

SILCA UNICAN (UK) LIMITED
(and Subsidiary Undertakings)
(Formerly - ILCO UNICAN (UK) LIMITED)

PAGE 1

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998

DIRECTORS

M BIANCHI (ITALY)
S MAZOFF (CANADA)
J COELHO (FRANCE)
P BURFORD

SECRETARY

M BIANCHI

REGISTERED OFFICE

62 NEW CAVENDISH STREET
LONDON
W1M 7LD

AUDITORS

SINGER HOME DESAI & CO
REGISTERED AUDITOR
CERTIFIED ACCOUNTANTS
62 NEW CAVENDISH STREET
LONDON W1M 7LD



ANNUAL REPORT AND STATEMENT OF ACCOUNTS
YEAR ENDED 30 JUNE 1998

CONTENTS:

STATUTORY INFORMATION

PAGE	3	DIRECTORS REPORT
	5	STATEMENT OF DIRECTOR'S RESPONSIBILITIES
	6	AUDITORS REPORT
	7	CONSOLIDATED BALANCE SHEET
	8	COMPANY BALANCE SHEET
	9	CONSOLIDATED PROFIT AND LOSS ACCOUNT
	10	COMPANY PROFIT AND LOSS ACCOUNT
	11	CONSOLIDATED CASH FLOW STATEMENT
	13	NOTES TO THE ACCOUNTS

NON STATUTORY INFORMATION

26	TRADING AND PROFIT AND LOSS ACCOUNT
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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 1998

The Directors present their Annual Report of the affairs of the Group to the members, together with the Audited Accounts and Notes thereto.

PRINCIPAL ACTIVITY

The Principal Activities of the Group in the year under review was that of Distributors of Specialised Locking Systems and distributors of Key Blanks and Key Duplicating machines.

REVIEW OF BUSINESS

The Directors report the results shown in the Accounts for the year under review and anticipate improved results for the current year.

DIVIDEND

The Directors recommend that no dividend be declared for the year under review.

RESERVES

The Directors propose that no formal transfer be made to or from reserves for the year.

DIRECTORS

The constitution of the Board, their interests (and those of their immediate families) in the Capital of the company were as follows:

	<u>Beneficial Holdings</u> <u>Shares of £1 Each</u>	
	<u>1998</u>	<u>1997</u>
S Mazoff	-	-
F Moritz	-	-
P Blaikie	-	-
J Coelho	-	-
P Burford	-	-
M Bianchi	-	-
	----	----
	-	-
	==	==

The following changes in the constitution of the Board have taken place during the year.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 1998

DIRECTORS (CONTINUED)

M Bianchi ,P Burford, and J Coelho were appointed as Directors of the company on 18 December 1997.

F Moritz and P Blaikie resigned as Directors of the company on 18 December 1997.

FIXED ASSETS

Information relating to changes in the Fixed Assets is given in Note: 2 to the Accounts.


PARENT COMPANY

The Company is a wholly owned subsidiary of Unican Security Systems Limited, a Canadian company, and the interests of the Directors in the shares of the holding company are shown in the accounts and report thereof.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a Resolution proposing the re-appointment of Singer Home Desai & Co as Auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD


.....
CHAIRMAN (P BURFORD)

11/8/98
.....
DATE

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SILCA UNICAN (UK) LIMITED

We have audited the Financial Statements on pages 7 to 24 which have been prepared under the historical cost convention and the accounting policies set out on page 13.

Respective responsibilities of Directors and Auditors

As described on page 5 the company's directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

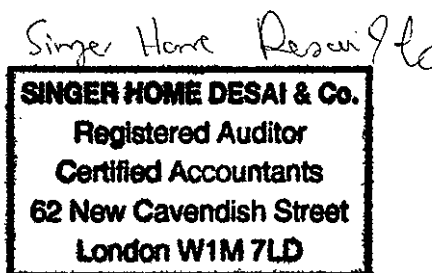
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimate and judgements made by the directors' in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so far as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion


In our opinion the Financial Statements give a true and fair view of the Company and Group state of the affairs as at 30 June 1998 and of the Company and the Group's profit and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



London VIM LTD
25 New Cavendish Street
Certified Accountants
Registered Auditor
SWANSON HOME DESIGN & CO.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 1998

