

Edgar Filing: ENERGY POWER SYSTEMS LTD - Form 6-K

ENERGY POWER SYSTEMS LTD

Form 6-K

November 20, 2001

ENERGY POWER SYSTEMS LIMITED

Consolidated Financial Statements

September 30, 2001

(Unaudited)

(Expressed in Canadian Dollars)

Energy Power Systems Limited

Consolidated Balance Sheet

(Expressed in Canadian dollars)

	Sept 30, 2001 (unaudited)	June 30, 2001 (audited)
ASSETS		
Current		
Cash	\$1,348,357	\$1,242,621
Marketable securities	379,618	221,213
Receivables	4,820,976	4,331,086
Due from co-venturer	483,810	208,652
Inventories and work in progress	2,022,307	1,039,853
Prepaid expenses	102,341	67,329
Investments	3,500,000	3,500,000
Future income tax asset	235,000	235,000
Total current assets	12,892,409	10,845,754
Oil and gas interests	2,119,077	2,017,493
Capital assets	3,236,702	3,268,096
Future income tax asset	862,749	862,000
Goodwill	1,991,514	2,056,832
	\$21,102,451	\$19,050,175
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$1,415,599	\$829,001
Accounts payable and accrued liabilities	4,457,702	4,200,868
Due to shareholders	1,162,580	1,162,403
Current portion of long-term Debt	182,151	182,151
Future income tax liability	266,000	266,000
Total current liabilities	7,484,032	6,640,423
Due to shareholders, July 31, 2001	350,000	350,000

Edgar Filing: ENERGY POWER SYSTEMS LTD - Form 6-K

Long-term debt	621,713	646,311
Future income tax liability	56,000	56,000
Total liabilities	8,511,745	7,692,734
Shareholders' equity		
Capital stock	33,030,535	32,207,289
Deficit	(20,439,829)	(20,849,848)
Total shareholders' equity	\$12,590,706	\$11,357,441
	\$21,102,451	\$19,050,175

The accompanying notes to the financial statements are an integral part of these financial statements

Energy Power Systems Limited

Consolidated Statement of Earnings (Loss) and Deficit

(Unaudited)

(Expressed in Canadian dollars)

For the three month period

	ending Sept 30 2001	2000
Sales		\$5,540,561 \$4,523,967
Cost of sales (including depreciation and depletion of \$61,587; 2000 - \$53,044)		4,540,241 3,831,508
Gross profit		1,000,320 692,459
Administrative expenses		660,023 686,088
Amortization of goodwill		65,314 65,314
Amortization of capital assets	39,810	36,057
Interest and bank charges		32,015 29,872
Interest on long-term debt		17,426 24,790
		814,588 842,121
Earnings (loss) before the following	185,732	(149,662)
Other income		224,287 1,728
Net earnings (loss) from Continuing Operations	\$410,019	(\$147,934)
Discontinued Operations		- (88,950)
Net earnings (loss)	\$410,019	(\$236,884)
Deficit, beginning of period		(20,849,848) (17,214,932)
Deficit, end of period		(\$20,439,829) (\$17,451,816)
Net earnings (Loss) from Continuing Operations per Common Share		
Net earnings (loss) per share		\$0.07 (\$0.05)
Weighted average common shares outstanding (thousands)		6,300 3,168
Fully Diluted net earnings (loss) from Continuing Operations per Common Share		
Net earnings (loss) per share		\$0.05 (\$0.05)
Weighted average fully diluted shares outstanding (thousands)		8,695 3,168

The accompanying notes to the financial statements are an integral part of these financial statements

Edgar Filing: ENERGY POWER SYSTEMS LTD - Form 6-K

Energy Power Systems Limited
 Consolidated Statement of Cash Flows
 (Unaudited)
 (Expressed in Canadian dollars)

For the three month period
 ending Sept 30
 2001 2000

Operating activities			
Net loss from continuing operations		\$410,019	(\$147,934)
Adjustments to reconcile net loss to net cash provided by operating activities			
Amortization of goodwill		65,314	65,314
Amortization of capital assets		101,397	89,101
Income taxes		(745)	-
		575,985	6,488
Net change in non-cash working capital			
Receivables		(489,890)	301,261
Inventories and work in progress		(982,454)	(783,244)
Due from co-venturer		(275,158)	(328,086)
Prepaid expenses		(35,012)	29,399
Accounts payable & accrued liabilities		256,834	(146,257)
Cash used in continuing operations		(949,695)	(920,446)
Cash used in discontinued operations		-	(88,950)
Cash used in operating activities		(949,695)	(1,009,396)
Financing activities			
Advances of bank indebtedness	586,598		664,624
Repayment of long term debt, net		(52,485)	(63,493)
Payments to related parties, net		-	(30,975)
Advances from (repayment to) shareholders		177	(600,000)
Issue of common shares		823,246	-
Cash provided by (used in) financing activities	1,357,536	(29,844)	
Investing activities			
Purchase of capital assets		(27,762)	(80,606)
Purchase of oil and gas interests		(115,938)	-
Marketable securities		(158,405)	-
Cash provided by investing activities	(302,105)		(80,606)
Net increase (decrease) in cash	105,736		(1,119,846)
Cash, beginning of period		1,242,621	1,771,047
Cash, end of period		\$1,348,357	\$651,201

