance, at December 31, 1999	530,000	530	127,970	(429,792)	(301,292)
Common stock issued for					

services rendered	50,000	50	202,950	-	203,000
Capital contribution	-	-	3,000	-	3,000
Net loss	-	-	-	(398,214)	(398,214)
Balance, at December 31, 2000	580,000	580	333,920	(828,006)	(493,506)

SEE ACCOMPANYING NOTES.

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/Cont d)

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS DEFICIENCY, Continued

for the period from November 23, 1993 (Date of Inception) to June 30, 2002

	Common Stock (Note 8) Shares	Amount	Additional Paid-in Capital	Deficiency Accumulated During the Development Stage	Total
Balance, at December 31, 2000	580,000	580	333,920	(	(

				828,006)	493,506)
Capital stock issued for services					
Rendered	52,500	53	52,447	-	52,500
Capital contributions Note 7	-	-	24,265	-	24,265
Common stock issued as					
payment for convertible note					
payable and accrued interest to					
related party	60,000	60	187,022	-	187,082
Net loss	-	-	-	(	(
				120,900)	120,900)
Balance, at December 31, 2001	692,500	693	597,654	(	(
				948,906)	350,559)
Capital stock issued for services					
Rendered	455,800	455	110,045	-	110,500
Capital stock issued for prepaid					
services Note 3	162,500	163	16,087	-	16,250
Capital stock issued					
in connection to business					
acquisition Note 5	5,525,944	-	-	-	-
Capital stock issued for					
settlement of debt	22,500	22	23,272	-	23,294
Common stock issued as					
payment for convertible note					
payable and accrued interest to					
related party	60,000	60	200,670	-	200,730
Issuance of shares for cash	104,778	105	96,895	-	97,000
Net loss (Note 9)	-	-	-	(	(
				311,798)	311,798)

Balance, at December 31, 2002	7,024,022	$ 1,498	$ 1,044,623	$ (1,260,704)	$ (214,583)

/Cont d)

SEE ACCOMPANYING NOTES.

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TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENT STOCKHOLDERS DEFICIENCY, Continued

for the period from November 23, 1993 (Date of Inception) to June 30, 2002

	Common Stock (Note 8)		Additional	Deficiency Accumulated During the Development	
	Shares	Amount	Paid-in Capital	Stage	Total
Balance, at December 31, 2002	7,024,022	$	$	$	$

		1,498	1,044,623	(1,260,704)	(214,583)
Capital stock issued for services Rendered	557,000	557	93,443	-	94,000
Capital stock canceled issued for prepaid consulting Note 8	(162,500)	(162)	(16,088)		(16,250)
Capital stock canceled in connection to abandonment of business acquisition Note 5	(5,525,944)	-	-	-	-
Net loss	-	-	-	(97,241)	(97,241)
Balance, at June 30, 2003 (unaudited)	1,892,578	$ 1,893	$ 1,121,978	$ (1,357,945)	$ (234,074)
	=======	========	========	=========	=========

SEE ACCOMPANYING NOTES.

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

for the six months ended June 30, 2003 and 2002

and for the period from November 23, 1993 (Date of Inception) to June 30, 2002

(Unaudited)

	June 30, 2003	June 30, 2002	November 23, 1993 (Date of Inception) to June 30, 2003
Cash flows from Operating Activities			
Net loss from operations	$ (97,241)	$ (102,650)	$ (1,357,945)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	-	1,452	18,413
Rent expense	-	-	4,500
Write-off of intangible assets	-	-	61,434
Stock issued for services rendered	94,000	39,000	582,000
Stock issued for interest due to related party	-	50,790	87,812
Subscription receivables		(10,000)	-
Loss on disposal of capital assets	-	-	3,245
Changes in non-cash working capital balances consist of:			
Increase (decrease) in prepaid expenses	(5,378)	13,333	(5,378)
Increase (decrease) in accounts payable	2,177	(3,610)	51,035
Increase (decrease) in accrued interest payable	8,125	(33,157)	48,672
Increase (decrease) in due to related party	(2,300)	16,348	55,359
Net cash used in operating activities	(617)	28,494	(450,853)
Cash flows used in Investing Activities			
Organizational costs	-	-	(195)
Deposits	-	-	(

			40,000)
Research and development	-	-	(16,920)
Purchase of property and equipment	-	-	(19,032)
Net cash used in Investing Activities	-	-	(76,147)
Cash flows from Financing Activities			
Issuance of convertible debentures	-	-	130,000
Issuance of convertible notes to related parties	-	-	300,000
Issuance of common shares	-	30,000	97,000
Net cash provided by financing activities	-	30,000	527,000

/Cont d.