<u>FIXED ASSETS</u>	<u>NOTES</u>	<u>1998</u>	<u>1997</u>
Tangible Assets	2	£ 65,488	£ 2,948
<u>CURRENT ASSETS</u>			
Stock	4	£ 297,575	£ 20,905
Debtors	5	793,874	211,737
Cash at Bank and in Hand		82,887	16,209
		-----	-----
		£ 1,174,336	£ 248,851
		=====	=====
<u>CREDITORS</u>			
Amounts falling due after more than One Year	6	£ 779,168	£ 148,595
		=====	=====
<u>NET CURRENT ASSETS</u>		395,168	100,256
		-----	-----
		460,656	103,204
<u>CREDITORS</u>			
Amounts falling due after more than One	7	(10,779)	(90,361)
		-----	-----
<u>NET ASSETS</u>		£ 449,877	£ 12,843
		=====	=====
<u>CAPITAL AND RESERVES</u>			
<u>CALLED UP SHARE CAPITAL</u>	8	£ 411,050	£ 75,000
<u>PROFIT AND LOSS ACCOUNT</u>	9	38,827	(62,157)
		-----	-----
<u>SHAREHOLDERS FUNDS</u>	10		
- Equity Interest		£ 449,877	£ 12,843
		=====	=====

 DIRECTOR
(P. BURFORD)

 DIRECTOR
(M. BIANCHI)

Approved by the Board on 11/8/98 1998.

To be read in conjunction with the Notes on pages 13 to 24.

COMPANY BALANCE SHEET AS AT 30 JUNE 1998

<u>FIXED ASSETS</u>	<u>NOTES</u>	<u>1998</u>	<u>1997</u>
Tangible Assets	2	£ 65,488	£ 2,948
Investment	3	-	-
		-----	-----
		£ 65,488	£ 2,948
<u>CURRENT ASSETS</u>			
Stock	4	£ 297,575	£ 20,905
Debtors	5	793,874	211,737
Cash at Bank and in Hand		82,887	16,209
		-----	-----
		£ 1,174,336	£ 248,851
		=====	=====
<u>CREDITORS</u>			
Amounts falling due after more than One Year	6	£ 779,168	£ 148,595
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<u>NET CURRENT ASSETS</u>		395,168	100,256
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		-----	-----
<u>SHAREHOLDERS FUNDS</u>	10		
- Equity Interest		£ 449,877	£ 12,843
		=====	=====

To be read in conjunction with the Notes on Pages 13 to 24.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998

	<u>NOTES</u>	<u>1998</u>	<u>1997</u>
<u>TURNOVER</u>	11	£ 2,788,553	£ 397,283
<u>Less: Cost of Sales</u>		2,489,209	184,183
		-----	-----
<u>GROSS PROFIT</u>		299,344	213,100
Other Income	12	60,831	14,988
		-----	-----
		360,175	228,088
<u>OPERATING EXPENSES</u>			
Administration		(304,668)	(109,956)
		-----	-----
		55,507	118,132
Share of Profit of Associated Company	3.3	10,725	-
Surplus on absorption of Subsidiaries Net Assets	13	47,655	-
		-----	-----
<u>PROFIT ON ORDINARY</u> <u>ACTIVITIES BEFORE INTEREST</u>	14	113,887	118,132
Interest Receivable		1,083	-
Interest Payable	15	(2,025)	(7)
		-----	-----
<u>PROFIT ON ORDINARY</u> <u>ACTIVITIES BEFORE TAXATION</u>		112,945	118,125
<u>TAXATION</u>	16	11,961	-
		-----	-----
<u>PROFIT FOR THE YEAR</u>		100,984	118,125
<u>DIVIDEND</u>		-	-
		-----	-----
<u>RETAINED FOR THE YEAR</u>		100,984	118,125
<u>PROFIT AND LOSS ACCOUNT</u> <u>BALANCE BROUGHT FORWARD</u>		(62,157)	(180,282)
		-----	-----
<u>PROFIT AND LOSS ACCOUNT</u> <u>BALANCE CARRIED FORWARD</u>		£ 38,827	£(62,157)
		=====	=====

The Group has no recognised Gains or Losses other than that included in the Profit and Loss Account for 1997 and 1998.

The Notes on pages 13 to 24 form part of these Accounts.

