This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been and will not be registered under the United States Securities Act of 1933. Accordingly, except to the extent permitted by law, these securities may not be offered or sold in the United States and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any such securities within the United States of America.

Additional Issue — August 31, 1999

MONEYSWORTH & BEST SHOE CARE INC.

$2,004,010

546,549 Common Shares and 546,549 Warrants issuable upon the exercise of 520,522 Special Warrants

Moneysworth & Best Shoe Care Inc. ("Moneysworth" or the "Company") will issue 546,549 common shares (the "Common Shares") in the capital of Moneysworth and 546,549 Common Share purchase warrants (the "Warrants") upon the exercise of 520,522 special warrants (the "Special Warrants") previously issued by the Company at a price of $3.85 per Special Warrant. Upon exercise, each Special Warrant entitles the holder to acquire one and one-twentieth Common Shares and one and one-twentieth Warrants without payment of any additional consideration.

This prospectus is being filed to qualify the distribution of the Common Shares and Warrants to be issued upon exercise of the Special Warrants, certain Compensation Options (as defined below) and up to 150,000 Common Shares issuable pursuant to a convertible debenture (the "Panita Shares"). The re-sale of the Panita Shares in the manner described under the heading "Panita Debenture" forms part of the distribution qualified by this Prospectus and each purchaser of Panita Shares shall be entitled to receive a copy of this Prospectus. Each such purchaser shall also be entitled to certain statutory rights. See "Purchasers' Statutory Rights" and "Private Placement and Plan of Distribution".

	Price	Commission(2)	Net Proceeds(3)
Per Special Warrant	$3.85	$0.2695	$3.5805
Total Offering	$2,004,010	$140,281	$1,863,729

(1) This prospectus is also being filed to qualify the distribution of up to 150,000 Common Shares issuable pursuant to a convertible debenture issued in connection with the Company's acquisition of Panita Enterprises Inc. See "Business of the Company — Recent Developments — Acquisition of Panita Enterprises Inc.", "Panita Debenture" and "Private Placement and Plan of Distribution".

(2) Commission paid to the Agent (as defined below) is equal to 7% of the offering price of the Special Warrants. As additional compensation under the terms of the Agency Agreement (as defined below), the Company issued to Taurus Capital Markets Ltd. ("Taurus" or the "Agent") an aggregate of 52,052 agent's special warrants (the "Agent's Special Warrants"), each

exercisable without payment of additional consideration to the Company into one compensation option (a "Compensation Option"). Each Compensation Option entitles the Agent to purchase, until 5:00 p.m. on February 26, 2001, one Common Share and one agent's warrant (an "Agent's Warrant") at a price of $3.85. Each Agent's Warrant is exercisable into one Common Share at an exercise price of $3.85 for a period of one year from the Special Warrant Expiry Date (as defined below). No additional compensation will be payable to the Agent in connection with the distribution of the Agent's Special Warrants, the Compensation Options, the Common Shares and Agent's Warrants issuable upon exercise of the Compensation Options or the Common Shares issuable upon exercise of the Agent's Warrants. This prospectus also qualifies the distribution of 26,026 of the 52,052 Compensation Options issuable upon the exercise of the Agent's Special Warrants.

(3) Excludes other expenses relating to this offering, estimated at $190,000, which have been paid from the general funds of the Company.

An investment in Common Shares is speculative and involves significant risk due to a number of factors. See "Risk Factors".

After giving effect to the exercise of the Special Warrants, the price of $3.85 paid for each unit comprised of one Common Share and one Warrant through the purchase and exercise of a Special Warrant exceeds the consolidated net tangible book value per Common Share as at June 30, 1999 by $3.91 (or 102% of the issue price). See "Dilution".

The Common Shares are traded on The Toronto Stock Exchange (the "TSE") under the trading symbol "MWB". The closing price of the Common Shares on the TSE on February 25, 1999 (the last business day prior to the issue of the Special Warrants) was $3.90, and on August 30, 1999 was $1.45.

