

June 2007

**RESEARCH REPORT**

# Enersol Corporation

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# Summary

- VSA Resources is mandated by Enersol Corporation to raise £2.5m in the form of a Pre-IPO Private Equity Placement.
- Enersol owns a unique and proven technology known as CVE for increasing fuel efficiency by 15% upwards for hydrocarbons in liquid and gaseous forms with applications across industry, large building heat, rail and road, shipping and marine, and potentially in aviation.
- Enersol has over 60 live corporate customers at present, many of whom are capable of delivering long- term revenues in the £ms.
- Enersol owns PAM, a proprietary measurement and analysis tool which has a unique approach to assessment of fuel efficiency. PAM is the route to long-term customer relationships.
- Enersol has agreed terms to acquire two businesses which will significantly enhance the performance of the Enersol product as well as gain important new customers.
- The net funds raised after the acquisition spend will be used for the full commercialisation worldwide of the Enersol solution ahead of an AIM listing.
- The Board of Enersol includes distinguished scientist, Prof Damien McDonnell OBE as well as outstanding marketing and sales directors.
- Global customers such as AstraZeneca and Bombardier Transportation are seeking long-term relationships with Enersol, while in the UK the National Grid is partnering them to promote the Enersol solution.

## Projected Profit and Loss Account

Year ending	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12
	£	£	£	£	£
Sales	2,897,681	9,559,969	29,918,171	61,422,932	124,577,443
Projected Profits(EBIT)	(462,544)	3,007,250	14,697,261	34,378,610	76,702,440



VSA Resources is committed to providing objective research. This report has been commissioned by Enersol Corporation and is therefore unlikely to be perceived as objective. Your attention is further drawn to the disclaimer at the end of this research report.

# Enersol Corporation Pre IPO Placement

VSA Resources has been mandated by Enersol Corporation to raise up to £2.5m by means of a pre IPO private equity placement.

Enersol is an environmental 'clean tech' business which offers a total solution package and unique technology for reducing hydrocarbon fuel use and enhancing fuel burn efficiency by up to 15% and possibly more for large industrial and commercial users while at the same time reducing emissions of harmful greenhouse gases. The business is easily scaleable, generates revenues and already has an impressive list of blue-chip customers which includes names such as National Grid, AstraZeneca, 3M, Boots, Ford, Solvay and Bombardier Transportation.

## The Opportunity

The rising cost and finite nature of hydrocarbon fuels are issues that are here to stay. Most commentators realise that the main task at hand is to use our overall fuel resources in a more economic and efficient manner. This is particularly relevant because emerging economies are dragging up fossil fuel usage despite the efforts of some of the more developed parts of the world to reduce it, as demonstrated by the chart below. The chart in itself outlines the global opportunity for Enersol in their addressable market worth £60bn as demand for

oil, gas and coal outstrip renewables (wind, hydro) and nuclear over the next 20 or so years. Prices for fossil fuels will almost certainly continue to rise and any technology for fuel efficiency will be in increasingly strong demand.

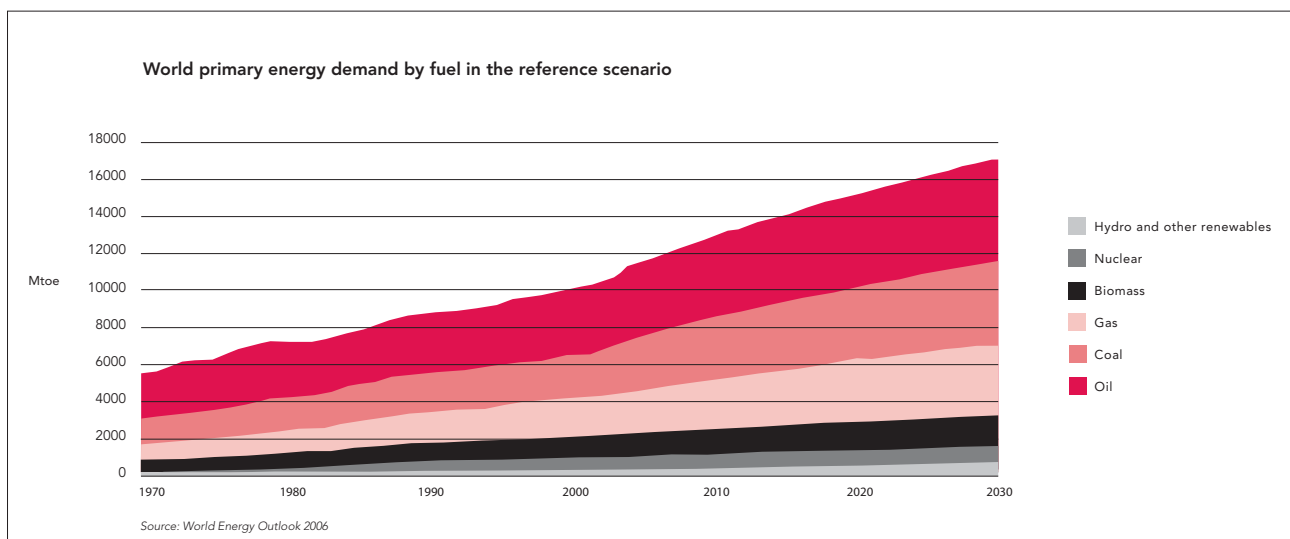
To that effect, while it is easy to measure how much fuel is used in any combustion process there is a massive gap in the market for a standard for calculating and benchmarking fuel efficiency. This can vary by as much as 50% between different operators of similar combustion processes such as industrial boilers.

