

ENERNORTH INDUSTRIES INC
Form 6-K
March 01, 2004

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 February, 2004

Commission File Number 0-29586

(formerly: Energy Power Systems Limited)
(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: February 27, 2004

By: _____ "Sandra J. Hall" _____

Sandra J. Hall,

President, Secretary & Director

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Consolidated Financial Statements
Second Quarter
December 31, 2003
(Unaudited)
(Expressed in Canadian Dollars)

2 Adelaide Street West, Suite 301, Toronto, Ontario M5H 1L6
1-866-230-3305 www.enernorth.com

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EnerNorth Industries Inc.
Consolidated Balance Sheets
(Expressed in Canadian dollars)

December 31, 2003
(unaudited)

June 30, 2003
(audited)

ASSETS

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| | | | |
|---|----|--------------|---------------|
| Current | | | |
| Cash and cash equivalents | \$ | 4,306,514 | \$ 6,729,283 |
| Restricted cash | | 1,218,070 | 1,218,070 |
| Marketable securities | | 489,539 | 176,804 |
| Receivables | | 5,750,310 | 6,503,464 |
| Inventories | | 681,687 | 713,835 |
| Unbilled revenue | | 456,631 | 1,680,806 |
| Due from co-venturer | | 1,073,921 | 461,150 |
| Prepaid expenses | | 192,179 | 240,725 |
| Investment | | 3,365,000 | - |
| <hr/> | | | |
| Future income tax asset | | - | - |
| <hr/> | | | |
| Total current assets | | 17,533,851 | 17,724,137 |
| | | | |
| Oil and gas interests (net of accumulated depletion) | | 4,998,047 | 4,444,038 |
| Capital assets (net of accumulated depreciation and amortization) | | 3,093,947 | 3,166,786 |
| Investment | | - | 3,500,000 |
| <hr/> | | | |
| Future income tax asset | | - | - |
| <hr/> | | | |
| | \$ | 25,625,845 | \$ 28,834,961 |
| <hr/> | | | |
| | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Bank indebtedness | \$ | 1,013,421 | \$ 2,036,933 |
| Accounts payable and accrued liabilities | | 3,844,369 | 5,747,414 |
| Due to shareholder (Note 3b) | | - | 402,419 |
| Current portion of long-term debt | | 158,309 | 158,309 |
| Deferred revenue | | 2,162,645 | 2,399,086 |
| Future income tax liability | | 302,900 | 302,900 |
| Oakwell claim (Note 4) | | 7,503,000 | 5,900,000 |
| Total current liabilities | | 14,984,644 | 16,947,061 |
| | | | |
| Long-term debt | | 463,209 | 528,020 |
| Site Restoration | | 106,274 | 106,274 |
| Future income tax liability | | - | - |
| <hr/> | | | |
| Total liabilities | | 15,554,127 | 17,581,355 |
| <hr/> | | | |
| Shareholders' equity | | | |
| Capital stock (Note 5) | | 43,339,132 | 43,339,132 |
| Deficit | | (33,267,414) | (32,085,526) |
| Total shareholders' equity | \$ | 10,071,718 | \$ 11,253,606 |
| <hr/> | | | |

| | | | |
|----|------------|----|------------|
| \$ | 25,625,845 | \$ | 28,834,961 |
|----|------------|----|------------|

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

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

| | For the six month period ending December 31 | | For the three month period ending December 31 | |
|---|---|---------------|---|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| Sales | \$ 16,822,513 | \$ 15,023,874 | \$ 9,870,251 | \$ 4,561,000 |
| Cost of sales (including depreciation and depletion of \$335,156; 2002 - \$208,189) | 14,140,325 | 13,079,915 | 8,184,128 | 3,904,089 |
| Gross profit | 2,682,188 | 1,943,959 | 1,686,123 | 656,911 |
| Administrative expenses | 2,354,490 | 2,006,852 | 1,469,826 | 1,110,135 |
| Amortization of capital assets | 49,632 | 40,327 | 15,971 | 23,148 |
| Interest | 59,904 | 79,639 | 36,909 | 39,431 |
| Interest on long-term debt | 24,921 | 25,203 | 11,712 | 13,737 |
| | 2,488,947 | 2,152,021 | 1,534,418 | 1,186,451 |
| Income (loss) before the following | 193,241 | (208,062) | 151,705 | (529,540) |
| Oakwell claim | (1,603,000) | - | (1,603,000) | - |
| Other income | 227,871 | 101,806 | 94,333 | 101,806 |
| Net loss before tax | (\$1,181,888) | (\$106,256) | (\$1,356,962) | (\$427,734) |

| | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Income taxes | | | | |
| Future | 301,083 | - | 234,555 | - |
| Utilization of loss carryforwards | (301,083) | - | (234,555) | - |
| | | | | |
| | - | - | - | - |
| | | | | |
| Net loss | (\$1,181,888) | (\$106,256) | (\$1,356,962) | (\$427,734) |
| Deficit, beginning of period | (32,085,526) | (24,038,050) | (31,910,452) | (23,716,572) |
| Deficit, end of period | (\$33,267,414) | (\$24,144,306) | (\$33,267,414) | (\$24,144,306) |

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Net loss per Common Share | | | | |
| Net loss per share | (\$0.29) | (\$0.03) | (\$0.33) | (\$0.11) |
| Weighted average common shares outstanding (thousands) | 4,059 | 4,059 | 4,059 | 4,028 |
| Fully Diluted net loss per Common Share | | | | |
| Net loss per share | antidilutive | antidilutive | antidilutive | antidilutive |

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

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

| | | | | |
|--|--|------|--|------|
| | For the six month period ending December 31 | | For the three month period ending December 31 | |
| | 2003 | 2002 | 2003 | 2002 |

Cash provided by (used in)

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| | | | | |
|--|--------------------|------------------|------------------|------------------|
| Operating activities | | | | |
| Net loss | (\$1,181,888) | (\$106,256) | (\$1,356,962) | (\$427,734) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | | | |
| Amortization and depletion | 384,788 | 248,516 | 190,775 | 113,718 |
| (Gain) loss on sale of capital assets | - | - | - | - |
| Write down of marketable securities | - | - | - | - |
| Oakwell claim | 1,603,000 | - | 1,617,628 | - |
| Unrealized foreign exchange | | | | |
| loss on investment | 135,000 | - | 135,000 | - |
| Gain on sale of marketable securities | (14,628) | (60,195) | (14,628) | (60,195) |
| | <u>926,272</u> | <u>82,065</u> | <u>571,813</u> | <u>(374,211)</u> |
| Net change in non-cash working capital | | | | |
| Receivables | 753,154 | (1,097,989) | (777,691) | 5,482,254 |
| Inventories and unbilled revenue | 1,256,323 | 1,509,741 | (468,102) | (161,696) |
| Prepaid expenses | 48,546 | (53,945) | 42,441 | (60,450) |
| Accounts payable and accrued liabilities | (1,903,045) | (625,328) | 783,590 | (4,528,679) |
| Restricted cash | - | - | - | - |
| Deferred revenue | (236,441) | - | (178,471) | - |
| | <u>844,809</u> | <u>(185,456)</u> | <u>(26,420)</u> | <u>357,218</u> |
| Financing activities | | | | |
| Bank indebtedness | (1,023,512) | 515,835 | (276,498) | (247,837) |
| Repayment of Long term debt | (86,297) | (95,374) | (40,085) | (47,797) |
| Repayment to shareholders | (402,419) | (313,346) | (154,676) | - |
| Issue of common shares | - | 1,243,145 | - | 1,243,145 |
| | <u>(1,512,228)</u> | <u>1,350,260</u> | <u>(471,259)</u> | <u>947,511</u> |
| Investing activities | | | | |
| Purchase of capital assets | (54,251) | (49,010) | (18,143) | (22,983) |
| Proceeds from sale of capital assets | | | | |
| Oil and gas interests | (790,221) | (38,305) | (162,246) | 48,817 |
| Due from co-venturer | (612,771) | (961,103) | (513,718) | (36,271) |
| Marketable securities | (298,107) | 176,957 | (95,000) | 177,392 |
| | <u>(1,755,350)</u> | <u>(871,461)</u> | <u>(789,107)</u> | <u>166,955</u> |