COMPANY PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998

	<u>NOTES</u>	<u>1998</u>	<u>1997</u>
<u>TURNOVER</u>	11	£ 1,371,614	£ 397,283
<u>Less: Cost of Sales</u>		1,146,219	184,183
		-----	-----
<u>GROSS PROFIT</u>		225,395	213,100
Other Income	12	25,831	14,988
		-----	-----
		251,226	228,088
<u>OPERATING EXPENSES</u>			
Administration		(232,149)	(109,956)
		-----	-----
		19,077	118,132
Surplus on absorption of Subsidiaries Net Assets	13	83,185	-
		-----	-----
<u>PROFIT ON ORDINARY</u> <u>ACTIVITIES BEFORE INTEREST</u>	14	102,262	118,132
Interest Receivable		1,083	-
Interest Payable	15	(2,025)	(7)
		-----	-----
<u>PROFIT ON ORDINARY</u> <u>ACTIVITIES BEFORE TAXATION</u>		101,320	118,125
<u>TAXATION</u>	16	336	-
		-----	-----
<u>PROFIT FOR THE YEAR</u>		100,984	118,125
<u>DIVIDEND</u>		-	-
		-----	-----
<u>RETAINED FOR THE YEAR</u>		100,984	118,125
<u>PROFIT AND LOSS ACCOUNT</u> <u>BALANCE BROUGHT FORWARD</u>		(62,157)	(180,282)
		-----	-----
<u>PROFIT AND LOSS ACCOUNT</u> <u>BALANCE CARRIED FORWARD</u>		£ 38,827	£(62,157)
		=====	=====

The company has no recognised Gains or Losses other than that included in the Profit and Loss Account for 1997 and 1998.

The Notes on pages 13 to 24 form part of these Accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 1998Reconciliation of Operating Profit to
Net Cash Inflow from Operating activities

	<u>1998</u>	<u>1997</u>
Operating Profit	£ 55,507	£ 118,132
Depreciation Charges	7,816	737
Loss on Disposal of Fixed Assets	1,906	-
(Increase)/Decrease in Stock	13,800	74,647
Decrease/(Increase) in Debtors	369,378	(10,098)
Increase/(Decrease) in Creditors	(316,805)	(165,828)
	-----	-----
Net Cash Inflow from Operating activities	£ 131,602	£ 17,590
	=====	=====

CASH FLOW STATEMENT

	<u>1998</u>	<u>1997</u>
Net Cash Inflow from Operating activities	£ 131,602	£ 17,590
Returns on investment and servicing of finance (Note:1)	(942)	(7)
Taxation - Corporation Tax Paid	(32,979)	-
Capital Expenditure (Note:1)	(10,258)	(167)
Acquisitions and Disposals (Note:1)	(263,321)	-
	-----	-----
	(175,898)	17,416
Equity dividends paid	-	-
	-----	-----
	(175,898)	17,416
Management of liquid resources	-	-
Financing (Note:1)	242,576	(6,414)
	-----	-----
Increase in Cash	£ 66,678	£ 11,002
	=====	=====

Reconciliation of Net Cash Flow
to movement in Net Debt (Note:2)

	<u>1998</u>	<u>1997</u>
Increase in cash in the period	£ 66,678	£ 11,002
Loan Repayments	90,361	6,414
	-----	-----
Change in Net Debt	£ 157,039	£ 17,416
Net Debt at 1 July 1997	(74,152)	(91,568)
	-----	-----
Net Funds at 30 June 1998	£ 82,887	£(74,152)
	=====	=====

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1998

NOTE: 1 - GROSS CASH FLOWS19981997

Returns on Investment and
Servicing of Finance

Interest Received	£ 1,083		£ -
Interest paid	(2,025)		(7)
	-----		-----
		£(942)	£(7)
		=====	=====

Capital Expenditure

Payments to acquire Tangible Fixed Assets		£(10,258)	£(167)
		=====	=====

Acquisition and Disposals

Cash Consideration	£ 295,000		
Cash in Subsidiary at Acquisition	(31,679)	£ 263,321	£ -
	-----	=====	=====

Financing

Issue of Ordinary Share Capital	£ 336,050		£ -
Parent Company Loan Repayment	(90,361)		(6,414)
Capital element of Finance Leases	(3,113)		-
	-----	£ 242,576	£(6,414)
		=====	=====

NOTE: 2 - ANALYSIS OF CHANGES IN NET DEBT

	<u>At 1 July</u> <u>1997</u>	<u>Cash</u> <u>Flows</u>	<u>At 30 June</u> <u>1998</u>
Cash at Bank and in Hand	£ 16,209	£ 66,678	£ 82,887
Debt due after 1 Year	(90,361)	90,361	-
	-----	-----	-----
<u>TOTAL</u>	£(74,152)	£ 157,039	£ 82,887
	=====	=====	=====

£'

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998

NOTE: 1

ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The Accounts have been prepared under the historical cost convention and include the results of the Company's and Group's operations which are described in the Directors' Report and all of which are continuing.

