

The Mail



ON SUNDAY

JULY 5 • 2009

Water on tap, and cash soon



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IN TODAY'S world, consumers are confronted with numerous choices about what to buy, what to try and what to leave alone. Most purchases are discretionary, even if they seem vital at the time. But some things are truly indispensable – and the most essential of them all is water.

Fresh water makes up only a fraction of the world's total and demand for it is increasing yearly as the population rises and emerging economies develop. At the same time, climate change is said by many experts to be reducing the supply of fresh water. And in less than 20 years, two-thirds of the world's population, or five-and-a-half billion people, are forecast to be living in areas where water is in short supply.

Shortages could have huge implications for health and well being of billions and for entire countries' economic prospects. Even London is said to be running short of water and is looking for ways to boost supplies.

Modern Water is addressing these sorts of issues head on. It is involved in the complex process of desalination – taking seawater

and making it drinkable. The idea is not new but most desalination procedures use huge amounts of electricity, so they are expensive and bad for the environment. Modern Water's technique is different. Pioneered at Surrey University, it produces large amounts of water at a low cost in an environmentally-friendly way, using a filtration process known as reverse osmosis.

The company already operates a small plant in Gibraltar and last week announced that this was performing ahead of expectations. It is also building a desalination unit in Oman, part of a plan to expand across the Middle East. Modern Water is run by executive chairman Neil McDougall, former head of Mid Kent Water, and Simon Humphrey, who has worked in the water and investment industries for years.

So far they are doing well. The company has £26 million in the bank, the projects in Gibraltar and Oman have not been terribly costly and McDougall and Humphrey are proceeding with caution elsewhere in the world. But the next 12 months could revolutionise this business.

The Gibraltar plant produces about 20 cubic metres of water a day but the Oman unit should produce between 100 and 150 cubic metres and it is supposed to be operating by the end of the summer. Provided it works as well as Gibraltar, Modern Water



FRESH APPROACH: Simon Humphrey is building a plant in Oman

should receive a host of orders and may even receive partnership approaches from larger, wealthier companies.

>> *Midas verdict: Modern Water joined the Alternative Investment Market in 2007 and is at an early stage of its development, so much so that it has not yet made any money.*

But this should change dramatically as the company's technology is more widely adopted and it builds more plants. Modern Water

is not a stock for the cautious, but for those willing to take a bit of a punt, the shares could prove richly rewarding. There is a growing need for fresh water, supplies are shrinking and this company seems to have found a way to help.

The shares are trading at 44p, which reflects simply the cash on the balance sheet, so there is no value attributed to the desalination technology. That seems unjust. Buy and hold.