

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

ENERGY POWER SYSTEMS LTD

Form 6-K

November 26, 2002

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
OF THE
SECURITIES EXCHANGE ACT OF 1934

For the month of November, 2002

ENERGY POWER SYSTEMS LIMITED
(FORMERLY: ENGINEERING POWER SYSTEMS LIMITED)

(Address of Principal executive offices)

Suite 301, 2 Adelaide Street West, Toronto, Ontario, M5H 1L6

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover form 20-F or Form 40-F:

Form 20-F X Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2b under the Securities Exchange Act of 1934:

Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENERGY POWER SYSTEMS LIMITED
(formerly: Engineering Power Systems Limited)

Date: November 25, 2002 By: "Sandra J. Hall" _____

Sandra J. Hall, President, Secretary & Director

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

Energy Power
Systems Limited

Consolidated Financial Statements
September 30, 2002
(Unaudited)
(Expressed in Canadian Dollars)

ENERGY POWER SYSTEMS LIMITED
CONSOLIDATED BALANCE SHEET
(EXPRESSED IN CANADIAN DOLLARS)

| | SEPTEMBER 30, 2002 (UNAUDITED) | JUNE 30, 2002 (AUDITED) |
|---|-----------------------------------|----------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 4,432,280 | \$ 5,610,621 |
| Marketable securities | 284,235 | 283,800 |
| Receivables | 11,798,444 | 5,218,201 |
| Due from co-venturer | 1,083,942 | 159,110 |
| Inventories and work in progress | 981,379 | 2,652,816 |
| Prepaid expenses | 53,113 | 59,618 |
| Future income tax asset | 61,473 | 61,473 |
| ----- | | |
| TOTAL CURRENT ASSETS | 18,694,866 | 14,045,639 |
| Oil and gas interests (net of accumulated depletion) | 4,413,251 | 4,400,078 |
| Capital assets (net of accumulated depreciation and amortization) | 2,800,037 | 2,834,859 |
| Investment | 3,500,000 | 3,500,000 |
| Future income tax asset | 533,527 | 533,527 |
| ----- | | |
| | \$ 29,941,681 | \$ 25,314,103 |
| ===== | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT | | |
| Bank indebtedness | \$ 2,226,438 | \$ 1,462,766 |
| Accounts payable and accrued liabilities | 7,925,465 | 4,022,114 |
| Due to shareholders | 315,000 | 628,346 |
| Current portion of long-term debt | 185,925 | 185,925 |

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

| | | |
|-----------------------------|---------------|---------------|
| Future income tax liability | 432,490 | 432,490 |
| ----- | | |
| TOTAL CURRENT LIABILITIES | 11,085,318 | 6,731,641 |
| Long-term debt | 454,093 | 501,670 |
| Future income tax liability | 22,110 | 22,110 |
| TOTAL LIABILITIES | 11,561,521 | 7,255,421 |
| ----- | | |
| SHAREHOLDERS' EQUITY | | |
| Capital stock | 42,096,732 | 42,096,732 |
| Deficit | (23,716,572) | (24,038,050) |
| TOTAL SHAREHOLDERS' EQUITY | \$ 18,380,160 | \$ 18,058,682 |
| ----- | | |
| | \$ 29,941,681 | \$ 25,314,103 |
| ===== | | |

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

ENERGY POWER SYSTEMS LIMITED
CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

| | FOR THE THREE MONTH PERIOD ENDING SEPTEMBER 30 | |
|---|--|--------------|
| | 2002 | 2001 |
| | ----- | ----- |
| Sales | \$ 10,462,874 | \$ 5,540,561 |
| ----- | | |
| Cost of sales (including depreciation and depletion of \$117,619; 2001 - \$61,587) | 9,175,826 | 4,540,241 |
| Gross profit | 1,287,048 | 1,000,320 |
| ----- | | |
| Administrative expenses | 896,717 | 660,023 |
| Amortization of goodwill | - | 65,314 |
| Amortization of capital assets | 17,179 | 39,810 |
| Interest and bank charges | 40,208 | 32,015 |
| Interest on long-term debt | 11,466 | 17,426 |
| ----- | | |
| | 965,570 | 814,588 |
| ----- | | |
| Earnings before the following | 321,478 | 185,732 |
| ----- | | |
| Other income | - | 224,287 |
| ----- | | |

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

| | | | | |
|------------------------------|----|----------------|----|----------------|
| NET EARNINGS | \$ | 321,478 | \$ | 410,019 |
| ----- | | | | |
| Deficit, beginning of period | | (24,038,050) | | (20,849,848) |
| ----- | | | | |
| Deficit, end of period | | (\$23,716,572) | | (\$20,849,848) |
| ===== | | | | |

NET EARNINGS PER COMMON SHARE

| | | | | |
|--------------------------------|----|--------|----|-------|
| ----- | | | | |
| Net earnings per share | \$ | 0.04 | \$ | 0.07 |
| ----- | | | | |
| Weighted average common shares | | | | |
| ----- | | | | |
| outstanding (thousands) | | 10,579 | | 6,300 |
| ----- | | | | |

FULLY DILUTED NET EARNINGS PER COMMON SHARE

| | | | | |
|--|----|--------|----|-------|
| ----- | | | | |
| Net earnings per share | \$ | 0.03 | \$ | 0.05 |
| ----- | | | | |
| Weighted average fully diluted common shares | | | | |
| ----- | | | | |
| outstanding (thousands) | | 11,010 | | 8,695 |
| ----- | | | | |