The Special Warrants were sold to investors on a private placement basis pursuant to an agency agreement (the "Agency Agreement") between Moneysworth and the Agent dated February 26, 1999 at a price of $3.85 for each Special Warrant. The price of the Special Warrants was determined by negotiation between the Company and the Agent. See "Private Placement and Plan of Distribution".

The Special Warrants are exercisable at any time prior to the earlier of 5:00 p.m. (Toronto time) on: (i) the date on which the Ontario Securities Commission (the "OSC") issues a (final) receipt for this prospectus (the "Qualification Date"); and (ii) February 26, 2000 (the "Special Warrant Expiry Date"). If the Qualification Date has not occurred on or before June 26, 1999, each Special Warrant shall become exercisable, without payment of additional consideration, into 1.05 Common Shares and 1.05 Warrants. Each Special Warrant which has not been exercised previously shall be deemed to have been exercised by the Warrant Agent, on behalf of the holder thereof and without any further action on the holder's part, immediately prior to 5:00 p.m. (Toronto time) on the Special Warrant Expiry Date. In accordance with applicable securities laws, if Common Shares and Warrants are issued upon the exercise of Special Warrants prior to the Qualification Date, such Common Shares and Warrants may be subject to a hold period or other restrictions on resale. Each Warrant will entitle the holder to purchase one Common Share in the capital of the Company at an exercise price of $3.85 per share for a period of one year from the Special Warrant Expiry Date (the "Warrant Expiry Date"). See "Private Placement and Plan of Distribution".

Definitive certificates representing the Common Shares and Warrants are expected to be available for delivery within 5 days following the exercise of the Special Warrants. Certain legal matters in connection with this offering have been and will be passed upon for the Company by Osler, Hoskin & Harcourt, Toronto and for the Agent by Cassels Brock & Blackwell, Toronto.

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PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information found elsewhere in this prospectus. Unless otherwise stated, all of the dollar amounts expressed in this prospectus are stated in Canadian dollars.

Moneysworth & Best Shoe Care Inc. ("Moneysworth" or the "Company") is a consumer products company which develops, manufactures, distributes and markets a broad line of premium shoe care and foot care products (the "Product Line") in the North American wholesale and retail markets. The Product Line is marketed by the Company, directly and under distribution arrangements, through food, drug, large retail chains (known in the industry as "mass") and specialty shoe stores in Canada and the United States. The Company also markets its Product Line through its own chain of Moneysworth & Best Quality Shoe Repair stores, most of which are operated by franchisees. The Company manufactures certain of its products at its manufacturing facility in Orange, California, and outsources the manufacture of certain products to various shoe care and foot care product manufacturers worldwide.

Management believes that the size of the North American market for all segments in which its products compete is in the range of $2.5 billion to $3 billion.

Management estimates that, since 1984, Moneysworth & Best Quality Shoe Repair stores have repaired over 12 million pairs of shoes. The Company has applied its expertise in shoe repair to develop and market the Product Line, which was initially sold through its own retail stores. In 1991, the Company began selling its Product Line through other retail chains and distribution channels. The Company's current operations were carried out until December 1996 by Moneysworth & Best Shoe Repair Corp., a corporation which amalgamated with HMD Capital Corp. on January 1, 1997 to continue as the Company.

Management believes that the knowledge and expertise it has developed from its shoe repair business provides the Company with a distinct competitive advantage. Management further believes that the Company's highly visible retail stores and shoeshine stands increase consumer brand awareness of the Product Line. The Company's merchandising programs involve the use of display units which are frequently replenished to ensure high in-stock positions.

Effective August 1997, the Company acquired Panita Enterprises Inc. ("Panita"), a private company based in Burnaby, B.C. Prior to the acquisition, Panita distributed and marketed a broad line of shoe care products in Canada which competed directly with Moneysworth's Product Line. In February 1998, Moneysworth closed Panita's Burnaby-based distribution facility and head office, and consolidated distribution at Moneysworth's Toronto facility. In addition, Panita's sales force and customer base were consolidated into Moneysworth's operations. On January 1, 1999, Panita was amalgamated with the Company to carry on as Moneysworth & Best Shoe Care Inc. See "Business of the Company — Recent Developments — Acquisition of Panita Enterprises Inc.", "Panita Debenture" and "Private Placement and Plan of Distribution".