Fuel efficiency has become a priority for energy managers of large industrial or commercial businesses whose annual fuel bills are often in the many £millions and where small percentage improvements can mean substantial savings on an annual basis.

## The Solution

Enersol offers a total solution to this problem through its proprietary PAM technology (Performance, Analysis and Measurement) allied with its CVE technology (Calorific Value Enhancement).

PAM is a unique fuel efficiency analytical software product based on thermal unit measurement integrated with 12 month day/degree data obtained under licence from the



Met Office. The resulting analysis can be compared to relevant data from other sites which PAM already has in its database and can be benchmarked against an average. Thus valuable data is obtained which governs the decision whether action is required to improve fuel efficiency. If so, as is nearly always the case, Enersol can apply its CVE technology and actually **guarantees** a meaningful fuel efficiency improvement for the customer of up to 10%. In reality the savings are often greater than this.

Enersol will calculate its charge to the customer by means of a percentage of the projected savings. Hence Enersol's revenues scale up rapidly the larger the customer and continue via PAM's service charges in the years following the original CVE equipment sale.

Until the PAM technology came into being, fuel efficiency was not regarded as an issue for corporates principally because of the difficulty in identifying it. There was no consistent way of knowing whether a problem existed or how to quantify it. **Enersol identifies any efficiency problems, provides the solution and guarantees a minimum improvement to generate payback of the costs within 24 months.**

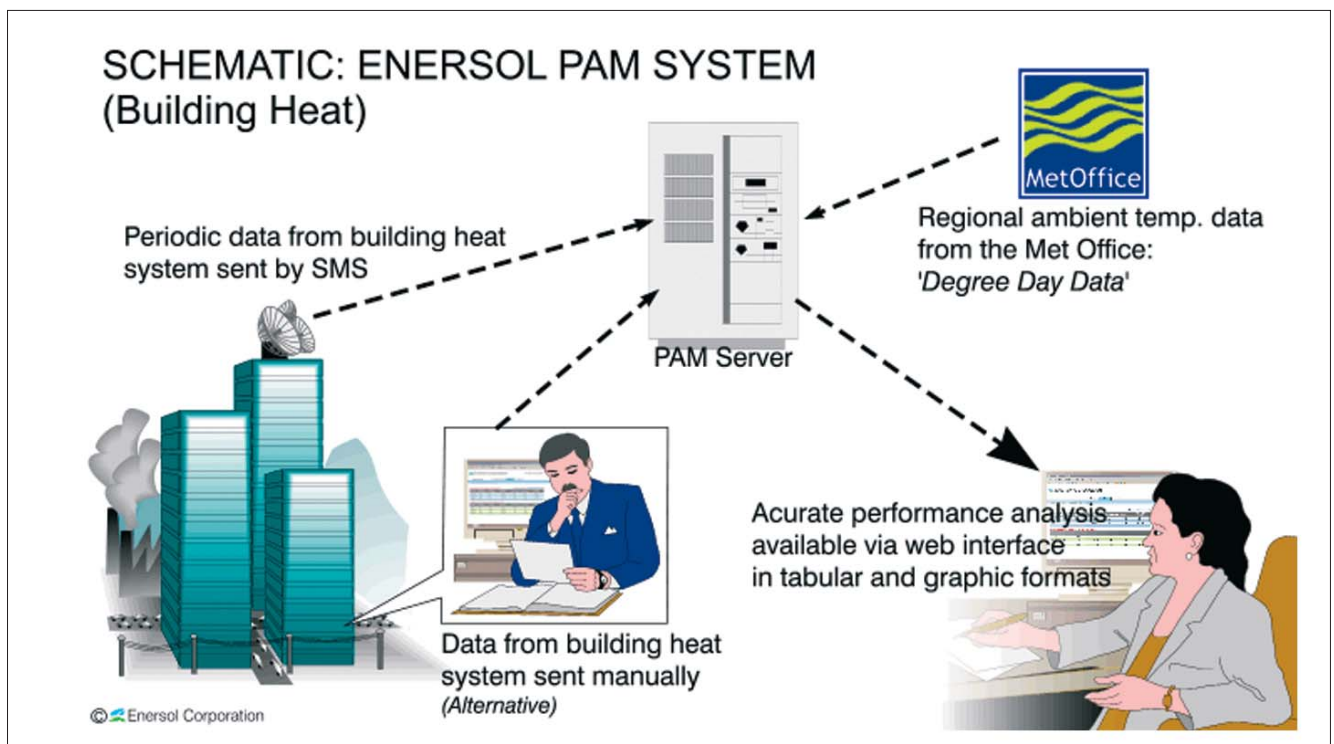
## CVE Technology

CVE is proven proprietary technology based on the effect of electromagnetic pulsing on hydrocarbon molecules.

