

SKYE INTERNATIONAL, INC  
Form 10QSB  
November 23, 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 September 30, 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*

**SKYE INTERNATIONAL, INC.**

(Exact name of Company as specified in its charter)

**NEVADA**  
(State or other jurisdiction of  
incorporation or organization)

**88-0362112**  
(I.R.S. Employer Identification No.)

7150 West Erie Street, Chandler, Arizona 85226

(Address of principal executive offices)

(Zip Code)

Company's telephone number: (480) 889-9999

**TANKLESS SYSTEMS WORLDWIDE, INC.**

7650 E. Evans Rd., Suite C, Scottsdale, AZ 85260 (480) 609-7575

(Former name, address and phone number if changed since last report)

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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 Company 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 September 30, 2005  
17,691,033, \$0.001 par value.

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Audit Committee

Skye International, Inc.

We have reviewed the accompanying consolidated interim balance sheets of Skye International, Inc., as of September 30, 2005, and December 31, 2004 and the associated consolidated statements of operations, stockholders' equity and cash flows for the three and nine month periods ended September 30, 2005 and September 30, 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.

November 23, 2005

Skye International, Inc.

CONSOLIDATED BALANCE SHEETS

	<b><u>ASSETS</u></b>	
	September 30, 2005 (Unaudited)	December 31, 2004
<b>CURRENT ASSETS</b>		
Cash	\$ 52,548	\$ 18,690
Accounts Receivable, Net	190,472	110,721
Inventory at Cost	139,723	76,131
Prepaid Expenses	123,282	115,282
Total Current Assets	506,025	320,824
<b>EQUIPMENT, NET</b>	63,031	55,250
<b>OTHER ASSETS</b>		
Patents and Software, Net	36,962	41,645
Deposits	77,514	7,514
Total Other Assets	114,476	49,159
Total Assets	\$ 683,532	\$ 425,233

The accompanying notes are an integral part of these statements





Skye International, Inc.

CONSOLIDATED BALANCE SHEETS, continued**LIABILITIES AND STOCKHOLDERS' EQUITY**

	September 30, 2005 (Unaudited)	December 31, 2004
<b>LIABILITIES</b>		
Accounts Payable	\$ 871,634	\$ 618,155
Other Payables	26,299	76,125
Notes Payable	1,139,669	1,952,258
Accrued Interest Payable	108,961	100,891
Related Party Payable	60,000	
Customer Deposits	168,544	120,368
 Total Liabilities	 2,375,107	 2,867,797
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock authorized is 100,000,000 shares at \$0.001par value. Issued and outstanding on September 30, 2005 is 17,691,033 shares, December 31, 2004 is 13,125,977 shares.	17,692	13,126
Paid in Capital	5,544,161	3,369,057
Retained (Loss)	(7,253,428)	(5,824,747)
 Total Stockholders' Equity	 (1,691,575)	 (2,442,564)
 <b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	  \$ 683,532	  \$ 425,233

The accompanying notes are an integral part of these statements



## Skye International, Inc.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2005	2004	2005	2004
<b>INCOME</b>				
Product Sales	\$ 41,324	\$ 24,485	\$ 192,885	\$ 240,925
Other Income	1,969	2,123	8,233	2,282
Total Income	43,293	26,608	201,118	243,207
Less Cost of Goods Sold	19,314	15,610	57,140	162,345
Gross Income	23,979	10,998	143,978	80,862
<b>EXPENSES</b>				
Legal and Professional	79,314	32,467	165,395	102,113
General and Administrative	355,484	149,010	830,177	699,895
Research and Development	156,935	-	366,623	750
Advertising	2,350	4,700	3,163	14,992
Depreciation	9,178	4,803	27,535	18,867
Amortization	6,614	12,939	19,841	17,205
Interest Expense	41,514	65,011	159,925	113,732
Total Expenses	651,389	268,930	1,572,659	967,554
Net (Loss) before Income Taxes	(627,410)	(257,932)	(1,428,681)	(886,692)
Income Tax Expense				

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NET (LOSS)	\$(627,410)	\$(257,932)	\$(1,428,681)	\$(886,692)
Basic and diluted (loss) per share	\$ (0.04)	\$ (0.02)	\$ (0.10)	\$ (0.08)
Weighted Average Number of Common Shares Outstanding	14,401,322	11,657,120	14,401,322	11,657,120

