

ENERNORTH INDUSTRIES INC
Form 6-K
December 01, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 under the
Securities Exchange Act of 1934

For the month of December, 2003

Commission File Number 0-29586

(Address of Principal executive offices)

2 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 1L6, Canada
(Address of principal executive offices)

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

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

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 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

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.

EnerNorth Industries Inc.
(formerly: Energy Power Systems Limited)

Date: December 1, 2003

By: _____ "Sandra J. Hall" _____

Sandra J. Hall,

President, Secretary & Director

Consolidated Financial Statements
September 30, 2003
(Unaudited)
(Expressed in Canadian Dollars)

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(Expressed in Canadian dollars)

| | September 30, 2003 (unaudited) | June 30, 2003 (audited) |
|-------------------------------------------------------------------|-----------------------------------|----------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 5,593,300 | \$ 6,729,283 |
| Restricted cash | 1,218,070 | 1,218,070 |
| Marketable securities | 394,539 | 176,804 |
| Receivables | 4,972,619 | 6,503,464 |
| Due from co-venturer | 551,282 | 461,150 |
| Inventories | 780,822 | 713,835 |
| Unbilled revenue | (110,606) | 1,680,806 |
| Prepaid expenses | 234,620 | 240,725 |
| Total current assets | 13,634,646 | 17,724,137 |
| Oil and gas interests (net of accumulated depletion) | 4,961,048 | 4,444,038 |
| Capital assets (net of accumulated depreciation and amortization) | 3,150,253 | 3,166,786 |
| Investment (Note 4) | 3,500,000 | 3,500,000 |
| | \$ 25,245,947 | \$ 28,834,961 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Bank indebtedness | \$ 1,289,919 | \$ 2,036,933 |
| Accounts payable and accrued liabilities | 3,060,779 | 5,747,414 |
| Due to shareholder (Note 3(b)) | 154,676 | 402,419 |
| Current portion of long-term debt | 158,309 | 158,309 |
| Deferred revenue | 2,341,116 | 2,399,086 |
| Future income tax liability | 302,900 | 302,900 |
| Oakwell claim (Note 5) | 5,900,000 | 5,900,000 |
| Total current liabilities | 13,207,699 | 16,947,061 |
| Long-term debt | 503,294 | 528,020 |
| Site Restoration | 106,274 | 106,274 |
| Total liabilities | 13,817,267 | 17,581,355 |
| Shareholders' equity | | |
| Capital stock (Note 6) | 43,339,132 | 43,339,132 |
| Deficit | (31,910,452) | (32,085,526) |
| Total shareholders' equity | \$ 11,428,680 | \$ 11,253,606 |

| | | | |
|----|------------|----|------------|
| \$ | 25,245,947 | \$ | 28,834,961 |
|----|------------|----|------------|

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

2

EnerNorth Industries Inc.
Consolidated Statements of Income and Deficit
(Unaudited)
(Expressed in Canadian dollars)

| | For the three month period ending September 30 | |
|----------------------------------------------------------------------------------------|------------------------------------------------------|-------------------|
| | 2003 | 2002 |
| Sales | \$ 6,952,262 | \$ 10,462,874 |
| Cost of sales (including depreciation and depletion of \$160,352; 2002 - \$117,619) | 5,956,197 | 9,175,826 |
| Gross profit | 996,065 | 1,287,048 |
| Administrative expenses | 884,664 | 896,717 |
| Amortization of capital assets | 33,661 | 17,179 |
| Interest | 22,995 | 40,208 |
| Interest on long-term debt | 13,209 | 11,466 |
| | 954,529 | 965,570 |
| Income before the following | 41,536 | 321,478 |
| Other income | 133,538 | - |
| Net income before tax | \$ 175,074 | \$ 321,478 |