SEE ACCOMPANYING NOTES.

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TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENTS OF CASH FLOWS, Continued

for the six months ended June 30, 2003 and 2002 and for the period from November 23, 1993 (Date of Inception) to June 30, 2002

	June 30, 2003	June 30, 2002	November 23, 1993 (Date of Inception) to June 30, 2003
			-
Net increase (decrease) in cash	(617)	1,506	
Cash, beginning of period	617	-	-
Cash, end of the period	$ (0)	$ 1,506	$ -
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	$	$ -	$ -
Income taxes	$	$ -	$ -

Supplemental Schedule of Non-cash Activities:

During the six months ended June 30, 2003, the Company:

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Issued 557,000 shares of common stock for services rendered to various consultants at a total value of $94,000.

During the year ended December 31, 2002, the Company:

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Issued 455,800 shares of common stock for services rendered to various consultants at a total value of $110,500.

–

Issued 162,500 shares of common stock as prepayment for consulting services totalling $16,250. Subsequently, these shares were returned to the Company and canceled, and the prepaid expense was reversed.

–

Issued 60,000 shares of common stock as payment for a convertible note payable and accrued interest to a related party totaling $200,730.

–

Issued 5,525,944 shares of common stock of the Company pursuant to the June 11, 2002 proposed business acquisition. Subsequently, these shares were recovered by the Company and canceled.

–

Issued 22,500 shares of common stock as a debt settlement totaling $23,294.

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SEE ACCOMPANYING NOTES.

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TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2003 and 2002

Note 1

Nature and Continuance of Operations

Tankless Systems Worldwide, Inc. (formerly Elution Technologies Inc.) (the "Company"), a Nevada company, is currently a development stage company under the provisions of Statement of Financial Accounting Standards (SFAS) No. 7. The Company was originally organized on November 23, 1993 as Amexan, Inc.; the name was changed to Nostalgia Motorcars, Inc. on June 1, 1998. Prior to the name change, Amexan, Inc. was an inactive company from the date of incorporation. On June 11, 2002, the Company changed its name to Elution Technologies, Inc. and on June 4, 2003, the Company changed its name to Tankless Systems Worldwide, Inc.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has no established source of revenue, has a working capital deficiency of $234,074 and has accumulated losses of $1,357,945. These factors raise substantial doubt about the Company s ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. These financial statement do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

The financial statements were prepared by management and have not been reviewed by the Company s Certifying Accountants.

Note 2

Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all the footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The financial statements have, in management s opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below: For further information, refer to the financial statements and footnotes included in Form 10-KSB for the year ended December 31, 2002.

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Note 2

Summary of Significant Accounting Policies (cont d)

Financial Instruments

The carrying value of the Company s financial instruments, consisting of cash, accounts payable and accrued liabilities, accrued interest payable and due to related parties approximate their fair value due to the short-term maturity of such instruments.

The carrying value of convertible debt approximates fair value as the related interest rate is variable and approximates market rates. Unless otherwise noted, it is management s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based upon the estimated useful lives, generally five to seven years, of the various classes of assets. Maintenance and repairs are charged to expense as incurred.

Income Taxes

The Company follows Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109) which requires the use of the asset and liability method for accounting for income taxes. Under the asset and liability method of FAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carryforwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

Stock-based Compensation

Statement of Financial Accounting Standards No.123, "Accounting for Stock-Based Compensation", establishes accounting policies for stock and stock-based awards issued to employees and non-employees for services rendered and goods received. The Company records transactions in which services or goods are rendered or received from non-employees for the issuance of equity securities based on the fair value of the Company s stock at the date the services are rendered or goods received.

Basic and Diluted Loss Per Share

The Company reports basic loss per share in accordance with the Statement of Financial Accounting Standards No. 128, Earnings Per Share . Basic loss per share is computed using the weighted average number of shares outstanding during the period. Diluted loss per share includes the potentially dilutive effect of outstanding common stock options which are convertible into common shares. Diluted loss per share has not been provided for June 30, 2003, and 2002 as it would be anti-dilutive.