CVE technology uses a non-intrusive device for applying a pulsed magnetic field to a fuel. The magnetic field is applied through a solenoidal winding on the pipe carrying the fuel to be burned – any hydrocarbon fuel in liquid or gaseous form. The device has no moving parts, is solid state designed and can operate at all extremes of temperature and in hazardous environments. Applications are in both stationary systems (eg: heating systems and boilers) and moving systems (eg: automotive, marine and train engines). This electrostatic effect on the fuel molecules improves carburation (the fuel/air mix) by breaking up fuel molecule clusters, thereby allowing more oxygen to bind. This effectively raises the calorific yield of each unit of fuel. An important effect of more efficient combustion is the reduction in both greenhouse gases and tropospheric pollutants (see below).

It is important to understand the **tailor-made** nature of each Enersol customer solution. Without the data gathered by PAM for a period of up to 12 months, the CVE application cannot be correctly calibrated. While this may mean a long lead time for a customer order, it also entails a long-term customer relationship and follow-on orders from within the customer's business and beyond, into its business chain. Energy efficiency within any customer user can be monitored remotely by Enersol using PAM software, thus **embedding Enersol services within the customer for the long-term.**

This is vastly different from the nearest indirect



competitors to Enersol who sell heat regulation products but without the ability to monitor fuel efficiency against an industrial average worked out from a database.

Over the medium term, it is likely that PAM will become the **standard measurement** for industrial and commercial energy efficiency, and as such become a supremely powerful marketing tool with a **very high potential valuation of its own**.

## Data examples on testing results for CVE

### ASTRAZENECA R&D FACILITY

- Very long term tests commencing in May 2004 conducted to highest possible standards in conjunction with AstraZeneca on a series of boilers, measuring individually and as a single plant.
- The CVE systems produced fuel savings of 7%.
- The system also 'balanced' the performance of the four boilers, leading to a marked improvement in the production of steam.
- This 'balancing' effect across multiple units has been observed elsewhere, notably at Corus Steel and Ash Galvanising – both high volume fuel users.
- This aspect will have a high priority in the R&D programme.

### CORUS STEEL

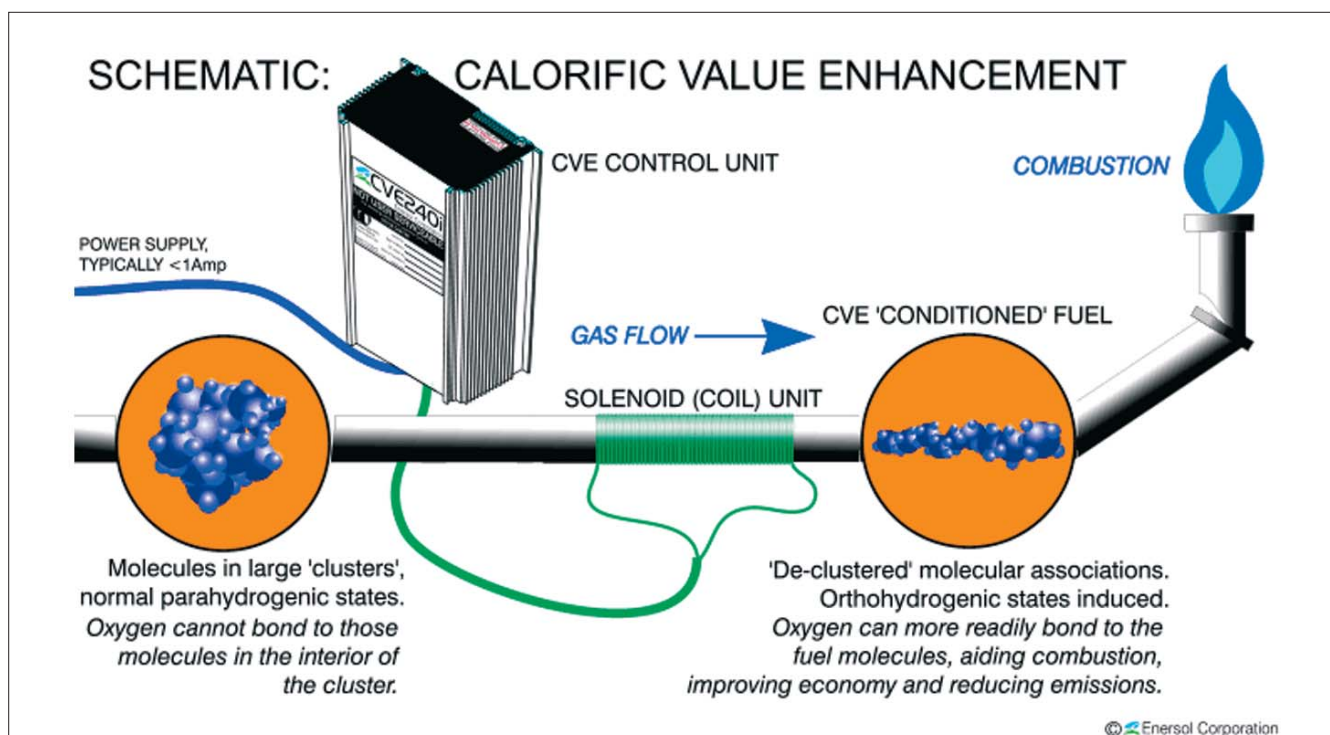
- Reheater furnace for plate steel production – test over 20 week period.
- CVE System saving (19 units) was 6%
- The system also showed a marked improvement in thermal transfer, reducing variations between the burners and balancing the heat in the furnace. This leads to a significant production improvement, as yet not accurately assessed.
- The new **CVE Compensator Unit** for building heat incorporates a load-balancing technology which Enersol is about to acquire with Company A.
- It was the test results of the experimental units which prompted the acquisition.