| | | |
|--------------------------------------------------------|----------------|----------------|
| Income taxes | | |
| Future | 66,528 | - |
| Utilization of loss carryforwards | (66,528) | - |
| <hr/> | | |
| - | | - |
| <hr/> | | |
| | | |
| Net income | \$ 175,074 | \$ 321,478 |
| Deficit, beginning of period | (32,085,526) | (24,038,050) |
| <hr/> | | |
| Deficit, end of period | (\$31,910,452) | (\$23,716,572) |
| <hr/> | | |
| | | |
| Net income per Common Share | | |
| Net income per share | \$ 0.04 | \$ 0.09 |
| Weighted average common shares outstanding (thousands) | 4,059 | 3,526 |
| | | |
| Fully Diluted net income per Common Share | | |
| Net income per share | \$ 0.04 | \$ 0.09 |
| Weighted average common shares outstanding (thousands) | 4,592 | 3,670 |

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

EnerNorth Industries Inc.
 Consolidated Statements of Cash Flows
 (Unaudited)
 (Expressed in Canadian dollars)

For the three month period
 ending September 30
 2003 2002

| Cash provided by (used in) | | |
|----------------------------------------------------------------------------------|---------------------|---------------------|
| Operating activities | | |
| Net income | \$ 175,074 | \$ 321,478 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Amortization and depletion | 194,013 | 134,798 |
| Gain on sale of marketable securities | (14,628) | - |
| | <u>354,459</u> | <u>456,276</u> |
| Net change in non-cash working capital | | |
| Receivables | 1,530,845 | (6,580,243) |
| Inventories and unbilled revenue | 1,724,425 | 1,671,437 |
| Prepaid expenses | 6,105 | 6,505 |
| Accounts payable and accrued liabilities | (2,686,635) | 3,903,351 |
| Deferred revenue | (57,970) | - |
| | <u>871,229</u> | <u>(542,674)</u> |
| Financing activities | | |
| Bank indebtedness | (747,014) | 763,672 |
| Repayments of Long term debt | (46,212) | (47,577) |
| Repayment to shareholders | (247,743) | (313,346) |
| | <u>(1,040,969)</u> | <u>402,749</u> |
| Investing activities | | |
| Purchase of capital assets | (36,108) | (26,027) |
| Oil and gas interests | (627,975) | (87,122) |
| Due from co-venturer | (99,053) | (924,832) |
| Marketable securities | (203,107) | (435) |
| | <u>(966,243)</u> | <u>(1,038,416)</u> |
| Decrease in cash | (1,135,983) | (1,178,341) |
| Cash, beginning of period | 6,729,283 | 5,610,621 |
| Cash, end of period | <u>\$ 5,593,300</u> | <u>\$ 4,432,280</u> |
| Cash, end of period consists of: | | |
| Cash | \$ 2,798,875 | \$ 1,719,015 |
| Money market funds | \$ 2,794,425 | \$ 2,713,265 |

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

4

EnerNorth Industries Inc.
Notes to Unaudited Consolidated Financial Statements
For the Three Month Period Ending September 30, 2003
(Expressed in Canadian Dollars)

1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by management following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended June 30, 2003. 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, 2003. The unaudited consolidated financial results for the three month period ending September 30, 2003 and 2002 include the accounts of the Company and its wholly owned subsidiary M&M Engineering Limited, a Newfoundland and Labrador company, M&M's wholly-owned subsidiary M&M Offshore Limited, a Newfoundland and Labrador company, 10915 Newfoundland Limited, 11123 Newfoundland Limited and the proportionate share of its interests in joint ventures whose business focus is construction, mechanical contracting and steel fabrication. Operating results for the three months ended September 30, 2003 are not indicative of the results that may be expected for the full year ending June 30, 2004.

2. Segmented information

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 month period ending September 30, 2003 and September 30, 2002 are presented in the Consolidated Statements of Segmented Information below:

EnerNorth Industries Inc.