Note 2

Summary of Significant Accounting Policies (cont d)

New Accounting Standards

Management does not believe that any recently issued, but not yet effective accounting standards if currently adopted could have a material effect on the accompanying financial statements.

Note 3

Prepaid Expenses Note 8

Prepaid expenses represents the unearned portion of consulting services. During the second quarter of 2003, the consideration paid for these services was returned to the Company and the prepaid expense was eliminated.

Note 4

Property and Equipment

Property and equipment consisted of the following:

	June 30, 2003	June 30, 2002
Computer equipment	$ -	$ 10,132
Automobile	-	4,386
	-	14,518
Less: accumulated depreciation	-	(10,547)
	$ -	$ 3,971

Note 5

Business Acquisition

Pursuant to an agreement dated June 11, 2002, the Company proposed to merge with Elution Technologies, Inc. (Arizona), a privately controlled Arizona corporation by issuing 7,500,000 common shares of the Company for 7,500,000 common shares (100%) of Arizona. Arizona is a fabless semiconductor company providing VLSI technologies in multimedia processing and compression.

Prior to December 31, 2002, in anticipation but not in consummation of the pending merger, the Company issued 5,525,944 common shares for 5,525,944 common shares of Arizona.

Subsequent to December 31, 2002, after issuing an additional 500,000 common shares of the Company for an additional 500,000 common shares of Arizona, it was determined by both the Company and Arizona that the proposed merger be terminated and a formal agreement to that end was approved by both companies on April 25, 2003. None of the Arizona shares were tendered to the Company and no consideration was paid to or received by the Company for the shares issued by it to Arizona shareholders. Subsequent to December 31, 2002, the Company recovered and cancelled 6,025,944 common shares.

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Note 5

Business Acquisition -- (cont d)

As the merger did not close, the Company has not reflected any value for the acquisition in these financial statements.

By an agreement dated April 15, 2003 the Company proposes to acquire 100% of Envirotech Systems Worldwide Inc. (Envirotech), an Arizona corporation. The Company will acquire all the issued and outstanding common stock of Envirotech by issuing the equivalent amount of the Company s common stock. The terms of the agreement are under negotiation.

Note 6

Convertible Notes Payable

	June 30, 2003	June 30, 2002
(a) Convertible notes payable are unsecured, bear interest at 12.5% per annum and mature March 2001. Each note and accrued interest is subject to automatic conversion at the maturity date into one common share and one warrant of the		

Company each at 75% of the average of the closing price for 10 days prior to conversion. The warrants are exercisable on the same basis. As at June 30, 2003, these notes have not yet been converted and are in default.		
	$ 100,000	$ 100,000
(b) Convertible notes payable are unsecured, bear interest at 12.5% per annum and mature March 2001. Each note and accrued interest is subject to automatic conversion at the maturity date into one common share and one warrant of the Company each at 75% of the average of the closing price for 10 days prior to conversion. The warrants are exercisable on the same basis. As at June 30, 2003, these notes have not yet been converted and are in default.		
	$ 30,000	$ 30,000
	$ 130,000	$ 130,000
	=======	=======

Note 7

Related Party Transactions

The amounts due to related parties are due to companies with common directors and are unsecured, non-interest bearing and have no specific terms of repayment. During the year ended December 31, 2001, the president was paid $14,635 and waived the outstanding balance, resulting in a contribution to capital of $24,265.

Note 7

Related Party Transactions (cont d)

During the year ended December 31, 1999, the Company issued two convertible notes totalling $300,000 to the president and vice-president of the Company. The notes matured in June 2001 and bear interest at the prime rate, adjusted quarterly. The note

holders may, at their discretion, convert all or any outstanding portion of the balance due into shares of common stock of the Company calculated as the outstanding balance to be converted divided by $2.50.

On November 5, 2001, the president converted his note into 60,000 shares of the Company s common stock as full payment for principal of $l50,000 and accrued interest of $37,082.

On May 7, 2002, the remaining noteholder, converted his note into 60,000 shares of the Company s common stock as full payment for principal of $150,000 and accrued interest of $50,730.

