

ENERGY POWER SYSTEMS LTD

Form 6-K

March 05, 2002

ENERGY POWER SYSTEMS LIMITED

Consolidated Financial Statements
December 31, 2001
(Unaudited)
(Expressed in Canadian Dollars)

Energy Power Systems Limited
Consolidated Balance Sheet
(Expressed in Canadian dollars)

	Dec 31, 2001 (unaudited)	June 30, 2001 (audited)
ASSETS		
Current		
Cash	\$3,846,062	\$1,242,621
Marketable securities	363,924	221,213
Receivables	6,541,782	4,331,086
Due from co-venturer	557,321	208,652
Inventories and work in progress	1,902,051	1,039,853
Prepaid expenses	105,522	67,329
Investments	3,500,000	3,500,000
Future income tax asset	235,000	235,000
Total current assets	17,051,662	10,845,754
Oil and gas interests	2,997,924	2,017,493

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Capital assets	3,011,268	3,268,096
Future income tax asset	862,749	862,000
Goodwill	1,926,199	2,056,832
	\$25,849,802	\$19,050,175

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Bank indebtedness	\$908,087	\$829,001
Accounts payable and accrued liabilities	5,476,660	4,200,868
Due to shareholders	513,888	1,162,403
Current portion of long-term debt	182,151	182,151
Future income tax liability	266,000	266,000
Total current liabilities	7,346,786	6,640,423

Due to shareholders, July 31, 2001	350,000	350,000
Long-term debt	600,329	646,311
Future income tax liability	56,000	56,000
Total liabilities	8,353,115	7,692,734

Shareholders' equity

Capital stock	38,185,900	32,207,289
Deficit	(20,689,213)	(20,849,848)
Total shareholders' equity	\$17,496,687	\$11,357,441

\$25,849,802 \$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 and Deficit

(Unaudited)

(Expressed in Canadian dollars)

	For the six month period ending December 31		For the three month period ending December 31	
	2001	2000	2001	2000
Sales	\$14,351,432	\$12,788,990	\$8,810,871	\$8,265,023
Cost of sales (including depreciation and depletion of \$125,669; 2000 - \$106,926)	12,473,356	11,363,999	7,933,115	7,532,491
Gross profit	1,878,076	1,424,991	877,756	732,532
Administrative expenses	1,210,579	1,070,145	765,056	384,057
Amortization of goodwill	130,629	130,629	65,315	65,315
Amortization of capital assets	81,639	75,530	41,829	39,473
Interest and bank charges	42,576	43,138	10,561	13,266
Interest on long-term debt	32,471	48,925	15,045	24,135
	1,497,894	1,368,367	897,806	526,246
Earnings (loss) before				

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the following	380,182	56,624	(20,050)	206,286
Write down of inactive capital assets	(231,251)	-	(231,251)	-
Other income	11,704	35,626	1,917	33,898
Net earnings (loss) from Continuing Operations	\$160,635	\$92,250	(\$249,384)	\$240,184
Discontinued Operations	-	55,354	-	144,304
Net earnings (loss)	\$160,635	\$147,604	(\$249,384)	\$384,488
Deficit, beginning of period	(20,849,848)	(17,214,932)	(20,439,829)	(17,451,816)
Deficit, end of period	(\$20,689,213)	(\$17,067,328)	(\$20,689,213)	(\$17,067,328)
Net earnings (loss) from Continuing Operations per Common Share				
Net earnings (loss) per share	\$0.02	\$0.02	(\$0.04)	\$0.06
Weighted average common shares outstanding (thousands)	7,120	3,832	7,120	3,832
Fully Diluted net earnings (loss) from Continuing Operations per Common Share				
Net earnings (loss) per share	\$0.02	\$0.02	(\$0.03)	\$0.06
Weighted average fully diluted shares outstanding (thousands)	7,883	3,832	7,883	3,832
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 six month period ending December 31 2001	For the three month period ending December 31 2000
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Operating activities

Net earnings (loss) from

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continuing operations	\$160,635	\$92,250	(\$249,384)	\$240,184
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities				
Amortization of goodwill	130,629	130,629	65,315	65,315
Amortization of capital assets	207,308	182,456	105,911	93,355
(Gain) loss on sale of capital assets	(8,254)	1,977	(8,254)	1,977
Unrealized foreign exchange loss	-	332,000	-	332,000
Write down of marketable securities	83,181	-	83,181	-
Write down of inactive capital assets	231,251	-	231,251	-
Future income tax asset	(749)	-	(4)	-
804,001	739,312	228,016	732,831	
Net change in non-cash working capital				
Receivables	(2,210,696)	(236,395)	(1,720,806)	(537,656)
Inventories and work in progress	(862,198)	690,175	120,256	1,473,419
Due from co-venturer	(348,669)	(459,176)	(73,511)	(131,090)
Prepaid expenses	(38,193)	(5,763)	(3,181)	(35,162)
Accounts payable & accrued liabilities	1,275,792	(732,082)	1,018,958	(585,825)
Cash (used in) provided by continuing operations	(1,379,963)	(3,929)	(430,268)	916,517
Cash provided by discontinued operations	-	55,354	-	144,304
Cash provided by (used in) operating activities	(1,379,963)	51,425	(430,268)	1,060,821
Financing activities				
Advances (repayment) of bank indebtedness		79,086	(279,315)	(507,512)
Repayment of long term debt, net	(113,761)	(137,343)	(61,276)	(73,850)
Payments to related parties, net	-	(733,165)	-	(702,190)
Repayment to shareholders	(648,515)	(1,218,479)	(648,692)	(618,479)
Issue of common shares	5,978,611	800,000	5,155,365	800,000
Cash provided by (used in) financing activities	5,295,421	(1,568,302)	3,937,885	(1,538,458)
Investing activities				
Purchase of capital assets	(88,990)	(153,512)	(61,228)	(72,906)
Proceeds from sale of capital assets	12,000	12,500	12,000	12,500
Recovery of other assets	-	1,629,462	-	1,629,462
Purchase of oil and gas interests	(1,009,139)	-	(893,201)	-
Marketable securities	(225,888)	-	(67,483)	
Cash provided by (used in) investing activities	(1,312,017)	1,488,450	(1,009,912)	1,569,056
Net increase (decrease) in cash	2,603,441	(28,427)	2,497,705	1,091,419
Cash, beginning of period	1,242,621	1,771,047	1,348,357	651,201
Cash, end of period	\$3,846,062	\$1,742,620	\$3,846,062	\$1,742,620

