



Buyers detect explosives firm

Small caps

Richard Hemming

Investors are finally taking notice of technology company QRSciences. Its share price has risen 30 per cent since the end of July as interest is rising in its technology, which is similar to medical imaging but is designed to detect explosives to prevent terrorism at airports.

Even after the rally, at 54¢ the shares remain well below their 12-month high of \$1.25, struck in September last year.

The chief concern of investors is the company's ability to burn through cash, having lost an average of \$5.2 million a year during the past three years.

Executive chairman Kevin Russeth says QRSciences has a second product that can detect gun parts in postal systems, giving the company more chance of being cash flow positive soon.

Furthermore, he says, after the recent terrorism scare in London involving liquid explosives, there is increasing demand for its anti-explosive scanners used in airport check-ins.

The Transportation Security

Administration in the US is planning airport trials with the advanced scanner made by Rapiscan Systems. Rapiscan supplies X-ray detection technology to 50 per cent of airports in the US, which equates to 1000 checkpoints. QRSciences supplies the anti-explosives technology to the upgraded Rapiscan system.

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Managed offices provider Servcorp has been a consistent performer over the past 3½ years and this year was no exception. The company announced a 48 per cent rise in net profit for the year to June to \$25.4 million. At \$5.89 its shares have surged 76 per cent over the past year and are well up on their March 2003 price of about \$1.

Servcorp rents offices for three to 10 years, taking on the lease liabilities. It then sub-leases the space, usually for six months.

The stock is a play on buoyant business conditions, where there is high demand in central business districts for offices. Servcorp should do well in countries like Japan, where the economy is turning around after a decade or more of being in the doldrums.

It achieves fee income from renting office floors in Japan, Hong Kong, Shanghai, Singapore and Paris as well as Australia. Macquarie estimates that it trades on a 12 month forward P/E of 17 times and has a price target of \$6.96.

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Software producer and support company Technology One has a lot of fans. At 76¢, its share price has risen 40 per cent since March, driven by strong financial performance.

Its net profit for the 2005-06 financial year, at \$12.3 million, was up 16 per cent on the previous year driven by clients upgrading to its next generation software, with more than 150 customers now committed to it.

Technology One sells financial and human resources software for local governments and universities. Management has indicated profit growth for the 2007 financial year to be in the region of 15 to 20 per cent.

Foresight Capital analyst Todd Guyot has a 95¢ target price, adding earnings growth is underpinned by continued investment in "aggressive research and development".