1.2 BASIS OF CONSOLIDATION

The Group Accounts consolidate the accounts of Silca Unican (UK) Limited and its subsidiary undertakings for the year to 30 June 1998.

1.3 INVESTMENTS

The equity method of accounting is used to account for the investments in which the company exercises significant influence.

1.4 STOCK

Stock is stated at the lower of Cost and Net Realisable Value.

1.5 TURNOVER

Turnover represents the total income receivable by the company (exclusive of Valued Added Tax) in respect of goods sold and services rendered.

1.6 DEPRECIATION

Depreciation of the following Fixed Assets is provided on a straight line basis in order to write off each asset over its estimated useful working life.

Land and Buildings Leasehold	over the term of the lease.
Fixtures, Fittings and Equipment	20% p.a.
Plant and Machinery	20% p.a.
Motor Vehicles	20% p.a.

The Depreciation policy has been changed from reducing balance to straight line basis in order to bring it into line with the accounting policy of its parent.

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

1.7 DEFERRED TAXATION

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the Directors there is a reasonable probability that a liability will crystallise in the foreseeable future.

1.8 LEASING AND HIRE PURCHASE COMMITMENTS

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 PENSIONS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.10 OPERATING LEASES

Rental applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Profit and Loss Account as incurred.

1.11 FOREIGN CURRENCIES

Assets and Liabilities in Foreign Currencies are translated into Sterling at the rate of exchange ruling at the Balance Sheet date. Transactions in Foreign Currencies are converted into Sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating results for the year.

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 2

<u>GROUP</u>		<u>LAND & BUILDING LEASEHOLD</u>	<u>PLANT & MACHINERY</u>	<u>FIXTURES, FITTINGS & EQUIPMENT</u>	<u>MOTOR VEHICLES</u>	<u>TOTAL</u>
<u>TANGIBLE FIXED ASSETS</u>						
<u>Cost:</u>						
Balance:	1 July 1997	£ -	£ -	£ 6,020	£ -	£ 6,020
Additions		£ 6,351	£ 26,311	48,513	32,460	113,635
Disposals		(6,351)	-	-	-	(6,351)
<u>Balance:</u>	30 June 1998	£ -	£ 26,311	£ 54,533	£ 32,460	£ 113,304
<u>Depreciation:</u>						
Balance:	1 July 1997	£ -	£ -	£ 3,072	£ -	£ 3,072
Additions		4,445	15,634	21,294	-	41,373
Charge for Year		-	739	3,475	3,602	7,816
Adjustments in respect of Disposals		(4,445)	-	-	-	(4,445)
<u>Balance:</u>	30 June 1998	£ -	£ 16,373	£ 27,841	£ 3,602	£ 47,816
<u>NET BOOK VALUE:</u>	30 June 1998	£ -	£ 9,938	£ 26,692	£ 28,858	£ 65,488
<u>NET BOOK VALUE:</u>	30 June 1997	£ -	£ -	£ 2,948	£ -	£ 2,948

Included above are assets held under finance leases and hire purchase contract as follows:

		<u>MOTOR VEHICLES HIRE PURCHASE</u>	<u>MOTOR VEHICLES LEASED</u>	<u>MOTOR VEHICLES TOTAL</u>
<u>Cost:</u>	at 30 June 1998	£ 16,125	£ 16,335	£ 32,460
<u>Depreciation:</u>	Charge for the Year	£ 335	£ 3,267	£ 3,602
<u>Accumulated Depreciation:</u>	at 30 June 1998	£ 335	£ 3,267	£ 3,602

Net obligations under finance leases and hire purchase contracts are secured on assets acquired.