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

Energy Power Systems Limited

Consolidated Statement of Segmented Information

(Unaudited) (Expressed in Canadian Dollars)

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For the six months ending December 31, 2001

	Engineering & Offshore	Oil & Gas	Corporate	Total
Revenue	14,099,725	251,707	-	14,351,432
EBITDA	837,653	94,849	(127,632)	804,870
Amortization & depletion	309,229	28,708	-	337,937
Segment operating margin	528,424	66,141	(127,632)	466,933
Write down of inactive capital assets	231,251	-	-	231,251
Interest and income taxes	70,762	-	4,285	75,047
Net earnings from continuing operations	226,411	66,141	(131,917)	160,635
Capital assets and Oil & Gas Interests	3,011,268	2,997,924	-	6,009,192

For the six months ending December 31, 2000

	Engineering & Offshore	Oil & Gas	Corporate	Total
Revenue	12,788,990	-	-	12,788,990
EBITDA	452,585	- 44,813	497,398	
Amortization	313,085	-	-	313,085
Segment operating margin	139,500	-	44,813	184,313
Interest and income taxes	91,070	-	993	92,063
Net earnings from continuing operations	48,430	-	43,820	
Capital assets	4,936,035	-	- 4,936,035	

For the three months ending December 31, 2001

	Engineering & Offshore	Oil & Gas	Corporate	Total
Revenue	8,697,501	113,370	-	8,810,871
EBITDA	312,916	42,566 (176,783)	178,699	
Amortization & depletion	156,872	14,354	-	171,226
Segment operating margin	156,044	28,212	(176,783)	7,473
Write down of inactive capital assets	231,251	-	-	231,251
Interest and income taxes	21,820	-	3,786	25,606
Net earnings from continuing operations	(97,027)	28,212	(180,569)	(249,384)

For the three months ending December 31, 2000

	Engineering & Offshore	Oil & Gas	Corporate	Total
Revenue	8,265,023	-	-	8,265,023
EBITDA	240,951	-	195,304	436,255
Amortization	158,670	-	-	158,670
Segment operating margin	82,281	-	195,304	277,585
Interest and income taxes	37,174	-	227	37,401
Net earnings from continuing operations				

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operations	45,107	-	195,077
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Energy Power Systems Limited
Notes to Unaudited Consolidated Financial Statements
For the Six Month Period Ending December 31, 2001 (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.

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 December 31, 2001 800,000 preferred shares were converted into 640,000 common shares and 640,000 purchase warrants which were exercised at \$1.50 per share.

(b) Subsequent to the period ending December 31, 2001 5,000 options were exercised at a price of \$1.50 per share and 20,000 options were exercised at a price of \$4.00 per share.

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

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Unlimited number of Class A Preference Shares, Series II

Issued

Common shares

		#	Consideration
Balance, as at June 30, 2001	6,273,419	\$31,007,289	
Issued pursuant to exercise of options	179,000	433,500	
Issued pursuant to private placement	707,726	4,265,111	
Issued pursuant to conversion of preferred shares		320,000	400,000
Issued pursuant to exercise of warrants	1,320,000	1,280,000	
Balance, as at December 31, 2001	7,288,419	\$37,385,900	

Preference shares

Balance, as at June 30, 2001	1,200,000	\$1,200,000
Converted into common shares	400,000	(400,000)
Balance, as at December 31, 2001	800,000	\$800,000

Total stated capital as at December 31, 2001 - \$38,185,900

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

Exercise Price	Expiry Date	2001	#	2000	#
\$8.00	March 9, 2002	22,917		222,917	
\$9.60	October 4, 2002	96,000		96,000	
\$0.52	December 28, 2002	-		1,000,000	
\$0.80	January 16, 2003	-		1,000,000	
US\$4.45 May 9, 2002		35,000		-	
US\$4.45 May 16, 2002		35,000	-		
		388,917		2,318,917	

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

Exercise Price	Expiry Date	Holder	2001	2000
			#	#
\$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	-	2,500
\$1.50	February 6, 2005	Directors and employees	5,000	-
\$4.00	June 14, 2005	Directors and consultants	66,000	-
\$6.30	January 8, 2006	Directors and employees	322,500	-
			393,500	94,375