The accompanying notes to the financial statements are an integral part of these financial statements

Cash, end of period consists of:

Cash	\$1,348,357	\$651,201
------	-------------	-----------

Energy Power Systems Limited
 Notes to Unaudited Consolidated Financial Statements

Edgar Filing: ENERGY POWER SYSTEMS LTD - Form 6-K

For the Three Month Period Ending September 30, 2001
(Expressed in Canadian Dollars)

1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended June 30, 2001. These interim financial statements should be read in conjunction with the Company's consolidated financial statements together with notes for the year ended June 30, 2001.

2. Segmented information

The Company's operations are separated into two distinct segments; the engineering and offshore division, consisting of the operations of M&M, and the oil and gas division performing oil and gas exploration and production. M&M is an engineering and construction company, performing installation, erection, welding, maintenance and ancillary fabrication services. The following is the Company's segmented information:

For the three months ending September 30, 2001

	Engineering and Offshore	Oil & Gas	Corporate	Total
Revenue	5,402,224	138,337	-	5,540,561
EBITDA	524,737	52,283	49,151	626,171
Amortization & depletion	152,357	14,354	-	166,711
Segment operating margin	372,380	37,929	49,151	459,460
Interest and income taxes	48,942	-	499	49,441
Net earnings (Loss) from continuing operations	323,438	37,929	48,652	410,019
Capital assets and Oil & Gas Interests	3,236,702	2,119,077	-	5,355,779

For the three months ending September 30, 2000

	Engineering and Offshore	Oil & Gas	Corporate	Total
Revenue	4,523,967	-	-	4,523,967
EBITDA	211,634	-	(150,491)	61,143
Amortization	154,415	-	-	154,415
Segment operating margin	57,219	-	(150,491)	(93,272)
Interest and income taxes	53,896	-	766	54,662
Net earnings (Loss) from continuing operations	3,323	-	(151,257)	(147,934)
Capital assets	4,936,035	-	-	4,936,035

Edgar Filing: ENERGY POWER SYSTEMS LTD - Form 6-K

3. Discontinued operations

Effective June 30, 2001 the Company adopted a formal plan to dispose of its power segment of business (the "Power Division"). The Company intends to exercise its option under the terms of the Revised VBC Agreement to cause VBC to purchase the Company's equity shares in the Konaseema EPS Oakwell Power Limited and has adopted a formal plan of disposition of its interest in the Karnataka Project.

4. Subsequent Events

a.) Subsequent to the period ending September 30, 2001 24,000 options were exercised at a price of \$4 per share, 20,000 options were exercised at \$4.25 per share and 35,000 options were exercised at \$1.50 per share.

b.) Subsequent to the period ending September 30, 2001 7,726 shares were issued in settlement of professional fees of \$150,413.

c.) Subsequent to the period ending September 30, 2001 350,000 units were issued from treasury to an arms length party with an ascribed value of US\$4.00 in a private placement. Each unit consisted of one common share and 1/10 common share purchase warrant. Each warrant is exercisable at US\$4.45 for a period of six months from the date of issue.

5. Share Capital

(a) Authorized and Issued:

Authorized:

Unlimited number of Common Shares, without par value
 Unlimited number of Class B Special Shares, without par value
 Unlimited number of Class A Preference Shares, Series I
 Unlimited number of Class A Preference Shares, Series II

Issued:

September 30, 2001 - 7,288,419 common shares issued for consideration of \$31,830,535
 September 30, 2000 - 3,167,670 common shares issued for consideration of \$29,322,289
 September 30, 2001 - 960,000 Class A Preferred Shares, Series II, for consideration of \$1,200,000

a.) Common share purchase warrants outstanding consist of the following:

Exercise Price	Expiry Date	#	2001 #	2000 #
\$40.00	October 7, 2000	-		6,250
\$13.60	January 21, 2002	-	-	333,331
\$10.00	July 2, 2002	-		423,500
\$8.00	March 9, 2002			222,917
\$9.00	September 27, 2002		-	37,500
\$9.60	October 4, 2002	96,000		96,000
		318,917	1,19,498	

b.) Common share purchase options outstanding consist of the following:

Exercise Price	Expiry Date	Holder	2001 #	2000 #
----------------	-------------	--------	--------	--------

Edgar Filing: ENERGY POWER SYSTEMS LTD - Form 6-K

\$14.00	October 1, 2004 Employee	-		
	62,500			
\$20.00	October 1, 2004 Employees & director	-		26,875
\$12.00	August 15, 2001 Employee	-		2,500
\$12.00	February 15, 2001 Director		-	
\$1.50	February 6, 2005 Directors and Employees	105,000	-	
\$4.00	June 14, 2005 Directors, employees and consultants		110,000	-
				215,000 9