Note 8

Common Stock

As of December 31, 2001, the aggregate number of shares of common stock that the Company had authority to issue was 50,000,000 shares at a par value of $0.001. As of December 31, 2002 and 2001, 7,024,022 and 692,500 were issued and outstanding, respectively. On June 11, 2002, the Company effected a 1 for 10 reverse split and also increased the authorized shares from 50,000,000 shares to 100,000,000 shares. All shares and per share amounts have been retroactively restated to reflect this 1:10 reverse split. As of June 30, 2003, the aggregate number of shares of common stock that the Company had authority to issue was 100,000,000 shares at a par value of $0.001. As of June 30, 2003, 1,892,578 shares were issued and outstanding.

Share Purchase Warrants

At December 31, 2002, and June 30, 2003, there were 66,667 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held at $0.75 per share. These warrants expire in October 2005.

Common Stock Issued for Services

During the year ended December 31, 2002, the Company issued 455,800 shares of common stock for consulting services rendered valued at $110,500. The Company issued 22,500 shares of common stock to settle debts totaling $23,294 with a company with common directors. The Company also issued 162,500 shares of common stock for services to be rendered valued at $16,250. Subsequent to December 31, 2002, these 162,500 common shares were returned to treasury.

During the six months ended June 30, 2003, the Company issued 557,000 shares of common stock for services rendered valued at $94,000.

Note 8

<u>Common Stock</u> (cont d)

Common Stock Issued for Convertible Note Payable

During the year ended December 31, 2002, the Company issued 60,000 shares of common stock as full payment of $150,000 note payable and accrued interest of $50,730.

Common Stock Issued for Convertible Note Payable

During the year ended December 31, 2001, the Company issued 60,000 shares of common stock as full payment of $150,000 note payable and accrued interest of $37,082.

Employee Stock Incentive Plan

On October 23, 2001, the Company registered with the Securities and Exchange Commission 1,000,000 common shares for an employee stock incentive plan at a proposed maximum offering price $1.00 per share.

The plan is applicable to employees, officers, non-employee directors and consultants. The plan is administered by a compensation committee appointed by the Board of Directors who shall have the right to grant awards or stock options.

As of December 31 2001, 32,500 shares of common stock have been issued at $0.10 per share under this plan leaving a balance of 967,500 shares of common stock available under the plan. Between March 6, 2002 and July 1, 2002, the Company issued the remaining shares available under the plan.

On July 25, 2002, the Company adopted an employee stock incentive plan (the 2002 Stock Incentive Plan) setting aside 1,000,000 shares of the Company s common stock for issuance to officers, employees, directors and consultants for services rendered or to be rendered. The proposed maximum offering price of such shares is $1.00 per share. The plan is administered by a compensation committee appointed by the Board of Directors who shall have the right to grant awards or stock options. On October 15, 2002, the Company filed a Registration on Form S-8 with the Securities Exchange Commission covering the 1,000,000 shares provided by this plan, at a maximum offering price of $1.00 per share.

As of December 31, 2002, 540,000 shares of common stock have been issued at $0.10 per share under this plan leaving a balance of 460,000 shares available under the plan. During the six months ended June 30, 2003, the Company issued 394,500 shares of common stock under the plan and recovered 162,500 shares that had been issued in October, 2002, as prepaid consulting fees. As of June 30, 2003, there are 65,500 shares available under the plan.

Note 9

Accrued Payroll and Payroll Taxes. During the year ended December 31, 2002, the Company accrued wages and related payroll taxes for several officers of the Company. These accruals were made even though the Company disputed any liability. Subsequently, each of the persons for whom such accruals were made have executed releases to the Company and the Company has reversed the accruals. The Net Income (Loss) from Operations for the period ending December 31, 2002, have been restated to reflect the reversal of these accruals.

Note 10

Subsequent Events and Contingency

None

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following Discussion and Analysis should be read in conjunction with the financial statements and notes included in this Form 10-QSB and the Registrant's annual report on Form 10-KSB for the year ended December 31, 2002.

(a)

Plan of Operation.

As of June 30, 2003, the Company had not commenced business operations.

In previous filings, which are incorporated herein by reference, the Company discussed the fact that on June 11, 2002, it had entered into an Agreement and Plan of Merger with Elution Technologies, Inc., a private Arizona corporation ("Elution Arizona"), pursuant to which the Company agreed to acquire all of the issued and outstanding shares of stock of Elution Arizona in exchange for an equal number of shares of Common Stock of the Company. On April 25, 2003, the parties to that Merger Agreement formally abandoned and terminated the proposed acquisition and merger. The Boards of Directors of both companies approved the termination.

