



first half report 1999

SECURING INFORMATION THROUGH INNOVATION

August 19, 1999

Dear Shareholder:

We are pleased to report continued growth in our Company. For the six months ended June 30, 1999 we recorded revenues of \$6,719,307 compared to \$6,341,141 during the same period last year. Monitoring revenues increased by 7.7% to \$6,399,948 in the first half of 1999 compared to \$5,941,609 in the same period in 1998. Earnings from operations before interest and amortization for the first half in 1999 increased to \$230,083 from \$16,633 during the same period in 1998. Net loss for the six months was \$1,154,431 compared to \$1,178,426 for the same six months in 1998.

The record revenues reflect the growth in dealers and customers within the Counterforce alarm monitoring business. In the biometrics business, we recently received an order for the biometric physical access control product, Mytec Gateway from CIBC (Canadian Imperial Bank of Commerce) for various locations across Canada. This is the first significant sale of Mytec Gateway, since its introduction earlier this year. Within the network access market, the Company continues to ship Touchstone Pro to end users and integrators for evaluation purposes and we expect this will result in revenue generating orders. Mytec also continues its involvement in the development of industry standards.

Year 2000 Update

The Company has completed the process of identifying potential Year 2000 problems, which may exist in its hardware, vendor owned software, internet software, and administrative and building systems. The Company has successfully completed its date testing of the alarm monitoring software, accounting systems and other critical equipment. The company has completed its contingency plan for its alarm monitoring business.

Incremental expenses to achieve Year 2000 readiness incurred to date, and those estimated for 1999, are not expected to be material to the Company's operating result. There can be no assurance, however, that the Company's own systems or those of third parties it relies upon, will be fully Year 2000 compliant before December 31, 1999. As such, these could have a material adverse effect on the Company's business, financial condition and results of operations.

D.W. Hollingshead
President & CEO

Ross Hutchison
Chairman

Consolidated Statements of Cash Flow

6 Months ended June 30, 1999 and 1998
(unaudited)

	1999	1998
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating		
Net loss	\$ (1,154,431)	\$ (1,178,426)
Items not affecting cash:		
Amortization:		
Subscriber base	823,203	767,244
Fixed assets	206,739	168,828
Deferred development and pre-operating costs	291,246	291,246
Financing costs	25,001	-
	191,758	48,892
Changes in non-cash operating working capital items:		
Accounts receivable	73,041	363,833
Inventory	(52,386)	(333,760)
Prepaid dealer standby fees	(13,054)	28,713
Prepaid expenses	(16,936)	(105,934)
Accounts payable and accrued liabilities	(168,760)	(502,733)
Deferred revenue	33,896	(75,607)
	47,559	(576,596)
Investing		
Purchase of fixed assets	(131,465)	(438,475)
Additions to subscriber base:		
Share entitlement	(267,494)	(263,073)
Cash	(1,126,971)	(917,036)
Deferred development and pre-operating costs	(222,234)	(431,325)
	(1,748,164)	(2,049,909)
Financing		
Obligation under capital lease	(16,376)	172,894
Issue of common shares	620,859	1,727,366
Decrease in share commitment	(343,466)	(524,492)
	261,017	1,375,768
Change in Cash and Cash Equivalents		
	(1,439,588)	(1,250,737)
Cash and Cash Equivalents, Beginning of Period	(435,149)	2,124,501
Cash and Cash Equivalents, End of Period	\$ (1,874,737)	\$ 873,764
Cash and Short-term Investments	\$ 385,263	\$ 873,764
Bank Indebtedness	(2,260,000)	-
Cash and Cash Equivalents	\$ (1,874,737)	\$ 873,764
Supplementary Information		
Interest paid during period	\$ 54,363	\$ 6,267

Consolidated Balance Sheets

June 30, 1999 and 1998
(unaudited)

	1999	1998
Assets		
Current Assets		
Cash and short-term investments	\$ 385,263	\$ 873,764
Accounts receivable	607,478	652,587
Inventory	836,164	339,885
Prepaid dealer standby fees	1,506,886	1,498,609
Prepaid expenses	118,593	319,214
	3,454,384	3,684,059
Fixed Assets		
Subscriber Base	1,617,998	1,880,462
Deferred Development and	7,938,037	6,989,284
Pre-operating Costs	2,520,552	3,085,999
Long-term Investment	432,720	432,720
Prepaid Royalty Fees	274,840	274,840
Deferred Financing Costs	50,000	-
	\$ 16,288,531	\$16,347,364
Liabilities		
Current Liabilities		
Bank indebtedness	\$ 2,260,000	\$ -
Accounts payable and accrued liabilities	1,105,570	1,114,321
Deferred revenue	3,222,133	3,212,336
Current portion of obligation under capital lease	33,600	33,600
	6,621,303	4,360,257
Obligation Under Capital Lease	106,540	139,294
Shareholders' Equity		
Share Capital	21,915,754	21,294,895
Share Commitment	874,138	947,578
Deficit	(13,229,204)	(10,394,660)
	9,560,688	11,847,813
	\$ 16,288,531	\$16,347,364

Consolidated Statements of Earnings and Deficit

6 Months ended June 30, 1999 and 1998
(unaudited)

	1999	1998
Revenue		
Monitoring	\$ 6,399,948	\$ 5,941,609
Alarm response	271,492	343,853
Equipment and supplies	47,867	55,679
	6,719,307	6,341,141
Expenses		
Dealer standby and reconnect fees	2,849,721	2,736,343
Selling, general and administration	2,383,678	2,172,364
Monitoring station	705,140	768,044
Alarm response fees	232,085	311,677
Equipment and supplies	67,894	58,825
Research	250,706	277,255
	6,489,224	6,324,508
Earnings from Operations		
Before Amortization	230,083	16,633
Amortization		
Subscriber base	823,203	767,244
Fixed assets	206,739	168,828
Deferred development and pre-operating costs	291,246	291,246
Financing costs	25,001	-
	1,346,189	1,227,318
Loss from Operations	(1,116,106)	(1,210,685)
Other		
Interest income	16,038	38,526
Interest expense	(54,363)	(6,267)
	(38,325)	32,259
Net Loss	(1,154,431)	(1,178,426)
Deficit, Beginning of Period	(12,074,773)	(9,216,234)
Deficit, End of Period	\$(13,229,204)	\$(10,394,660)
Loss Per Share		
Basic	(4.8¢)	(5.0¢)
Fully diluted	ANTIDILUTIVE	ANTIDILUTIVE

Segmented Information

1999	Alarm Monitoring	Biometric Solutions	Segment Elimination	Consolidated
Revenue from external sources	\$ 6,698,231	\$ 21,076		\$ 6,719,307
Net earnings (loss) for the period	\$ 824,812	\$ (1,979,243)		\$ (1,154,431)
Segment assets	\$ 11,017,388	\$ 13,642,223	\$ (8,371,080)	\$ 16,288,531
1998				
Revenue from external sources	\$ 6,310,763	\$ 30,378		\$ 6,341,141
Net earnings (loss) for the period	\$ 426,414	\$ (1,604,840)		\$ (1,178,426)
Segment assets	\$ 10,345,354	\$ 12,365,973	\$ (6,363,963)	\$ 16,347,364



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