Effective January 5, 1999, the Company acquired Adcor Products, Inc. ("Adcor"), a private company based in Orange, California. Adcor manufactures and distributes approximately 150 shoe care products under the brand name "Expert's Choice" to over 10,000 food, drug, and mass chain stores in the United States using both direct distribution methods and a national sales network of 31 sales agencies. Management plans to manufacture some of its products using Adcor's facilities and believes that this will enable the Company to achieve cost efficiencies and increase margins. Management also plans to utilize the Adcor sales network to increase the sales of the complete Product Line, including Expert's Choice, Panita and Moneysworth & Best Quality Shoe Care branded products. Management believes that Adcor will serve as the Company's strategic platform to expand its business in the United States, and as the base into which future U.S. acquisitions may be integrated. Adcor was acquired by and amalgamated with Moneysworth & Best (USA Brands) Inc., a wholly-owned subsidiary of Moneysworth, and continues to operate as Adcor. See "Business of the Company — Recent Developments — Acquisition of Adcor Products, Inc.". For the year ended December 31, 1998, the Company's revenue from sales of its Product Line was $8,018,000.

Details of the Offering

Issue: 546,549 Common Shares and 546,549 Warrants issuable upon the exercise of the Special Warrants previously issued by the Company, 26,026 of the 52,052 Compensation Options issuable upon the exercise of the Agent's Special Warrants and up to 150,000 Common Shares issuable pursuant to a convertible debenture previously issued by the Company.

Special Warrants: 520,522 Special Warrants were sold to investors on a private placement basis on February 26, 1999 at a price of $3.85 per Special Warrant. The Special Warrants are exercisable 5 Business Days after the earlier of: (i) the date on which the Ontario Securities Commission (the "OSC") issues a (final) receipt for this prospectus (the "Qualification Date"); and (ii) February 26, 2000 (the "Special Warrant Expiry Date"). Because the Qualification Date did not occur on or before June 26, 1999, each Special Warrant is exercisable, without payment of additional consideration, into 1.05 Common Shares and 1.05 Warrants. Each Special Warrant which has not been exercised previously shall be deemed to have been exercised without any further action on the holder's part, immediately prior to 5:00 p.m. (Toronto time) on the Special Warrant Expiry Date. In accordance with applicable securities laws, if Common Shares and Warrants are issued upon the exercise of Special Warrants prior to the Qualification Date, such Common Shares and Warrants may be subject to a hold period or other restrictions on resale. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of $3.85 per share for a period of one year from the Special Warrant Expiry Date. See "Private Placement and Plan of Distribution".

Use of Proceeds: The net proceeds of the Special Warrants previously issued and sold, after payment of the Agent's fees and expenses, and the expenses of this offering estimated at $190,000, will be used by the Company as to approximately $1,000,000 as working capital, largely to fund the growth of its U.S. business, and the balance to fund capital requirements, including display units for new customers. See "Use of Proceeds".

Dividend Record and Policy: The Company intends to retain all available funds for use in the operation of its business and does not have any immediate plans to pay dividends. See "Dividend Record and Policy".

Risk Factors:

An investment in the Common Shares and Warrants is subject to a number of risks, all of which should be carefully considered by a prospective investor. These include risks associated with the protection of intellectual property rights, environmental regulation, dilution, competition, market trends, product liability, exchange rate exposure, dependence upon key management and employees, sales infrastructure and market penetration, the ability to integrate acquired businesses, dividend policy and the Year 2000. See "Risk Factors".