Ford Motor Company, Warley, 1 year test June 05, May 06  
 CVE Compensator savings - range 10.41% to 15.41%  
 CVE Compensator performance nominal average 14.11%  
 CVE Compensator performance minimum 10.41%

## Vehicles

### AGGREGATE INDUSTRIES

- Long term vehicle test (8 months) of a 24 volt vehicle unit on a heavy Volvo Loader



- CVE System saving 6.74%
- This saving equated to 3850 litres over 8 months on a single vehicle.

#### MILLBROOK VEHICLE TESTING LABORATORY

(Energy Savings Trust test)

Rolling road test on a 2.7ltr diesel engine: fuel consumption reduced by 7.7%.

#### DATA ON EMISSION REDUCTIONS THROUGH CVE

The emissions reduction aspects of the technology are particularly exciting, and an aspect at the very top of the R&D programme. Informal, 'ad hoc' tests using hand-held meters on MoT-standard equipment consistently show marked reductions across a number of gas species.

The most accurate tests to date are:

#### QUEENS UNIVERSITY, BELFAST

- The tests were carried out in laboratory conditions using a 500cc engine (506.8cc) running on lab-grade filtered petrol.
- There were 7 short test cycles, during which the fuel settings were increased and the engine loads varied with engine revolutions maintained at a constant 1500rpm.
- The test sequences were carried out without and with the CVE using similar load variations
- With the CVE unit on, carbon monoxide was reduced by 18.5%, and **carbon dioxide by 22.5%**
- *hydrocarbon* emissions overall were reduced by 22%, and **overall emissions by 18%**.
- Only oxygen emissions were increased.
- Every test cycle showed an improvement in the energy obtained from the fuel, with a **4% saving** over the entire test sequence

#### MILLBROOK VEHICLE TESTING LABORATORY

NOx reduction 7.2%  
CO reduction 9.6%

### Routes To Market

At the early stages, **direct sales to end users** has been the obvious way forward. Features of Enersol's success so far include **repeat orders** from existing customers. These include **AstraZeneca**, **3M** and **Boots PLC**, thereby proving the value of embedding the PAM service within the customer and creating **lasting customer relationships** –

indeed Enersol use their increasing body of satisfied customers as referees and ambassadors. AstraZeneca, for example, have hosted visits from the Atomic Weapons Establishment and from fellow pharmaceutical giant Glaxo SmithKline. **AstraZeneca is now looking to roll out the Enersol solution across the Group.** Similarly, **National Grid** is seeking a partnership with Enersol to promote the CVE solution and has ordered PAM for 14 sites. Letters from environmental officers and engineers from global blue-chip companies endorsing the effectiveness of PAM/CVE are available for inspection at Enersol. An increasing number of **reference sites** assists PAM's database as a marketing tool, as do these direct recommendations from satisfied customers.

Enersol has agreed commercial terms for a **distribution agreement** requested by **Bombardier Transportation** of Canada, who wish to have the right to sell the products to their customers in certain territories. This is particularly focused on the rail locomotive market where Bombardier has performed a feasibility study comparing CVE technology with other fuel efficiency products. Bombardier is a global player in diesel locomotives where it supplies 24 countries, as well as having presence in the aerospace industry. **Forecast sales by Bombardier of CVE in year 2 of the distribution agreement are nearing £2.0m.** It is important to note that Bombardier are also seeking distribution rights for future aerospace units. **Long-term sales from this agreement could be up to £70m.**

As the product is increasingly validated by end-users, Enersol's strategy is to partner with Facilities Management Companies such as Johnson Controls and Carillion to both offer and deploy the Enersol solution to their customers. This presents an opportunity for Enersol to **scale up the business to global levels** without having to invest in massive infrastructure. The top 14 European Facilities Management companies have combined turnover in excess of £68bn, so a business penetration of 0.1% would represent £68m of revenues for Enersol.

In addition, **carbon management companies** are currently recommending Enersol to their customers as a way to help reduce their carbon footprint. Carbon management is a business growing exponentially.

### Barriers To Entry

It is difficult to gain patents on electromagnetic technology as it is not new, although Enersol owns exclusive worldwide rights on CVE technology as a trademark. The original 'Economizer' product had a weak patent application posted at time of acquisition, and while still pending will be allowed to lapse. Where Enersol feels it can potentially

obtain robust patents within CVE technology is in its development and improvement, and in **application alongside proprietary products relating to PAM.**

Prof. Damien McDonnell, the incoming Technology Director, has a strong record for gaining patents (some 200) at DERA and the DDA. He will be applying himself specifically to gaining patents around the CVE technology. Enersol estimates that it will be **able to file at least two robust patents by the end of 2007.**

PAM software **has copyright** and would be prohibitively difficult to replicate due to the painstaking route needed to collate thermal efficiency data from numerous customer sites.