The accompanying notes are an integral part of these statements

## Skye International, Inc.

**CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**

for the period from December 31, 2000 to September 30, 2005

	Common Stock Shares	Amount	Paid in Capital	Accumulated Deficit	Total Equity
<b>Balance December 31, 2002</b>	7,931,484	\$ 7,931	\$1,941,620	\$(2,430,977)	\$ (481,426)
					-
Common Shares issued for Cash	434,894	435	967,925		968,360
Common Shares issued in recapitalization	3,008,078	3,008	(166,940)		(163,932)
					-
Net (Loss)				(1,683,428)	(1,683,428)
<b>Balance December 31, 2003</b>	11,374,456	11,374	2,742,605	(4,114,405)	(1,360,426)
Common Shares issued for services	800,000	800	228,080		228,880
Common Shares valued at \$159,876 issued to obtain \$1,075,000 debt	537,500	538	159,338		159,876
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

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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 prepaid services	2,250,000	2,250	110,250		112,500
Net (Loss)				(1,710,342)	(1,710,342)
<b>Balance December 31, 2004</b>	13,125,977	13,126	3,369,057	(5,824,747)	(2,442,564)
Common Shares issued for services	1,157,726	1,158	304,480		305,638
Common Shares issued for Cash	2,564,819	2,565	1,408,085		1,410,650
Common Shares issued to retire Debt and accumulated interest in the amount of \$462,539	842,511	843	462,539		463,382
Net (Loss)				(1,428,681)	(1,428,681)
<b>Balance September 30, 2005</b>	17,691,033	\$ 17,692	\$5,544,161	\$(7,253,428)	\$(1,691,575)

The accompanying notes are an integral part of these statements

## Skye International, Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended June 30	
	2005	2004
Operating Activities		
Net (Loss)	\$ (1,428,681)	\$ (886,692)
Non-Cash Adjustments to Net Income		
Common Share Options issued for service		6,000
Shares issued for services	305,638	281,176
Shares issued to retire debt and interest	463,382	39,034
Amortization of intangible assets	17,205	17,205
Depreciation Expense	27,535	18,867
Changes in assets and liabilities:		
(Increase)/Decrease in Security Deposits	(70,000)	
(Increase)/Decrease in Inventory	(63,592)	9,440
(Increase)/Decrease in Accounts Receivable	(79,751)	(59,353)
(Increase)/Decrease in Prepaid Expense	(8,000)	(36,437)
Increase/(Decrease) Accrued Interest Payable	8,070	11,452
Increase/(Decrease) in Accounts Payable	203,653	64,906
Increase/(Decrease) in Related Party Payable	60,000	
Increase/(Decrease) Customer Deposits	48,176	7,761
Net Cash Provided by Operating Activities	(516,365)	(526,641)
Investing Activities		
Purchase of Patents and Software	(12,522)	(72,438)
Purchase of Equipment	(35,316)	(9,969)
Net Cash (Used) by Investing Activities	(47,838)	(82,407)
Financing Activities		
Proceeds from sale of stock	1,410,650	16,667
Proceeds received on convertible debentures		634,667



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Repayment of Notes	(812,589)	
Proceeds received from related party loan		
Cash Provided by Financing Activities	598,061	651,334
Net Increase/(Decrease) in Cash	33,858	42,286
Cash, Beginning of Period	18,690	412
Cash, End of Period	\$ 52,548	\$ 42,698
Supplemental Information:		
Taxes	\$ -	\$ -
Interest	\$ 159,925	\$ 35,567

The accompanying notes are an integral part of these statements

**SKYE INTERNATONAL, INC.**

**NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2005 and December 31, 2004**

**Note 1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES**

**The Company**

Skye International, Inc., a Nevada corporation (Company), was originally organized on November 23, 1993 as Amexan, Inc., and then on June 1, 1998 the name was changed to Nostalgia Motorcars, Inc. On June 11, 2002, the Company changed its name to Elution Technologies, Inc., and on June 4, 2003, it changed its name to Skye International, Inc. Finally, on October 21, 2005, it changed its name to Skye International, Inc.

On November 7, 2003, the Company acquired Envirotech Systems Worldwide, Inc. (Envirotech), a private Arizona corporation, as a wholly owned subsidiary. The acquisition was accounted for as a stock exchange reverse acquisition. Skye International, Inc. is the surviving legal entity with Envirotech Systems Worldwide, Inc., as the surviving legal subsidiary whose historical accounting financial statements are provided for reporting purposes. The purchase was made in a one-for-one stock exchange of 8,366,778 shares of the Company's common stock for all of the issued and outstanding shares of Envirotech. For more details of this acquisition see Note 2.

Envirotech was organized December 9, 1998 and has a limited history of operations. The initial period of its existence involved research and development of a line of electronic, tankless water heaters. The first sales of its products occurred in calendar year 2000.

With the acquisition of Envirotech, the Company is in the business of designing, developing, manufacturing and marketing several models of an electronic, tankless water heaters.