SELECTED CONSOLIDATED FINANCIAL INFORMATION FOR MONEYSWORTH & BEST SHOE CARE INC. (1)

(in thousands of dollars, except per share data)

	Six months ended June 30, 1999 (unaudited)	Six months ended June 30, 1998	Year ended December 31, 1998 (2) (unaudited)	Year ended December 31, 1997 (2)	Two months ended Dec. 31,1996 (2)
System Sales (3)					
Retail (unaudited)	$ 5,144	$ 4,850	$ 10,340	$10,719	$ 2,150
Wholesale	6,241	3,511	8,018	5,966	1,047
Operating Results					
Corporate revenue	7,028	4,305	9,764	7,645	1,353
Cost of Sales					
Wholesale	5,181	2,991	6,860	4,649	737
Retail	740	506	1,512	895	143
EBITDA (4)	3	132	(915)	1,047	340
Net income (loss)	(1,054)	(342)	(1,947)	313	235
Earnings (loss) per share	$ (0.08)	$ (0.03)	$ (0.17)	$ 0.03	$ 0.02

Balance Sheet Data	June 30, 1999 (unaudited)	December 31, 1998	December 31, 1997
Working capital (deficiency)	$ 2,817	$ (283)	$ 2,327
Total assets	22,706	11,518	11,916
Long-term debt (including current portion)	3,777	1,271	1,028
Convertible debenture (including current portion)	1,222	1,302	1,228
Deferred royalty obligation	2,803	-	-

Notes:

(1) On October 23, 1996, HMD Capital Corp. (since renamed Moneysworth & Best Shoe Care Inc.) acquired control of Moneysworth & Best Shoe Repair Corp. Prior to that date, the Company was an inactive reporting issuer with no material business operations.

(2) The financial information contained herein has been derived from the audited consolidated financial statements of the Company. See "Moneysworth & Best Shoe Care Inc. Consolidated Financial Statements" appearing herein, including the notes thereto, for greater detail.

(3) System sales consist of retail sales (unaudited) of both Company-owned and operated and franchise stores, and the Company's wholesale sales to retail chains and specialty shoe stores as well as to its franchise stores and distributors.

(4) EBITDA consists of earnings (loss) before interest, income taxes, depreciation and amortization.

SELECTED CONSOLIDATED FINANCIAL INFORMATION FOR MONEYSWORTH & BEST SHOE REPAIR CORP. (1)
(in thousands of dollars)

	Year ended December 31, 1996	Year ended December 31, 1995	Year ended December 31, 1994
System Sales (2)			
Retail (unaudited)	$ 11,045	$ 11,360	$ 11,771
Wholesale	4,362	1,975	1,790
Operating Results			
Corporate revenue	6,864	7,071	6,658
Cost of Sales			
Wholesale	3,354	1,564	1,144
Retail	1,699	4,617	4,066
EBITDA (before other items) (3)	813	(96)	553
Other items (4)	1,647	451	0
Net income (loss)	(1,241)	(1,108)	80

Balance Sheet Data	December 31, 1996	December 31, 1995
Working capital (deficiency)	$ (292)	$ 1,400
Total assets	4,627	5,497
Long-term debt (including current portion)	1,810	1,565

Notes:

(1) The financial information for each fiscal year in the three year period December 31, 1996 has been derived from the audited consolidated financial statements of "Moneysworth & Best Shoe Repair Corp. Consolidated Financial Statements" appearing herein, including the notes thereto.

(2) System sales consist of retail sales (unaudited) of the Company's corporate operated and franchise stores, and the Company's wholesale sales to retail chains and specialty shoe stores as well as to its franchise stores and distributors.

(3) EBITDA consists of earnings (loss) before interest, income taxes, depreciation and amortization.

(4) Other items relate primarily to the restructuring of Moneysworth & Best Shoe Repair Corp.'s company owned stores to a franchise network, a provision against franchise receivables and the write-off of goodwill.

THE COMPANY

Moneysworth & Best Shoe Care Inc. ("Moneysworth") is an Ontario company resulting from the amalgamation on January 1, 1997 of HMD Capital Corp. ("HMD") and its then wholly-owned subsidiary, Moneysworth & Best Shoe Repair Corp. ("Shoe Repair"), which was established in December 1984 for the purpose of developing, distributing and marketing premium shoe care and foot care products. HMD was an inactive reporting issuer with no material business operations until it acquired control of Shoe Repair on October 23, 1996. On April 8, 1997, the Company changed its name from HMD Capital Corp. to Moneysworth & Best Shoe Care Inc. Effective August 1997, the Company acquired Panita Enterprises Inc. ("Panita"), a private company based in Burnaby, British Columbia and on January 1, 1999, Panita was amalgamated with the Company to carry on as Moneysworth & Best Shoe Care Inc.

