

TANKLESS SYSTEMS WORLDWIDE INC
Form 10QSB
May 24, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2005

**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: 000-27549

TANKLESS SYSTEMS WORLDWIDE, INC .

(Exact name of registrant as specified in its charter)

NEVADA

88-0362112

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

7650 E. Evans Road, Suite C, Scottsdale, Arizona 85260

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number: (480) 609-7575

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 No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity. As of May 23, 2005
13,317,977, \$0.001 par value.

Transitional Small Business Disclosure Format (check one): YES NO

Index

Page

Number

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

Report of Independent Registered Public Accounting Firm

3

Consolidated Balance Sheets as of March 31, 2005

and December 31, 2004

4

Consolidated Statements of Operations for the three months

ended March 31, 2005 and 2004

6

Consolidated Statements of Stockholders' Equity cumulative

from December 31, 2001 to March 31, 2005

7

Consolidated Statements of Cash Flows for the three months

ended March 31, 2005 and 2004

10

Notes to Financial Statements

11

ITEM 2. Managements Discussion and Analysis of Financial Condition
and Results of Operations/Plan of Operation

23

ITEM 3. Controls and Procedures

25

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

26

ITEM 2. Change in Securities and Use of Proceeds

27

ITEM 3. Defaults Upon Senior Securities

27

ITEM 4. Submission of Matters to Vote of Security Holders

28

ITEM 5. Other Information

28

ITEM 6. Exhibits

28

SIGNATURES

28

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Audit Committee

Tankless Systems Worldwide, Inc.

We have reviewed the accompanying consolidated interim balance sheets of Tankless Systems Worldwide, Inc., as of March 31, 2005, and December 31, 2004 and the associated consolidated statements of operations, stockholders' equity and cash flows for the three month periods ended March 31, 2005 and March 31, 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

Shelley International, CPA

Mesa, Arizona, U.S.A.

May 23, 2005

Tankless Systems Worldwide, Inc.

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31 2005 (Unaudited)	December 31, 2004
CURRENT ASSETS		
Cash	\$ 16,453	\$ 18,690
Accounts Receivable, Net	114,311	110,721
Inventory at Cost	101,356	76,131
Prepaid Expenses	2,782	2,782
 Total Current Assets	 234,902	 208,324
 EQUIPMENT, NET	 53,104	 62,282
 OTHER ASSETS		
Patents and Software, Net	49,214	43,778
Investment in Subsidiary	250,000	250,000
Deposits	7,514	7,514
 Total Other Assets	 306,728	 301,292
 Total Assets	 \$ 594,734	 \$ 571,898

The accompanying notes are an integral part of these statements

Tankless Systems Worldwide, Inc.

CONSOLIDATED BALANCE SHEETS, Continued

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31 2005 (Unaudited)	December 31 2004
LIABILITIES		
Accounts Payable	\$ 794,037	\$ 618,155
Other Payables	56,809	76,125
Notes Payable	2,052,258	1,952,258
Accrued Interest Payable	130,427	100,891
Related Party Payable	70,000	
Customer Deposits	155,918	120,368
 Total Liabilities	 3,259,449	 2,867,797
 STOCKHOLDERS' EQUITY		
Common Stock authorized is 100,000,000 shares at \$0.001par value. Issued and outstanding on March 31, 2005 is 13,175,977 shares, December 31, 2004 is 13,125,977 shares.	 13,176	 13,126
 Paid in Capital	 1,135,098	 1,122,648
 Subscriptions Receivable	 (112,500)	 (112,500)
 Retained (Loss)	 (3,700,489)	 (3,319,173)

Total Stockholders' Equity	(2,664,715)	(2,295,899)
----------------------------	-------------	-------------

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 594,734	\$ 571,898
--	------------	------------

The accompanying notes are an integral part of these statements

Tankless Systems Worldwide, Inc.**CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended March 31 2005	Three Months Ended March 31 2004
INCOME		
Product Sales	\$ 55,027	\$ 155,205
Other Income	-	79
 Total Income	 55,027	 155,284
 Less Cost of Goods Sold	 22,822	 100,503
 Gross Income	 32,205	 54,781
 EXPENSES		
Legal and Professional	19,279	50,262
General and Administrative	153,845	257,655
Research and Development	158,918	20,500
Advertising	813	9,368
Loss on Sale of Assets		
Depreciation	9,178	7,032
Amortization	6,614	2,133
Interest Expense	64,874	35,567
 Total Expenses	 413,521	 382,517

Edgar Filing: TANKLESS SYSTEMS WORLDWIDE INC - Form 10QSB

Net (Loss) before Income Taxes	(381,316)	(327,736)
Income Tax Expense	-	-
NET (LOSS)	\$ (381,316)	\$ (327,736)
Basic and diluted (loss) per share	\$ (0.03)	\$ (0.03)
Weighted Average Number of Common Shares Outstanding	13,172,088	11,743,895