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 2

COMPANY

<u>TANGIBLE FIXED ASSETS</u>		<u>PLANT & MACHINERY</u>	<u>FIXTURES, FITTINGS & EQUIPMENT</u>	<u>MOTOR VEHICLES</u>	<u>TOTAL</u>
<u>Cost:</u>					
Balance:	1 July 1997	£ -	£ 6,020	£ -	£ 6,020
Additions		10,298	26,804	32,460	69,562
Disposals		-	-	-	-
<u>Balance:</u>	30 June 1998	£ 10,298	£ 32,824	£ 32,460	£ 75,582
<u>Depreciation:</u>					
Balance:	1 July 1997	£ -	£ 3,072	£ -	£ 3,072
Charge for Year		360	3,060	3,602	7,022
Adjustments in respect of Disposals		-	-	-	-
<u>Balance:</u>	30 June 1998	£ 360	£ 6,132	£ 3,602	£ 10,094
<u>NET BOOK VALUE:</u>	30 June 1998	£ 9,938	£ 26,692	£ 28,858	£ 65,488
<u>NET BOOK VALUE:</u>	30 June 1997	£ -	£ 2,948	£ -	£ 2,948

Included above are assets held under finance leases and hire purchase contract as follows:

		<u>MOTOR VEHICLES HIRE PURCHASE</u>	<u>MOTOR VEHICLES LEASED</u>	<u>MOTOR VEHICLES TOTAL</u>
<u>Cost:</u>	at 30 June 1998	£ 16,125	£ 16,335	£ 32,460
<u>Depreciation:</u>	Charge for the Year	£ 335	£ 3,267	£ 3,602
<u>Accumulated Depreciation:</u>	at 30 June 1998	£ 335	£ 3,267	£ 3,602

Net obligations under finance leases and hire purchase contracts are secured on assets acquired.

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 3

INVESTMENT

NOTE: 3.1

COST:

SUBSIDIARIES

	<u>1998</u>	<u>1997</u>
Additions	£ 300,000	£ -
Less: Eliminated on transfer of Net Assets and business of the Subsidiaries to the company.	(300,000)	-
	-----	-----
Balance Carried Forward	£ -	£ -
	=====	=====

NOTE: 3.2

<u>Subsidiaries</u>	<u>Ordinary Shares Held</u>	<u>Percentage of Total</u>	<u>Type of Business</u>	<u>Country of Incorporation</u>
Silca UK Limited	10,000	100%)	Distribution of	England
Silca Key Services Limited	10,000	100%)	Key blanks and Machinery	England

The company acquired Silca UK Limited on 1 June 1997.

On 1 January 1998 the company took over the business and all the assets and liabilities of Silca UK Limited.

Silca UK Limited held 50% of the Issued Ordinary Share Capital of Silca Key Services Limited on 1 June 1997 which was transferred to the company during the year. On 1 June 1998, the company acquired the remaining 50% of the Issued Ordinary Share Capital of Silca Key Services Limited. On the same date, the business and all the assets and liabilities of Silca Key Services Limited were taken over by the company. For the purposes of these accounts, Silca Key Services Limited has been treated as an associate for the period from 1 June 1997 to 31 May 1998.

Both the above subsidiary companies are dormant at the balance sheet date and it is intended to dissolve them in the near future.

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 3INVESTMENT (CONTINUED)NOTE: 3.3Investment in Associated Undertaking - Silca Key Services Limited

Share of Turnover	£ 1,423,965
	=====
Share of Profit before Tax	£ 10,725
Share of Taxation	(1,545)

Share of Profit after Tax	£ 9,180

Share of Assets	£ Nil
	=====
Share of Liabilities	£ Nil
	=====

NOTE: 4

	<u>Group</u>		<u>Company</u>	
<u>STOCK</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Finished Goods	£ 297,575	£ 20,905	£ 297,575	£ 20,905
	=====	=====	=====	=====

NOTE: 5

	<u>Group</u>		<u>Company</u>	
<u>DEBTORS</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Trade Debtors	£ 777,738	£ 5,116	£ 777,738	£ 5,116
Sundry Debtors and Prepayments	3,835	10,189	3,835	10,189
Amount due from fellow Subsidiary	12,301	196,432	12,301	196,432
	-----	-----	-----	-----
	£ 793,874	£ 211,737	£ 793,874	£ 211,737
	=====	=====	=====	=====