The Company's registered office is located at Suite 6600, 1 First Canadian Place, Toronto, Ontario, M5X 1B8. The Company's head office is located at 501 Rowntree Dairy Road, Unit 5, Vaughan, Ontario, L4L 8H1.

Principal Subsidiaries

The following list sets out the Company's principal subsidiaries, including the jurisdiction of incorporation and the percentage of voting securities currently owned directly or indirectly by the Company.

Principal Subsidiary	Incorporated under the laws of	Percentage of voting securities held directly or indirectly by the Company
Moneysworth & Best Shoe Repair (Canada) Inc.	Ontario	100%
Moneysworth & Best Shoe Repair Corporation	Delaware	100%
Moneysworth & Best (USA Brands) Inc. (operating as Adcor Products, Inc.)	Delaware	100%
Moneysworth & Best (USA) Inc.	Delaware	100%
Moneysworth & Best Shoe Repair (USA) Inc.	Delaware	100%

BUSINESS OF THE COMPANY

The Company is a consumer products company which develops, manufactures, distributes and markets a broad line of premium shoe care and foot care products (the "Product Line") in the North American wholesale and retail markets. The Product Line is marketed by the Company, directly and under distribution arrangements, through food, drug, large retail chains (known in the industry as "mass") and specialty shoe stores in Canada and the United States. The Company also markets the Product Line through its own chain of Moneysworth & Best Quality Shoe Repair stores, most of which are operated by franchisees. The Company manufactures certain of its products at its facility in Orange, California, and outsources the manufacture of certain products to various shoe care and foot care product manufacturers worldwide.

Management believes that the size of the North American market for all segments in which its products compete is in the range of $2.5 billion to $3 billion.

Management estimates that, since 1984, Moneysworth & Best Quality Shoe Repair stores have repaired over 12 million pairs of shoes. The Company has applied its expertise in shoe repair to develop and market the Product Line, which was initially sold through its own retail stores. In 1991, the Company began selling its Product Line through other retail chains and distribution channels.

Management believes that the knowledge and expertise the Company has developed from its shoe repair business provide it with a distinct competitive advantage. Management further believes that the Company's highly visible retail stores and shoeshine stands increase consumer brand awareness of the Product Line. The Company's merchandising programs involve the use of display units which are frequently replenished to ensure high in-stock positions.

In Canada, the Company markets its Product Line through a number of large retail chains such as The Bay, Shoppers Drug Mart, Dack's Shoe Stores, Bata, Forzani's, Pharmaprix, Eaton's, A&P Foods Stores and through the Company's own retail chain of 83 Moneysworth & Best Quality Shoe Repair stores. The Product Line is also sold by direct-to-home catalogues such as Amway of Canada Ltd.

Recent Developments

Acquisition of Adcor Products, Inc.

Under the terms of an Agreement and Plan of Merger dated as of December 17, 1998, as amended as of January 6, 1999 (the "Merger Agreement") between the Company, Adcor Products, Inc. ("Adcor"), Russ and Lisa Hill (together, the "Hills") and the Company's subsidiary Moneysworth & Best (USA Brands) Inc. ("USA Brands"), the Company acquired all of the outstanding shares of Adcor, a private company based in Orange, California, by way of a merger of Adcor with and into USA Brands. Adcor manufactures and distributes approximately 150 shoe care products under the brand name "Expert's Choice" to over 10,000 food, drug, and mass chain stores in the United States using both direct distribution methods and a national sales network of 31 sales agencies. As consideration, the Hills received aggregate payments of approximately $3.1 million in cash and promissory notes, and 1,688,480 Common Shares valued at $4,866,000. Under the terms of the Merger Agreement, additional Common Shares are issuable to the Hills from time to time as follows:

(a) up to U.S. $2.3 million in additional consideration may be payable to the Hills pursuant to an earn-out mechanism based on sales of the Product Line in certain mass, food, drug and mail order trade distribution channels in the United States in the two twelve-month periods following the closing of the transaction. Any such additional consideration shall be satisfied as to one-half in cash and the other one-half through the issuance of additional Common Shares to the Hills. The number of Common Shares issuable cannot be determined with certainty as the amount of additional consideration cannot be reasonably estimated at the current time; and

(b) the Company has given a price guarantee to the Hills in respect of the value of certain

Common Shares sold by the Hills during prescribed periods of time. To the extent that this guarantee is called upon, the Company shall be obligated to make periodic adjustment payments to the Hills. In addition, if the Hills sell any Common Shares for a price per Common Share in excess of the price guarantee, the Hills shall pay to the Company an amount equal to one-half of such excess proceeds for each Common Share sold. Under the terms of the Merger Agreement, the Company has the right to issue additional Common Shares (the "Adcor Adjustment Shares") to the Hills instead of making cash payments.

The Merger Agreement also provides that any amount payable by the Company in respect of post-closing adjustments may be satisfied as to one-half by payment in cash and as to the remaining one-half by the issuance of additional Common Shares (the "Closing Adjustment Shares"). As a result of the adjustment provisions of the Merger Agreement, on June 15, 1999, the Company issued 106,232 Closing Adjustment Shares as an adjustment to the 1,582,248 Common Shares issued to the Hills at closing, and made an additional cash payment of US$121,162 to the Hills.

Management plans to manufacture certain of its products using Adcor's facilities and believes that it will achieve cost efficiencies and increase margins. Moneysworth also plans to use the Adcor sales network to increase the sales of Expert's Choice, Panita and Moneysworth & Best Quality Shoe Care products. Management believes that Adcor will serve as the Company's strategic platform to expand its business in the United States and as the base into which future U.S. acquisitions may be integrated. As part of this expansion, the Company has entered into the following agreements:

- On March 30, 1999, the Company announced that, through Adcor, it will be the exclusive supplier of 103 Stock Keeping Units ("SKUs") of the Company's Product Line to Pathmark Stores Inc., which operates 132 combination supermarket/drug stores throughout New York and New Jersey. The initial stocking order is for approximately US$100,000, and the arrangement is for a term of no less than two years;

- On April 14, 1999, the Company announced that it will be supplying ten "Expert's Choice" products to Payless ShoeSource ("Payless"), a national chain with over 4,570 stores in the United States, Puerto Rico, the U.S. Virgin Islands, Guam, Saipan and Canada. Payless has commenced test marketing 10 SKUs of the Company's products and, if the initial tests are successful, Moneysworth hopes to be able to distribute its products to all Payless stores;

- On May 5, 1999, the Company announced that, through Adcor, it will supply 25 SKUs of the Company's Product Line to Ames Department Stores Inc., a discount department store chain which operates 301 stores in 14 states in the Northeastern United States. The initial stocking order is for approximately US$90,000 and the arrangement will continue for a term of no less than three years;

- On June 8, 1999, the Company announced that, through Adcor, it will supply 70 SKUs of Adcor products to American Stores Company, a large combination food/drug store chain in the United States;

- On June 25, 1999, the Company announced that it will supply approximately 30 SKUs of the Company's Product Line for an indefinite term to Mark's Work Wearhouse Ltd., a Canadian-based retailer which operates 291 apparel retail stores in Canada with three separate divisions;

- On June 28, 1999, the Company announced that, through Adcor, it will supply approximately 100 SKUs of Adcor products to Baltimore-based Metro Food Market, a for a term of no less than three years; and

- On June 28, 1999, the Company announced that, through Adcor, it will supply 80 SKUs of Adcor products to Places Discount Stores, a mass market discounter based in Bethany, Missouri, for a term of no less than 1 year.