On June 30, 2003, the Company entered into an Agreement of Share Exchange and Plan of Reorganization with Envirotech Systems Worldwide, Inc., a private Arizona corporation (Envirotech) pursuant to which the Company agreed to acquire all of the issued and outstanding shares of stock of Envirotech in exchange for an equal number of shares of Common Stock of the Company (the Envirotech Agreement). A total of 9,700,000 shares of the Company s Common Stock will be issued in connection with the merger

Following completion of the merger, the Company will design, develop, manufacture and market several models of an electronic, tankless water heater. The water heater is small, easy to install and supplies endless amounts of hot water with energy savings. The unit is a microprocessor controlled electric water heater contained in a compact unit (13.5 (W) x 16 (H) x (3.5 D), eliminating the space demands of conventional water heaters. It incorporates automatic, precise temperature controls. It saves energy, space, and water and is suitable to all areas of the U.S. and worldwide.

On June 11, 2002, the Company changed its name to Elution Technologies, Inc., and on June 4, 2003, it changed its name to Tankless Systems Worldwide, Inc.

As of December 31, 2002, the business office of the Company was located at 2920 E. Camelback Rd., Suite 150, Phoenix, Arizona 85016. These offices are leased by an unrelated party, subleased to Messrs. Thomas and David Kreitzer and made available by them to the Company on a month-by-month basis at no cost. Following the merger, the Company will relocate its offices to those currently occupied by Envirotech. The Company's fiscal year ends on December 31. At December 31, 2002, and at June 30, 2003, the Company had two part time employees (Thomas Kreitzer and David Kreitzer) both of whom served without compensation. In addition, at December 31, 2002, it had contracts with other two other persons, both of whom have since resigned and the related contracts terminated. Following the completion of the merger, the Company anticipates adding several full time employees in the near future in management and for administrative and technical support.

The foregoing Plan of Operation may contain "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Registrant's business strategies, continued growth in the Registrant's markets, projections, and anticipated trends in the Registrant's business and the industry in which it operates. The words "believe," "expect," "anticipate,"intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Registrant's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Registrant's control. The Registrant cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward looking statements, including, among others, the following: reduced or lack of increase in demand for the Registrant's products, competitive pricing pressures and the level of expenses incurred in the Registrant's operations. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained herein will in fact transpire or prove to be accurate. The Registrant disclaims any intent or obligation to update "forward looking statements."

(b) Liquidity and Capital Resources

As of June 30, 2003 the Company has no established source of revenue, has negative working capital of $234,074 and has accumulated losses of $1,357,945. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern.

ITEM 3. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Principal Accounting Officer (the Certifying Officer) is responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officer has designed such disclosure controls and procedures to ensure that material information is made known to him, particularly during the period in which this report was prepared. The Certifying Officer has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report and believes that the Company s disclosure controls and procedures are effective based on the required evaluation. During the period covered by this report, there were no changes in internal controls that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

On March 18, 2003, the Registrant was named in a lawsuit for unpaid legal fees totaling $7,486. The Registrant disputes this claim and expects to prevail in the matter. The Registant is unable to assess the Registrant s potential liability, if any, resulting from this action.

Except as noted above, to the best knowledge of the officers and directors of the Company, neither the Registrant nor any of its officers or directors is a party to any material legal proceeding or litigation.

ITEM 2. CHANGES IN SECURITIES

(a)

On June 11, 2002, the Company amended its Articles of Incorporation to authorize the Company to provide that each share outstanding was changed into a one-tenth (1/10th) of a share, effecting a 1:10 rollback of the number of shares of Common Stock issued and outstanding, and increase the total number of shares which the Company was authorized to issue from 50,000,000 to 100,000,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

(a)

In 1999, the Company issued two convertible notes totaling $300,000 to the former president and former vice-president of the Company. The notes bear interest at the prime rate, adjusted quarterly, and matured in June 2001. The note holders may, at their discretion, convert all or any outstanding portion of the balance due into shares of common stock of the Company, calculated as the outstanding balance to be converted divided by $0.25.

On November 5, 2001, the former president converted his note into 60,000 shares of the Company's common stock as full payment for principal of $150,000 and accrued interest of $37,082.

On May 7, 2002, the remaining note holder converted his note into 60,000 shares of common stock in full payment for principal of $150,000 and accrued interest in the amount of $50,790.