Enersol's route to market, as discussed above, is effectively through PAM as a consultancy tool. **This know-how is what triggers an equipment sale**, so it is not the case that a competitor can simply produce a magnetic pulsing device and replicate the Enersol service.

Enersol are the **first mover** and are developing a leading sector brand in the UK. For example, they are the sponsors of the energy sector's primary award – the Energy Manager of the Year. They are looking to **accelerate commercialisation** and take advantage of their **first mover status**. Any serious competitor would need to assimilate substantial data even to begin offering a service similar to PAM. One could argue that the database and know-how surrounding PAM combined with Enersol's brand status offers an effective barrier to entry. The long list of large global corporates using the Enersol solution bears witness to the **unique nature of the product offering.**

## Competitors

There are no direct competitors to Enersol. Companies such as AIM-listed **Sabien Technologies** offer some energy saving devices with applications limited to certain non-industrial boilers – thereby offering indirect competition to only one aspect of Enersol's technology. The Enersol solution is broader in scope and intrinsically superior. In addition, Enersol offers a solution package rather than a mechanical device.

A private company called Maxsys supplies a very basic 'bolt on' magnetic device but without the services of measuring energy efficiency. Enersol do not regard either of these companies as a competitive threat.

**By the time a competitor does emerge, Enersol aims to have established brand leadership and technical & intellectual superiority in a market the size of the**

**hydrocarbon industry, thereby gaining market acceptance on a global scale.**

## Company History

Enersol, the wholly owned UK subsidiary of Enersol Holdings, an Irish registered company, was founded in mid 2004 by James Doogan and Dermot O'Grady to acquire the perpetual global rights to manufacture and sell the 'Economizer'. This product was then developed and improved to form the base of the CVE technology. The team was augmented later in the year by Stephen Grant who had a marketing background. Through his assistance the Enersol brand was launched in 2005. Prof. Damien McDonnell is now joining as Technology Director.

## Management Team

### **BRIAN McLOGHLIN** *Chairman*

Brian is a commercial lawyer with particular experience of public and private securities issues, cross border financing and leasing transactions, joint ventures and business acquisitions and disposals. He is involved in a range of activities including commercial mediation, commercial legal practice and is a director of 12 companies (4 of which he chairs). He also a consultant with McCann FitzGerald, Solicitors, one of Ireland's principal law firms. Brian began his career as a barrister but subsequently became a solicitor, working mainly in-house, finally as Group Secretary and Chief Legal Officer of Guinness Peat Aviation Group plc, at one time the world's biggest operating lessor of commercial aircraft. He has considerable international experience, having worked with GPA in the USA and the EU Commission in Brussels. He is accredited as a mediator by the Centre for Effective Dispute Resolution (CEDR), London.

### **JAMES DOOGAN** *CEO*

Trinity graduate (economics) 'Jimmy' Doogan developed and ran a bespoke clothing brand 'Doogan Donegal' and achieved success on an international basis, notably in the USA and Japan. He also set up sales networks in the UK, France, Germany and Italy. At its zenith, the company employed some 300 workers in Donegal and Kildare and he was awarded the highly prestigious 'People of the Year Award' for his services to employment in rural Ireland. Jimmy has extensive management experience and has consulted across many sectors. He introduced a range of organic clothing in the early 90's, and describes himself as a 'pragmatic environmentalist'.

**PROF. DAMIEN MCDONNELL** *OBE Chief Technology Officer*

Damien is a distinguished scientist and innovator who is used to working both nationally and internationally with business and political leaders. His career in research and development has largely been within the MOD's Defence Evaluation and Research Agency (DERA), where he innovated patents and generated new income streams of over £100million, as well as establishing several joint technology ventures with global blue chips. His contribution to UK science has been rewarded with an honorary Professorship and Doctor of Science degree from Hull University, and an OBE in 1997. In 1999, he was elected a Fellow of the Institute of Physics. Damien also has 70 papers and some 200 patents to his credit. *Damien is due to join Enersol on a full time basis following his retirement from the DDA in June.*

**CLIFF WINCKLESS** *Sales Director*

Cliff has an extensive background in electronics and brings a strong technical base both to the board and to his role as Sales Director, where the sophisticated, science-based approach requires a thorough understanding. Cliff spent his early career as a research scientist, and graduated towards business management where he gained experience in sales and also as a managing and marketing director.

**STEPHEN GRANT** *Marketing Director*

An accomplished marketing strategist and 'all round' creative, Stephen's experience extends across all media and his skills were forged in the intensely competitive advertising industry with Arc Advertising and J Walter Thompson, where he headed e-media communications for the European region. His experience includes brands such as the British Tourist Authority, Thames Water, Royal and Sun Alliance and United Distillers. A founding director, he shares Jimmy Doogan's commitment to the environment and is responsible for the brand and the low-cost tactical marketing programme which has established a competitive barrier to entry. Stephen was also an award-winning journalist and copywriter.