The accompanying notes are an integral part of these statements

Tankless Systems Worldwide, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
For the period December 31, 2000 to March 31, 2005

	Common Stock		Paid in	Subscriptions	Accumulated	Total
	Shares	Amount	Capital	Receivable	(Loss)	Equity
Balance December 31, 2000	580,000	\$ 580	\$ 333,920	\$ -	\$ (828,006)	\$ (493,506)
Common Shares issued for Services	52,500	53	52,447			52,500
Contribution to Capital			24,265			24,265
Common Shares issued to retire Convertible Note and accrued Interest	60,000	60	187,022			187,082
Net (Loss)					(120,900)	(120,900)
Balance December 31, 2001	692,500	693	597,654	-	(948,906)	(350,559)
Common Shares issued for cash	104,778	105	96,895			97,000
Common Shares issued for services	455,800	455	110,045			110,500
Common Shares						

issued for prepaid service	162,500	163	16,087		16,250
Common Shares issued for proposed business acquisition	5,525,944				
Common Shares issued to retire convertible note and accrued Interest	60,000	60	200,670		200,730
Common Shares issued to retire debt	22,500	22	23,272		23,294
Net (Loss)				(1,154,438)	(1,154,438)
Balance December 31, 2002	7,024,022	1,498	1,044,623	-	(2,103,344) (1,057,223)

**(Continued on
following page)**

The accompanying notes are an integral part of these statements

Tankless Systems Worldwide, Inc
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY, Continued
For the period December 31, 2000 to March 31, 2005

	Common Stock		Paid in Capital	Subscriptions Receivable	Accumulated (Loss)	Total Equity
	Shares	Amount				
Balance December 31, 2002	7,024,022	1,498	1,044,623	-	(2,103,344)	(1,057,223)
Common Shares cancelled and retained earnings adjustment for termination of business acquisition	(5,525,944)				852,261	852,261
Common Shares cancelled for unused prepaid service	(162,500)	(163)	(16,087)			(16,250)
Common Shares issued to retire Debt in the amount of \$27,205	49,645	50	27,815			27,865
Common Shares issued for services	1,622,855	1,623	317,572			319,195
Common Shares issued for business						

Edgar Filing: TANKLESS SYSTEMS WORLDWIDE INC - Form 10QSB

acquisition including purchase of (Negative) Capital	8,366,378	8,366	241,634			250,000
Common Stock Options issued for services			(1,125,661)			(1,125,661)
Net (Loss)			6,300		(366,913)	6,300
Balance December 31, 2003	11,374,456	11,374	496,196	-	(1,617,996)	(1,110,426)
Common Shares issued for services	1,337,500	1,338	387,418			388,756
Common Shares issued to retire Debt and interest of \$91,281	172,354	172	91,109			91,281
Common Shares issued for cash through exercise of warrants	66,667	67	16,600			16,667
Common Shares cancelled in acquisition settlement	(2,075,000)	(2,075)	2,075			-
Common Stock Options issued for services			19,000			19,000
Common Stock issued for subscriptions receivable	2,250,000	2,250	110,250	(112,500)		-
Net (Loss)					(1,701,177)	(1,701,177)

Balance

December 31,

2004 13,125,977 \$ 13,126 \$ 1,122,648 \$ (112,500) \$ (3,319,173) \$ (2,295,899)

(Continued on following page)

The accompanying notes are an integral part of these statements

Tankless Systems Worldwide, Inc
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY, Continued
For the period December 31, 2000 to March 31, 2005

	Common Stock		Paid in	Subscriptions	Accumulated	Total
	Shares	Amount	Capital	Receivable	(Loss)	Equity
Balance December 31, 2004	13,125,977	\$ 13,126	\$ 1,122,648	\$ (112,500)	\$ (3,319,173)	\$ (2,295,899)
Common Shares issued for services	50,000	50	12,450			12,500
Net (Loss)					(381,316)	(381,316)
Balance March 31, 2005 (Unaudited)	13,175,977	\$ 13,176	\$ 1,135,098	\$ (112,500)	\$ (3,700,489)	\$ (2,664,715)

The accompanying notes are an integral part of these statements

Tankless Systems Worldwide, Inc.

CONSOLIDATED STATEMENTS CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Operating Activities		
Net (Loss)	\$ (381,316)	\$ (328,253)
Common Share Options issued for service		6,000
Shares issued for services rendered.	12,500	143,581
Shares issued to retire debt and interest.		39,034
Amortization of intangible assets.	6,614	2,133
Depreciation Expense.	9,178	7,032
Original Issue Discount		(55,781)
Changes in assets and liabilities:		
Inventory	(25,225)	16,448
Accounts Receivable	(3,590)	(29,947)
Prepaid Expense		