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 6

<u>CREDITORS: AMOUNTS FALLING DUE</u> <u>WITHIN ONE YEAR</u>	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Social Security and Other Taxes	£ 15,996	£ -	£ 15,996	£ -
Trade Creditors and Accruals	82,547	33,334	82,547	33,334
Amount due to fellow subsidiaries	619,755	115,261	619,755	115,261
Sales Invoiced in Advance	21,027	-	21,027	-
Net obligations under Finance Lease and Hire Purchase Contracts	10,067	-	10,067	-
Corporation Tax	29,776	-	29,776	-
	-----	-----	-----	-----
	£ 779,168	£ 148,595	£ 779,168	£ 148,595
	=====	=====	=====	=====

The finance leases are secured on the assets concerned.

NOTE: 7

<u>CREDITORS: AMOUNTS FALLING DUE</u> <u>AFTER MORE THAN ONE YEAR</u>	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Parent Company Loan	£ -	£ 90,361	£ -	£ 90,361
Net obligations under Finance Lease and Hire Purchase Contracts	10,779	-	10,779	-
	-----	-----	-----	-----
	£ 10,779	£ 90,361	£ 10,779	£ 90,361
	=====	=====	=====	=====

The Parent Company Loan of US\$150,000 was repaid during the year. Interest was chargeable at 3% over US Bank Prime Rate.

The Parent Company waived their entitlement to the loan interest.

The Finance Leases are secured on the assets concerned and are repayable in instalments in between two and five years.

NOTE: 8

<u>CALLED UP SHARE CAPITAL</u>	<u>1998</u>	<u>1997</u>
<u>Authorised</u>		
1,000,000 (1997 - 100,000) Ordinary Shares of £1 Each	£ 1,000,000	£ 100,000
	=====	=====
<u>Issued and Fully Paid</u>		
411,050 (1997 - 75,000) Ordinary Shares of £1 Each	£ 411,050	£ 75,000
	=====	=====

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 9

STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	<u>Group</u>	<u>Company</u>
Balance at 1 July 1997	£(62,157)	£(62,157)
Retained Profit for the Year	100,984	100,984
	-----	-----
Balance at 30 June 1998	£ 38,827	£ 38,827
	=====	=====

NOTE: 10

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

		<u>Group</u>		<u>Company</u>
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Profit for the Financial Year	£ 100,984	£ 118,125	£ 100,984	£ 118,125
Opening Shareholder's Funds	12,843	(105,282)	12,843	(105,282)
336,050 Ordinary Shares Issued and fully paid during the Year	336,050	-	336,050	-
	-----	-----	-----	-----
Closing Shareholder's Funds	£ 449,877	£ 12,843	£ 449,877	£ 12,843
	=====	=====	=====	=====

The company issued further shares in order to acquire the subsidiaries.

NOTE: 11

TURNOVER

The Turnover is attributable to the one Principal Activity of the company and the Group.

		<u>Group</u>		<u>Company</u>
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
An analysis of Turnover is as follows:				
UK	£ 2,593,247	£ 211,265	£ 1,176,308	£ 211,265
Overseas	195,306	186,018	195,306	186,018
	-----	-----	-----	-----
	£ 2,788,553	£ 397,283	£ 1,371,614	£ 397,283
	=====	=====	=====	=====

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 12

<u>OTHER INCOME</u>	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Profit on Foreign Exchange	£ -	£ 14,988	£ -	£ 14,988
Management Charges Received	60,831	-	25,831	-
	-----	-----	-----	-----
	£ 60,831	£ 14,988	£ 25,831	£ 14,988
	=====	=====	=====	=====

NOTE: 13

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Surplus on absorption of subsidiaries				
Net Assets	£ 47,655	£ -	£ 83,185	£ -
	=====	=====	=====	=====

The surplus on absorption of subsidiaries net assets arise as a result of Net Assets and business of Silca UK Limited and Silca Key Services Limited being transferred to Silca Unican (UK) Limited (see Note: 3.)