**DERMOT O'GRADY** *Investor Relations*

Dermot is a founding director and is responsible for having raised the private investment which has funded Enersol thus far. A Trinity graduate in business studies, Dermot is a full time Sales & Marketing Director of the The Guild Group, a Contractor working on many high profile construction contracts throughout the UK. Dermot has overseen the growth of the business from about £17m to its current turnover of approximately £180m in a four year period. He devotes an inordinate amount of time and effort to Enersol and provides a great deal of support to the company, especially in terms of people management and investor relations.

**JOE HANBERRY** *Finance Director*

Joe joined Enersol in May 2006, bringing financial rigour to the company whilst being very active on the investment front. He is a chartered accountant and the governing partner at Hanberry & Co. He is experienced in a broad range of activities with a leaning towards SME development and startups in the IT, property and construction sectors.

## Valuation

The absence of a peer group makes comparisons difficult. Successful businesses in heating management products such as **Spirax Sarco** trade on a historic PER multiple of 19x. At the smaller end of the market, **Sabien Technologies** entered the AIM market on a post money valuation of £13.5m, despite being in loss and a business Enersol would deem to be comparatively limited in scope.

Enersol has raised equity worth £1.3m so far from family on a valuation of £15m. This has mostly taken place at a time well before the company had the commercial prospects and valuable UK brand equity it now clearly has.

On the company forecasts, a pre-money valuation of £15m would represent a multiple of 5.0x EBITDA on year 2 and a multiple of 1.0x on year 3 profits, which is when the full effect of the sales strategy, Bombardier deal and acquisitions comes through. The profits over the forecast period of 5 years are growing at several multiples. Cash generation is strong due to the high margins attained, and the **business should be self-financing** after this equity round. Cash requirements peak in Year 1 at £2.3m. We feel that with repeat orders now taking place with global customers, and companies such as AstraZeneca and National Grid adopting the PAM/CVE solution across their business as well as the major distribution deal with Bombardier Transportation, there is **little to prevent full commercialisation of the business**, and as such we could look at a **valuation for an AIM listing of at least £60m in year 2**. This would represent an attractive prospective PE multiple of 5.8x on year 3 earnings (on 30% tax), and would more than justify a pre money valuation of £15m at the pre IPO stage even if one discounted the year 3 profits by 40%, giving a prospective multiple of 9.7x for the AIM listing.

## Sales commentary

### YEAR TO MARCH 08: PREPARATION

Whilst there has been a modest level of sales, these are more the result of a policy of providing systems free of charge for tests. This 'pre-sales' period will come to an end as substantial rollout sales start to realise before the end of 07, initial sales from the Bombardier distribution arrangement arrive and income flows from the acquisitions.

### INFLOWS IN THE REGION OF £0.5M MONTHLY ARE PROJECTED FOR EARLY 08.

The landmarks for the business are the move to and refurbishment of office premises of approx 2,500 sq. ft in central London planned for August, and the acquisition of the two UK companies in September, both of which are profitable and cash-positive.

This year is one of consolidation and preparation for exponential growth.

### YEAR TO MARCH 09: CONSOLIDATION

Monthly sales forecasts are in excess of £700K for the entire year.

The acquired companies will have been fully re-branded and 'relaunched' at Nemex, and start to hit their stride from the April/May period. Though still low in relation to potential, CVE technology sales will be performing and building consistently and a modest yet important rental income will be developed.

Strategically, the plan is to:

- 1 Dominate the UK and Irish Energy Exhibition circuits and sector media to establish brand supremacy and create a climate of complete confidence.
- 2 Capitalise heavily on the training and education assets acquired from company B with especial regard to the FM and public sectors.
- 3 Finalise and enact sales, distribution and installation deals with a minimum of five of the targeted FM companies.
- 4 Acquire at least a controlling share in the targeted US fuel additive company.

*Revenues from the marine and automotive sector sales have been kept at extremely modest levels with marine system sales at just over £200K, and automotive at £180,000.*

### YEAR TO MARCH 10: REALISATION

The now well-proven track record, combined with external pressures from legislation, CSR and rising fuel costs mean that sales of CVE Technology for the industrial and building heat sectors are now coming into their own, with FM companies instituting the fuel economy regimes across their client bases.

For this year, predictions for revenues from Bombardier have been kept well below potential on the basis that there is a 'time lag' of a year before they begin to hit their stride, hence a modest total of £8M divided between the UK and international client bases. The rest of the sales revenue arises from measurement products (£2.18m), marine, and automotive sales at £1.8m and smaller revenues from maintenance and rental streams.

Strategically, there will be a constant 'media pressure' structured to praise those organisations using the Enersol solution, and by implication embarrass those who have yet to implement it. At least fifteen of the top twenty FM organisations will be partnered.

### YEAR TO MARCH 11: A DOUBLING IN SIZE

The company is now operating globally. FM partnerships and direct sales of the core industrial and building heat systems combined with measurement products, rental and maintenance are now achieving revenues in excess of £40m.

Revenues from Bombardier distribution have doubled as it begins to scale both in the UK and internationally. Though doubled from y/e March 10, sales from the Automotive and Marine sectors have still been forecast low at below £3M.