Consolidated Statements of
Segmented Information
(Unaudited) (Expressed in
Canadian Dollars)

For the three months ending
September 30, 2003

| | Industrial & Offshore | Oil & Gas | Corporate | Total |
|---------------------------------------------|--------------------------|-----------|-----------|-----------|
| Revenue | 6,820,024 | 132,238 | - | 6,952,262 |
| Interest expense | 35,691 | - | 513 | 36,204 |
| Amortization and depletion | 83,048 | 110,965 | - | 194,013 |
| Net earnings (loss) | 360,450 | (68,543) | (116,833) | 175,074 |
| Capital assets and oil and gas interests | 3,150,253 | 4,961,048 | - | 8,111,301 |

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 | 689,503 | (21,761) | (346,264) | 321,478 |
| Capital assets and oil and gas interests | 2,800,037 | 4,413,251 | - | 7,213,288 |

3. Related Party Transactions

- a. During the three month period ending September 30, 2003 a director of the Company was paid US\$5,000 under a nine month consulting agreement that commenced September 1, 2003.
- b. During the three month period ending September 30, 2003 the Company repaid \$247,743 to a shareholder and a director of the Company.

These transactions were in the normal course of business of the Company and were measured at the exchange amount.

4. Subsequent Events

As of September 30, 2003 the Company owns 11,348,200 shares of Konaseema EPS Oakwell Power Limited ("KEOPL"), a company incorporated in India that is developing a power project in Andhra Pradesh. Pursuant to an Agreement and Arbitration Award passed on October 11, 2003, VBC Ferro Alloys Ltd. ("VBC") agreed to transfer an additional 500,000 equity shares in KEOPL of par value of INR 10 each aggregating to Indian Rupees ("INR") 5 million (approximately Cdn\$150,000) to the Company as special consideration arising out of an increase in the equity of KEOPL.

Pursuant to the Arbitration Award, VBC shall be required to buy the 11,348,200 shares in KEOPL for consideration of INR 113,482,000 (approximately Cdn\$3.3 million) on or before the earlier event of 60 days after the first disbursement of funds on Financial Closure of the Project and March 31, 2004. The Company shall at its option upon written notice to VBC offer to sell and VBC shall be required to buy the 500,000 equity shares of KEOPL at the par value of INR 5 million on or before the same dates mentioned above. If VBC does not buy back or pay for the shares by March 31, 2004 interest of 12% will be charged per annum.

5. Oakwell Claim

In August 2002 the Company was named as a defendant in a legal proceeding in the High Court of Singapore. On October 16, 2003, the Company received a decision from the court with respect to a 13 day trial held from May 5, 2003 to May 22, 2003. In his decision, the judge awarded Oakwell Engineering Limited a total award of US\$4.16 million (approximately Cdn\$5.4 million) plus certain legal costs, estimated at Cdn\$0.5 million. On November 13, 2003, the Company filed a Notice of Appeal of the Judgment in the Court of Appeal of the Republic of Singapore. A provision of Cdn\$5.9 million was recorded for this claim in the Company's June 30, 2003 audited consolidated financial statements.

6. Share Capital

1. 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, 2003 | 4,059,009 | \$ | 43,339,132 |
| Balance, as at September 30, 2003 | 4,059,009 | \$ | 43,339,132 |

1. Common share purchase warrants outstanding consist of the following:

| Exercise Price | Expiry Date | 2003 # | 2002 # |
|----------------|-------------------|---------|--------|
| \$28.80 | October 4, 2002 | - | 32,000 |
| US\$ 13.35 | March 13, 2003 | - | 13,333 |
| US\$ 1.80 | December 31, 2004 | 533,332 | - |
| | | 533,332 | 45,333 |

1. Common share purchase options outstanding consist of the following:

| Exercise Price | Expiry Date | Holder | 2003 # | 2002 # |
|----------------|-----------------|-------------------------|--------|--------|
| \$12.00 | June 14, 2005 | Consultant | - | 7,000 |
| \$18.90 | January 8, 2006 | Directors and employees | - | 91,333 |
| | | | - | 98,333 |