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| | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|
| Increase (decrease) in cash | (2,422,769) | 293,343 | (1,286,786) | 1,471,684 |
| Cash, beginning of period | 6,729,283 | 5,610,621 | 5,593,300 | 4,432,280 |
| Cash, end of period | \$ 4,306,514 | \$ 5,903,964 | \$ 4,306,514 | \$ 5,903,964 |

Cash, end of period
consists of:

| | | | | |
|--------------------|--------------|--------------|--------------|--------------|
| Cash | \$ 1,942,218 | \$ 3,177,573 | \$ 1,942,218 | \$ 3,177,573 |
| Money market funds | \$ 2,364,296 | \$ 2,726,391 | \$ 2,364,296 | \$ 2,726,391 |

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

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EnerNorth Industries Inc.
Notes to Unaudited Consolidated Financial Statements
For the Six Month Period Ending December 31, 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 six month period ending December 31, 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 six months ended December 31, 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

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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 six month and three month periods ending December 31, 2003 and December 31, 2002 are presented in the Consolidated Statements of Segmented Information below:

For the six months ending December 31, 2003

| | Industrial & Offshore | Oil & Gas | Corporate | Total |
|---|--------------------------|-----------|-------------|-------------|
| Revenue | 16,564,607 | 257,906 | - | 16,822,513 |
| Interest expense | 81,183 | - | 3,642 | 84,825 |
| Amortization and depletion | 148,576 | 236,212 | - | 384,788 |
| Net earnings (loss) | 1,255,968 | (134,521) | (2,303,335) | (1,181,888) |
| Capital assets and oil and gas interests | 3,093,947 | 4,998,047 | - | 8,091,994 |

For the six months ending December 31, 2002

| | Industrial & Offshore | Oil & Gas | Corporate | Total |
|---|--------------------------|-----------|-----------|------------|
| Revenue | 14,759,060 | 264,814 | - | 15,023,874 |
| Interest expense | 101,949 | - | 2,893 | 104,842 |
| Amortization and depletion | 127,845 | 120,671 | - | 248,516 |
| Net earnings | 599,412 | (26,657) | (679,011) | (106,256) |
| Capital assets and oil and gas interests | 2,815,436 | 4,317,712 | - | 7,133,148 |

For the three months ending December 31, 2003

| | Industrial & Offshore | Oil & Gas | Corporate | Total |
|----------------------------|--------------------------|-----------|-------------|-------------|
| Revenue | 9,744,583 | 125,668 | - | 9,870,251 |
| Interest expense | 45,492 | - | 3,129 | 48,621 |
| Amortization and depletion | 65,528 | 125,247 | - | 190,775 |
| Net earnings (loss) | 895,518 | (65,978) | (2,186,502) | (1,356,962) |

For the three months ending December 31, 2002

| | Industrial & Offshore | Oil & Gas | Corporate | Total |
|----------------------------|--------------------------|-----------|-----------|-----------|
| Revenue | 4,452,743 | 108,257 | - | 4,561,000 |
| Interest expense | 52,048 | - | 1,120 | 53,168 |
| Amortization and depletion | 66,996 | 46,722 | - | 113,718 |
| Net earnings | (90,091) | (4,896) | (332,747) | (427,734) |

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EnerNorth Industries Inc.

Notes to Unaudited Consolidated Financial Statements

For the Six month period ending December 31, 2003

(Expressed in Canadian Dollars)

3. Related Party Transactions

a) During the six month period ending December 31, 2003 a director of the Company was paid US\$20,000 (approximately Cdn\$26,000)

under a nine month consulting agreement that commenced September 1, 2003.

b) During the six month period ending December 31, 2003 the Company repaid \$402,419 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

In January 2004, the Company received a further decision from the High Court of the Republic of Singapore with respect to interest calculated on a US\$4.21 million (approximately Cdn\$5.4 million) award to Oakwell Engineering Limited ("Oakwell").