NOTE: 14OPERATING RESULTS

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
The Operating Results are stated after charging:				
Depreciation	£ 7,816	£ 737	£ 7,022	£ 737
Directors Emoluments (Note: 14.1)	4,489	-	4,489	-
Staff Costs (including Directors Emoluments) (Note: 14.2)	65,170	30,113	65,170	30,113
Hire of Equipment	-	959	-	959
Auditors Remuneration	15,938	2,250	5,000	2,250
Operating Lease Rentals - Land and Buildings	41,916	-	18,750	-
	=====	=====	=====	=====

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 14

OPERATING RESULTS (CONTINUED)

NOTE: 14.1

DIRECTOR'S EMOLUMENTS

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Emoluments for qualifying services	£ 4,094	£ -	£ 4,094	£ -
Company pension contributions to money purchase schemes	395	-	395	-
	-----	-----	-----	-----
	£ 4,489	£ -	£ 4,489	£ -
	=====	=====	=====	=====

NOTE: 14.2

STAFF COSTS

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Wages and Salaries	£ 53,740	£ 27,327	£ 53,740	£ 27,327
Social Security Costs	5,108	2,786	5,108	2,786
Directors Remuneration	4,094	-	4,094	-
Pension Contributions	2,228	-	2,228	-
	-----	-----	-----	-----
	£ 65,170	£ 30,113	£ 65,170	£ 30,113
	=====	=====	=====	=====

The average weekly number of employees during the year was as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
Office and Management	1	1	1	1
Production and Sales	3	1	3	1
	---	---	---	---
	4	2	4	2
	==	==	==	==

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 15

	<u>Group</u>		<u>Company</u>	
<u>INTEREST PAYABLE</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
On Bank Overdraft - Repayable within 5 Years not by Instalments	£ 155	£ 7	£ 155	£ 7
On Finance Leases and Hire Purchase Contracts	1,870	-	1,870	-
	-----	-----	-----	-----
	£ 2,025	£ 7	£ 2,025	£ 7
	=====	=====	=====	=====

The parent company waived their entitlement to the loan interest for the year ended 30 June 1997 and 1998 (See Note: 7).

NOTE: 16

TAXATION

The tax charge on the Profit on the Ordinary Activities for the year after setting off losses brought forward were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
UK Corporation Tax @ 31%	£ 10,416	£ -	£ 336	£ -
Tax on share of Profits of Associated Company	1,545	-	-	-
	-----	-----	-----	-----
	£ 11,961	£ -	£ 336	£ -
	=====	=====	=====	=====

No potential liability for deferred taxation is required.

NOTE: 17

FINANCIAL COMMITMENTS

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as follows:

	<u>Group</u>		<u>Company</u>	
	<u>Land and Buildings</u>		<u>Land and Buildings</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Expiry Date:				
Within One Year	£ -	£ -	£ -	£ -
Between 2 and 5 Years	37,500	-	37,500	-
	-----	-----	-----	-----
	£ 37,500	£ -	£ 37,500	£ -
	=====	=====	=====	=====

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 1998 (CONTINUED)

NOTE: 18

TRANSACTIONS WITH RELATED PARTIES

Associated Undertaking

During the year Silca UK Limited entered into transactions with the associated undertaking, Silca Key Services Limited. The transactions related to the sale of stock, this amounted to £2,232,370 (1996 - £ Nil) and was within the ordinary course of business.

Silca UK Limited received a management charge from Silca Key Services Limited. This amounted to £60,831 during the period.

NOTE: 19

PARENT COMPANY

The company is a wholly owned subsidiary of Unican Security Systems Limited a company registered in Canada, whose principal place of business is at 7301 Decarie Boulevard, Montreal, Quebec, Canada.

ANNUAL REPORT AND STATEMENT OF ACCOUNTS
YEAR ENDED 30 JUNE 1998

THE INFORMATION WHICH APPEARS ON THE FOLLOWING PAGES HAS BEEN PREPARED AT THE REQUEST OF THE COMPANY'S MANAGEMENT AND FOR MANAGEMENT PURPOSES ONLY AND DOES NOT FORM PART OF THE STATUTORY ACCOUNTS AND IS SUBMITTED TO THE INLAND REVENUE AND TO OTHER THIRD PARTIES AS INSTRUCTED BY THE DIRECTORS.

SUCH AUDIT WORK HAS BEEN CARRIED OUT BY THE AUDITORS IN RELATION THERETO AS HAS BEEN CONSIDERED NECESSARY BY THEM FOR THE PURPOSES OF THEIR REPORT TO THE MEMBERS ON THE PRECEDING STATUTORY ACCOUNTS.