Royalty Agreement with McCarvill Corporation

Concurrently with the completion of the acquisition of Adcor and in order to obtain financing for the acquisition, the Company sold certain royalty interests in its revenues to McCarvill Corporation ("McCarvill") for $3,000,000. Under the terms of the royalty agreement between the Company and McCarvill, the Company will pay McCarvill a royalty of 4.0% of its gross revenues, subject to adjustment to rates ranging from 2.1% to 7.2% (the actual rate being determined based on the actual gross revenue of the Company for the prior six month period). After McCarvill has received an aggregate of $3.9 million in royalty payments (the "Recovery Date"), which is expected to occur within four years of the granting of the royalty interests, the rate payable will be reduced to between 1.5% and 0.5% (depending upon the royalty rate in effect on the Recovery Date) and continue at that rate for a period of twelve years following the Recovery Date. The rate of the royalty will be further reduced to between 0.4% and 0.8% if the Company's gross revenues exceed $120 million in any particular fiscal year (and the actual reduced rate will depend upon the post-Recovery Date rate then in effect).

Under the terms of the agreement with McCarvill, the Company also issued 225,000 Common Share purchase warrants to McCarvill, exercisable at $3.75 each until January 5, 2002. As partial consideration for acting as financial advisor to the Company in respect of the royalty arrangement, the Company issued 80,000 Common Share purchase warrants to Taurus, exercisable at $3.75 each until January 15, 2001.

Acquisition of Panita Enterprises Inc.

Effective August 1997, the Company acquired Panita Enterprises Inc. ("Panita"), a private company based in Burnaby, British Columbia (the "Panita Acquisition"). The purchase price for the acquisition of Panita was satisfied by the payment of $680,000 in cash and the issuance of a debenture in the amount of $1,400,000, which is convertible into Common Shares of the Company at a conversion price of $7.00 per Common Share at any time prior to May 31, 2000. See "Panita Debenture" and "Private Placement and Plan of Distribution".

Prior to the acquisition, Panita distributed and marketed a broad line of shoe care products in Canada which competed directly with Moneysworth's Product Line. In February 1998, Moneysworth closed Panita's Burnaby-based distribution facility and head office, and consolidated distribution at Moneysworth's Toronto facility. In addition, Panita's sales force and customer base have been consolidated into Moneysworth's operations. On January 1, 1999, Panita was amalgamated with the Company to carry on as Moneysworth & Best Shoe Care Inc.

The acquisition of Panita dramatically increased the Company's market share in Canada and provided the Company with access to a number of national retail chains for distribution purposes, including Roots, Superstar, The Forzani Group and Tootsies' Family Shoe Market Stores.

Agreement with Rochester Shoe Tree Company

Since 1995, the Company's Product Line has been distributed in the United States to department stores and specialty shoe stores in accordance with a distribution agreement (the "Distribution Agreement") between Moneysworth & Best Shoe Repair Corp. and Rochester Shoe Tree Company ("Rochester") based in Lexington, Mass. The Company's Product Line is currently sold in Macy's, Nordstrom, Men's Wearhouse, Bon Marche, Dayton Hudson, Van Maur and other shoe specialty chains. In accordance with the Distribution Agreement, the Company also packages, markets and distributes a broad range of shoe care and foot care products under the Florsheim brand name, which products are sold in Florsheim stores throughout the United States. As a result of the acquisition of Adcor (as described above), Moneysworth will distribute certain of its products through Adcor. Accordingly, effective as of March 22, 1999, the Company and Rochester agreed to terminate the Distribution Agreement, after a transition period of six months, on September 22, 1999. Upon termination of the Distribution Agreement, Moneysworth will be able to sell its Product Line directly to all trade classifications in the United States and will have no further obligations to Rochester. In addition, Rochester will be allowed to sell products under its J&M Private Label Shoe Care Program and will have no further obligations to Moneysworth. Rochester has agreed to use its best efforts to effect a smooth transition for existing accounts from Rochester to the Company. Management believes that termination of the Distribution Agreement will enable the Company to increase the distribution and sales of its Product Line in the United States and to recover margin which Rochester has been earning. See "Sales and Marketing Strategy".

Other Acquisition Opportunities

On February 11, 1998, the Company announced that it had entered into a Letter of Intent to acquire 100% of the net assets of Shoe Stop Inc., a shoe repair company based in Seattle, Washington. Management later determined not to complete the acquisition.