### YEAR TO MARCH 12: A GLOBAL BRAND

Enersol has established itself as a global brand synonymous with energy efficiency at a time when fuel costs, use and emissions are of critical importance. Proven fuel saving and emissions reduction technologies are achieving sales well in excess of £100M through distribution partnerships with Facilities Management companies and through Bombardier Transportation.

### EXCLUSIONS

*Sales of Melior and Tectonic have not been included in the forecasts. Although entirely confident of these products, the board felt it prudent to forecast in this way because the potential is extremely difficult to evaluate.*

**Projected Profit and Loss Account**

Year ending	31.03.08	% of	31.03.09	% of	31.03.10	% of	31.03.11	% of	31.03.12	% of
	£	Sales	£	Sales	£	Sales	£	Sales	£	Sales
Sales	2,897,681		9,559,969		29,918,171		61,422,932		124,577,443	
Less:										
Cost of Sales	830,708	29%	2,677,495	28%	6,417,148	21%	11,834,236	19%	21,917,337	18%
Opening Stock	21,446	1%	1,533	0%	1,533	0%	1,533	0%	1,533	0%
Less: Closing Stock	(1,533)	0%	(1,533)	0%	(1,533)	0%	(1,533)	0%	(1,533)	0%
	<b>850,621</b>		<b>2,677,495</b>		<b>6,417,148</b>		<b>11,834,236</b>		<b>21,917,337</b>	
Gross Profits	2,047,060	71%	6,882,474	72%	23,501,023	79%	49,588,696	81%	102,660,105	82%
Less Expenses:										
Sales Expenses	566,064	20%	1,320,237	14%	3,267,531	11%	6,037,407	10%	11,309,949	9%
Installation Expenses	111,903	4%	226,121	2%	322,156	1%	475,798	1%	692,885	1%
Administration Expenses	616,625	21%	612,911	6%	957,623	3%	1,329,154	2%	1,875,723	2%
Deal Fees	200,000	7%	-	0%	-	0%	-	0%	-	0%
Marketing Expenditure	315,656	11%	546,000	6%	1,608,788	5%	2,587,121	4%	3,905,411	3%
Monitoring Expenses	132,630	5%	200,030	2%	332,660	1%	472,030	1%	678,389	1%
Product Development	420,190	15%	761,905	8%	1,627,040	5%	2,269,510	4%	3,216,110	3%
Software Development	123,735	4%	185,220	2%	364,440	1%	544,260	1%	813,750	1%
General Overhead Expenses	22,800	1%	22,800	0%	323,525	1%	1,494,806	2%	3,465,449	3%
	<b>2,509,604</b>		<b>3,875,224</b>		<b>8,803,762</b>		<b>15,210,086</b>		<b>25,957,665</b>	
Projected Profits/(Loss)	(462,544)	-16%	3,007,250	31%	14,697,261	49%	34,378,610	56%	76,702,440	62%

**Cashflow Forecast**

Year Ending	31.03.08 £	31.03.09 £	31.03.10 £	31.03.11 £	31.03.12 £
<b>Inflows</b>					
Sales Receipts	2,267,681	9,621,710	26,365,388	54,128,959	109,783,871
Capital Inflows	200,000	-	-	-	-
<b>Total Inflows</b>	<b>2,467,681</b>	<b>9,621,710</b>	<b>26,365,388</b>	<b>54,128,959</b>	<b>109,783,871</b>
<b>Outflows</b>					
Direct costs (inc VAT)	630,702	2,591,333	5,655,111	10,428,920	19,314,653
Sales Expenses	566,064	1,320,237	3,267,531	6,037,407	11,309,949
Installation Expenses	111,903	226,121	322,156	475,798	692,885
Administration Expenses	616,625	612,911	957,623	1,329,154	1,875,723
Deal Fees	200,000	-	-	-	-
Marketing Expenditure	315,656	546,000	1,608,788	2,587,121	3,905,411
Monitoring Expenses	132,630	200,030	332,660	472,030	678,389
Product Development	420,190	761,905	1,627,040	2,269,510	3,216,110
Software Development	123,735	185,220	364,440	544,260	813,750
General Overhead Expenses	22,800	22,800	323,525	1,494,806	3,465,449
H M Customs & Excise	234,107	1,047,077	3,084,509	6,508,516	13,474,139
<b>Capital Expenses – Acquisitions</b>	<b>1,200,000</b>	-	-	-	-
Corporation Tax	-	-	354,050	4,409,178	10,313,583
<b>Total Outflow</b>	<b>4,574,413</b>	<b>7,513,634</b>	<b>17,897,433</b>	<b>36,556,701</b>	<b>69,060,041</b>
Net Inflow/(Outflows)	(2,106,732)	2,108,075	8,467,956	17,572,258	40,723,831
Balance B/fwd	(6,711)	(2,113,443)	(5,367)	8,8462,588	26,034,846
	(2,113,443)	(5,367)	8,462,588	26,034,846	66,758,677