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

financial statements

ENERGY POWER SYSTEMS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

FOR THE THREE MONTH PERIOD
ENDING SEPTEMBER 30
2002 2001

OPERATING ACTIVITIES

| | | | | |
|---|----|---------|----|---------|
| ----- | | | | |
| Net earnings | \$ | 321,478 | \$ | 410,019 |
| Adjustments to reconcile net earnings to net cash provided by operating activities | | | | |
| Amortization of goodwill | | - | | 65,314 |
| Amortization of capital assets | | 134,798 | | 101,397 |

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

| | | |
|--|--------------|-------------|
| Future income taxes, net | - | (745) |
| ----- | ----- | ----- |
| | 456,276 | 575,985 |
| Net change in non-cash working capital | | |
| Receivables | (6,580,243) | (489,890) |
| Inventories and work in progress | 1,671,437 | (982,454) |
| Prepaid expenses | 6,505 | (35,012) |
| Accounts payable and accrued liabilities | 3,903,351 | 256,834 |
| ----- | ----- | ----- |
| CASH USED IN OPERATIONS | (542,674) | (674,537) |
| FINANCING ACTIVITIES | | |
| Bank indebtedness | 763,672 | 586,598 |
| Long term debt, net | (47,577) | (52,485) |
| Repayment to shareholders | (313,346) | 177 |
| Issue of common shares | - | 823,246 |
| ----- | ----- | ----- |
| CASH PROVIDED BY FINANCING ACITIVITIES | 402,749 | 1,357,536 |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (26,027) | (27,762) |
| Purchase of oil and gas interests | (87,122) | (115,938) |
| Due from co-venturer | (924,832) | (275,158) |
| Marketable securities | (435) | (158,405) |
| ----- | ----- | ----- |
| CASH USED IN INVESTING ACTIVITIES | (1,038,416) | (577,263) |
| NET INCREASE IN CASH | (1,178,341) | 105,736 |
| Cash, beginning of period | 5,610,621 | 1,242,621 |
| ----- | ----- | ----- |
| CASH, END OF PERIOD | \$ 4,432,280 | \$1,348,357 |
| ===== | ===== | ===== |

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

| | | | |
|----------------------------------|------|-------------|-------------|
| CASH, END OF PERIOD CONSISTS OF: | Cash | \$4,432,280 | \$1,348,357 |
| | | ----- | ----- |

ENERGY POWER SYSTEMS LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDING SEPTEMBER 30, 2002

(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, 2002. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements together with notes for the year ended June 30, 2002.

2. SEGMENTED INFORMATION

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

The Company's operations are separated into two distinct segments; the Industrial & Offshore Division, consisting of the consolidated operations of M&M Engineering Limited, a wholly owned subsidiary, and the Oil & Gas Division performing oil and gas exploration and production. M&M is an industrial contracting company performing fabrication and installation of process piping, installation of production equipment, steel tank erection, specialized welding services and industrial maintenance. Results for the three months ending September 30, 2002 and September 30, 2001 are as follows:

FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2002

| | Industrial & Offshore | Oil & Gas | Corporate | Total |
|---|--------------------------|-----------|-----------|------------|
| Revenue | 10,306,317 | 156,557 | - | 10,462,874 |
| Interest expense | 49,901 | - | 1,773 | 51,674 |
| Amortization and depletion | 60,849 | 73,949 | - | 134,798 |
| Net earnings (loss) | 689,503 | (21,761) | (346,264) | 321,478 |
| ===== | | | | |
| Capital assets and oil and gas interests | 2,800,037 | 4,413,251 | - | 7,213,288 |
| ===== | | | | |

FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2001

| | Industrial & Offshore | Oil & Gas | Corporate | Total |
|---|--------------------------|-----------|-----------|-----------|
| Revenue | 5,402,224 | 138,337 | - | 5,540,561 |
| Interest expense | 49,441 | - | - | 49,441 |
| Amortization and depletion | 152,357 | 14,354 | - | 166,711 |
| Net earnings | 323,438 | 37,929 | 48,652 | 410,019 |
| ===== | | | | |
| Capital assets and oil and gas interests | 3,236,702 | 2,119,077 | - | 5,355,779 |
| ===== | | | | |

3. SUBSEQUENT EVENTS

On October 4, 2002 96,000 warrants exercisable at \$9.60 expired.

4. SHARE CAPITAL

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

(a) Authorized and Issued:

Authorized:

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

Issued

Common shares

| | # | Consideration |
|-----------------------------------|------------|---------------|
| Balance, as at June 30, 2002 | 10,578,645 | \$42,096,732 |
| Balance, as at September 30, 2002 | 10,578,645 | \$ 42,096,732 |

(b) Common share purchase warrants outstanding consist of the following:

| EXERCISE | EXPIRY | 2002 | 2001 |
|----------|-----------------|---------|---------|
| PRICE | DATE | # | # |
| \$8.00 | March 9, 2002 | - | 222,917 |
| \$9.60 | October 4, 2002 | 96,000 | 96,000 |
| US\$4.45 | March 13, 2003 | 40,000 | - |
| | | ----- | ----- |
| | | 136,000 | 318,917 |
| | | ===== | ===== |

(c) Common share purchase options outstanding consist of the following:

| EXERCISE | EXPIRY | 2002 | 2001 | | |
|----------|------------------|---------------------------|---------|---------|---------|
| PRICE | DATE | HOLDER | # | # | |
| \$ 1.50 | February 6, 2005 | Directors and employees | - | 105,000 | |
| \$ 4.00 | June 14, 2005 | Directors and consultants | 21,000 | 110,000 | |
| \$ 6.30 | January 8, 2006 | Directors and employees | 274,000 | - | |
| | | ----- | | ----- | |
| | | | | 295,000 | 215,000 |