The Judge awarded Oakwell interest of approximately US \$1.21 million for a total award of US\$5.42 million plus certain legal costs, the extent of which is yet to be known. As a result of the judgment the Company accrued an additional provision of Cdn\$1.6 million for the Oakwell Claim.

In January 2004, the Company filed its appeal documents with the Court of Appeal of the Republic of Singapore and the Appeal Court date has been set for April 26, 2004.

5. Share Capital

(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, 2003 | 4,059,009 | \$ 43,339,132 |
| Balance, as at December 31, 2003 | 4,059,009 | \$ 43,339,132 |

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

| Exercise Price | Expiry Date | 2003 # | 2002 # |
|----------------|-------------------|---------|--------|
| US\$ 13.35 | March 13, 2003 | - | 13,333 |
| US\$ 1.80 | December 31, 2004 | 533,332 | - |
| | | 533,332 | 13,333 |

(c) 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 |

CERTIFICATION

I, Sandra J. Hall, President, certify that:

1. I have reviewed the unaudited Interim Consolidated Financial Statements for the six-month period ended December 31, 2003 of EnerNorth Industries Inc. (formerly: Energy Power Systems Limited);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal controls and procedures for financial reporting, or caused such internal controls and procedures for financial reporting to be designed under their supervision, to provide reasonable assurances that the registrant's financial statements are fairly presented in conformity with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and internal controls and procedures for financial reporting as of the end of the period covered by this report ("Evaluation Date");

d) Presented in this report our conclusions about the effectiveness of the disclosure controls and procedures and internal controls and procedures for financial reporting based on our evaluation as of the Evaluation Date;

e) Disclosed to the registrant's audit committee of the board of directors (or persons fulfilling the equivalent function):

(i) All significant deficiencies and material weaknesses in the design or operation of internal controls and procedures for financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial information required to be disclosed by the registrant in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.), within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms; and

(ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls and procedures for financial reporting; and

f) Indicated in this report any significant changes in the registrant's internal controls and procedures for financial reporting or in other factors that could significantly affect internal controls and procedures for financial reporting made during the period covered by this report, including any actions taken to correct significant deficiencies and material weaknesses in the registrant's internal controls and procedures for financial reporting.

Date: February 27, 2004

"Sandra J. Hall"

Sandra J. Hall, President

CERTIFICATION

I, Scott T. Hargreaves, Chief Financial Officer, certify that:

1. I have reviewed the unaudited Interim Consolidated Financial Statements for the six-month period ended December 31, 2003 of EnerNorth Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal controls and procedures for financial reporting, or caused such internal controls and procedures for financial reporting to be designed under their supervision, to provide reasonable assurances that the registrant's financial statements are fairly presented in conformity with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and internal controls and procedures for financial reporting as of the end of the period covered by this report ("Evaluation Date");

d) Presented in this report our conclusions about the effectiveness of the disclosure controls and procedures and internal controls and procedures for financial reporting based on our evaluation as of the Evaluation Date;

e) Disclosed to the registrant's audit committee of the board of directors (or persons fulfilling the equivalent function):

(i) All significant deficiencies and material weaknesses in the design or operation of internal controls and procedures for financial reporting which could adversely affect the registrant's ability to record, process, summarize and report financial information required to be disclosed by the registrant in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.), within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms; and

(ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls and procedures for financial reporting; and

f) Indicated in this report any significant changes in the registrant's internal controls and procedures for financial reporting or in other factors that could significantly affect internal controls and procedures for financial reporting made during the period covered by this report, including any actions taken to correct significant deficiencies and material weaknesses in the registrant's internal controls and procedures for financial reporting.

Date: February 27, 2004

"Scott T. Hargreaves"

Scott T. Hargreaves, Chief Financial Officer