**Projected Balance Sheet**

	31.03.07	As at 31.03.08	As at 31.03.09	As at 31.03.10	As at 31.03.11	As at 31.03.12
	£	£	£	£	£	£
<b>Fixed Assets</b>						
Fixed Assets	7,803	1,207,803	1,207,803	1,207,803	1,207,803	1,207,803
	7,803	1,207,803	1,207,803	1,207,803	1,207,803	1,207,803
<b>Current Assets</b>						
Cash at bank and in hand	-	-	(5,367)	8,816,638	30,798,074	81,835,488
Stock	21,446	1,533	1,533	1,533	1,533	1,533
Trade Debtors	19,321	1,156,415	2,767,669	11,556,132	29,599,118	66,193,742
Prepayment and other sundry debtors	23,575	23,575	23,575	23,575	23,575	23,575
	64,342	1,181,523	2,787,410	20,397,878	60,422,301	148,054,338
<b>Current Liabilities</b>						
Bank Overdraft and Loans	6,711	2,113,443	-	-	-	-
Trade Creditors	148,011	493,391	1,048,115	2,933,152	6,409,458	12,847,676
PAYE & NIC Creditors	17,289	17,289	17,289	17,289	17,289	17,289
VAT Creditor	(12,332)	115,281	272,637	1,300,807	3,470,312	7,961,692
Accruals and other creditors	19,965	19,965	19,965	19,965	19,965	19,965
	179,644	2,759,369	1,358,006	4,271,212	9,917,025	20,846,622
Net current Assets/(Liability)	(115,302)	(1,577,846)	1,429,404	16,126,666	50,505,276	127,207,716
	(107,499)	(370,043)	2,637,207	17,334,469	51,713,079	128,415,519
<b>Amounts due after more than one year</b>						
Amounts due to Holding company	(1,257,041)	(1,457,041)	(1,457,041)	(1,457,041)	(1,457,041)	(1,457,041)
	(1,364,540)	(1,827,084)	1,180,166	15,877,428	50,256,038	126,958,478
<b>Capital &amp; Reserves</b>						
	£					
Called up share capital	100	100	100	100	100	100
Profit and loss Account – B/Fwd	(1,364,640)	(1,364,640)	(1,827,184)	1,180,066	15,877,328	50,255,938
– Current period		(462,544)	3,007,250	14,697,261	34,378,610	76,702,440
	(1,364,540)	(1,827,084)	1,180,166	15,877,428	50,256,038	126,958,478

## Application Of Funds

Amount Raised	£2.5m
	£
Cash element of 2 planned acquisitions:	(0.85m)
Head Office & Training Facility	(0.15m)
Product Development and testing	(0.45m)
Marketing	(0.4m)
Patents	(0.1m)
Fuel Additive licence	(0.35m)
Deal Costs	(0.2m)
<b>Total</b>	<b>(2.5m)</b>

## Acquisitions

Enersol has planned acquisitions as part of the commercialisation process. These involve securing additional instrumentation, know-how, routes to market as well as two fuel additive businesses.

There are two businesses that would be viewed as key, referred to as Company A & Company B for the purposes of this document. Terms have been agreed for the acquisition of these two businesses. They add a valuable customer base as well as vital product to the Enersol customer offering.

**Company A** produces a load-compensating instrument (which could be described in laymans' terms as a super-accurate thermostat) which works as a stand-alone device, but also combines with CVE Technology, enhancing fuel savings and emissions reductions. Enersol is confident that with the addition of this product, it will be able to break new ground in potential energy efficiency savings – possibly in excess of 20% for certain applications. Two trial customers have already registered **energy savings of 14% and 15%** respectively.

**Company B** has worldwide expertise in **steam production**, which is an essential part of most manufacturing processes, and has a valuable customer base for Enersol to exploit. It has been the training ground for many energy managers in Europe and beyond, and will open the doors of many global customers. Enersol intends to expand the training facility because of its use as a sales tool: customers are effectively trained in the Enersol solution.

Enersol is already working closely with both companies and is using their products and services widely. Hence there is **minimal risk in the acquisitions**. It is more a consolidation of the existing commercial arrangements.

Both companies wish to receive a substantial amount of the acquisition consideration in **Enersol shares**, thereby demonstrating their belief in the benefits of the future synergies with their new parent.

Enersol intends to make these acquisitions in year 1 in order to accelerate commercialisation and rollout of the Enersol solution worldwide. **Estimated cost of the two acquisitions is £2.0m, although the cash element is likely to be around £850,000.** Additional acquisitions will be financed out of future cash flow and are more focused on specific fuel additives which Enersol currently markets under its own brands. These are **Techtonic**, which increases component lubrication, and **Melior**, an enzyme based fuel conditioner which aids efficient combustion and further reduces CO, NOx and notably, SOx emissions.

# S.W.O.T Analysis

## Strengths

- First to market
- Scaleable business
- Blue-chip customer base
- Solution-based product offering
- Growing demand
- High margin
- Strong marketing capability
- Brand leadership.

## Weaknesses

- Small business dealing with global customers
- Patent protection
- New business area for the management.

## Opportunities

- Globalisation of business
- Licensing deals
- Distribution deals
- PAM value
- Further fuel efficiency enhancements.

## Threats

- Competitive magnetic devices
- New as yet unknown technology
- Market slow to adapt to technology
- Wind, nuclear & Hydro.

The conclusion of the SWOT analysis is that while over time Enersol would expect some competition to emerge within fuel efficiency monitoring and enhancement, Enersol by then will have established brand leadership worldwide and recognition from the larger global customers.

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