(b)

During the year ended December 31, 2000, the Company issued five convertible notes payable, totaling $100,000, which matured in March 2001. These notes bear interest at the rate of 12.5% per annum. Each note is subject to automatic conversion at the maturity date. As of the date of this filing, the notes have not yet been converted and are in default.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a)

On June 11, 2002, the Company filed an Amendment of Articles of Incorporation of Nostalgia Motorcars, Inc., with the Secretary of State for the State of Nevada. The number of shares of the Company outstanding and entitled to vote on an amendment to the Articles of Incorporation was 7,945,000. The June 11, 2002 amendment was consented to and approved by a majority vote of the stockholders holding a majority of the stock entitled to vote thereon. The amendment effected the following changes to the Company's Articles of Incorporation: (1) changed the name of the Company to Elution Technologies, Inc., (2) authorized the Company to provide that each share outstanding was changed into a one-tenth (1/10th) of a share, effecting a 1:10 rollback of the number of shares of Common Stock issued and outstanding, and (3) increased the total number of shares which the Company was authorized to issue from 50,000,000 to 100,000,000.

(b)

On June 4, 2003, the Company filed and Amendment of Articles of Incorporation with the Secretary of State for the State of Nevada changing the name of the Company to Tankless Systems Worldwide, Inc. The June 4, 2003 amendment was consented to and approved by a majority vote of the stockholders holding a majority of the stock entitled to vote thereon.

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ITEM 5. OTHER INFORMATION

(a)

Changes in Management. From May 20, 1999, to June 13, 2002, Brad Randolph was the sole officer and director of the Company, serving as its President, Secretary and Treasurer. On June 13, 2002, following the change of the name of the Company to Elution Technologies, Inc. (see Item 4 above), and the execution of the Agreement and Plan of Merger (see ITEM 2(a) above), Mr. Thomas Kreitzer was appointed a director of the Company to fill a newly created directorship. On July 24, 2002, Mr. Brad Randolph resigned, leaving Mr. Thomas Kreitzer as the sole director. On July 25, 2002, Mr. David Kreitzer was appointed a director of the Company to fill the position vacated by Mr. Randolph's resignation. On July 25, 2002, Thomas Kreitzer was elected to the offices of Interim Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer; David Kreitzer were elected to the office of Interim Chief Operating Officer. On August 19, 2002, Dr. Tinku Acharya was appointed a director of the Company to fill a newly created directorship and was also elected Chairman of the Board of Directors and Chief Technology Officer of the Company. On October 28, 2002, Tinku Acharya, PhD resigned as a director of the Company. Messrs. Thomas Kreitzer and David Kreitzer will serve until the next annual meeting of the Registrant's stockholders or until their respective successors are duly elected and have qualified. Directors will be elected for a one-year term at the annual stockholders' meeting. Officers will hold their positions at the will of the board of directors, absent any employment agreement, of which none currently exist or are contemplated. There are no arrangements, agreements or understandings between non-management shareholders and management under which non-management shareholders may directly or indirectly participate in or influence the management of the Registrant's affairs.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)

Exhibits

3.5

Certificate of Amendment of Articles of Incorporation, dated June 4, 2003, attached hereto as an Exhibit and incorporated by reference.

31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(a)

Reports on 8-K

1.

8-K, Reporting Changes in Registrant s Certifying Accountant, filed March 31, 2003, and incorporated herein by reference.

2.

8-K/A, Amended Report of Changes in Registrant s Certifying Accountant, filed April 30, 2003, and attaching a copy of letter from former accountants, which report is incorporated herein by reference.

3.

8-K/A, Amended Report of Changes in Registrant s Certifying Accountant, filed May 5, 2003, and attaching a copy of letter from former accountants, which report is incorporated herein by reference.

4.

8-K/A, Amended Report of Changes in Registrant s Certifying Accountant, filed May 16, 2003, and attaching a copy of letter from former accountants, which report is incorporated herein by reference.

5.

8-K/A, Amended Report of Changes in Registrant s Certifying Accountant, filed June 16, 2003, and attaching a copy of letter from former accountants, which report is incorporated herein by reference.

SIGNATURES

In accordance with Section 13 of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, hereunto duly authorized

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

Date: August 20, 2003

By: /s/ Thomas Kreitzer

Thomas Kreitzer,

Chief Executive Officer

and Principal Accounting Officer