In April 1998, the Company entered into negotiations with a view to acquiring Dr. Fabricant, a company based in New York. The Company was unable to negotiate satisfactory terms, and did not complete the acquisition.

Although the Company is interested in pursuing attractive acquisition opportunities that may arise, there are no specific transactions currently under consideration.

Corporate Strategy

While sales of the Product Line have increased significantly over the past few years, the Company believes that the potential exists for it to continue to increase its share of the shoe care and foot care market. The Company's plan is to increase this growth in market share by executing the following strategies:

1. to continue expansion of its distribution base by adding more large retail chains to its customer base;

2. to acquire like or competing companies, generate growth and facilitate market consolidation with a particular focus on companies based in the United States; and

3. to expand its chain of franchised shoe repair stores and shoeshine stands.

The Company's distribution network in North America has grown to over 15,000 retail outlets at January 1, 1999 from 4,100 at December 31, 1997, largely as a result of the acquisition of Adcor. Similarly, in the United States, distribution grew to approximately 11,000 retail outlets from 960 stores at December 31, 1997, which growth was also largely as a result of the acquisition of Adcor.

The Company has achieved significant consumer brand awareness through a combination of high-visibility, high-traffic store locations, award-winning advertising campaigns and promotions. The Company's plan is to expand sales of its Product Line in food, drug, mass, specialty shoe stores and other retail outlets by capitalizing on this consumer brand awareness.

Products

The Company distributes approximately 2,250 SKUs from its distribution centre in Toronto, Canada. Included in the 2,250 SKUs are approximately 750 SKUs of consumer packaged shoe care and foot care products, including Moneysworth & Best, Panita and Expert's Choice brands, which the Company manufactures, markets and distributes to its wholesale accounts in Canada and the United States. The balance of these items (approximately 1,500 SKUs) are consumables, known in the shoe repair industry as "findings". These include leather soles and skins, rubber heels, thread, nails, zippers and sanding belts and other similar items which are used to repair shoes. These findings are sold to the Company's retail shoe repair stores. Management believes that the Moneysworth Product Line includes one of the broadest ranges of shoe care and foot care products marketed in North America.

The Company manufactures some of its products at its distribution facility in Orange, California, and distributes approximately 150 SKUs from this facility largely to U.S.-based retail chains, as well as to customers in Mexico, Japan and Europe.

The Company purchases its raw materials and products worldwide. The Company purchases its products and materials from a variety of suppliers and is not dependent on any one supplier for its requirements. Management believes that it has good relationships with its suppliers.

Moneysworth & Best brand shoe polishes are produced with premium ingredients such as natural carnuba wax and lanolin, intended to ensure a long-lasting, lustrous shine. Moneysworth & Best brand water and stain protector products are all non-silicone based formulations. This is intended to ensure maximum water and stain resistance without damaging or discolouring the surface of the shoes. Many competitive products, however, are silicone-based formulations. Silicone does not allow the leather to breathe and causes lighter coloured leathers and fabrics to darken.

The Company continually tests competitive products and its own formulations while repairing, cleaning and polishing shoes in its Moneysworth & Best Quality Shoe Repair stores. In the spring and fall, which are the high seasons for shoe repair, the Company's stores repair approximately 50,000 pairs of shoes per week.

The Company's product strategy is to add value which is noticeable to the end-use customer in ease of application, quality of performance and attractive packaging. The Company is sensitive to environmental issues and, in that regard, uses a minimum of secondary packaging which minimizes waste and decreases product cost. The Company also chooses materials that are as environmentally friendly as possible.

Sales and Marketing Strategy

General

The Company has utilized its shoe repair expertise, retail customer input and merchandising experience to develop its Product Line and execute a merchandising and category management program that management believes to be unique. The Company's approach is to offer its wholesale customers a single source for a broad range of shoe care and foot care products as well as expertise in merchandising. The Company's sales and marketing program incorporates:

- a broad range of high quality Moneysworth & Best Quality Shoe Care brand products which are distinctively packaged and positioned as a premium product, sold through department stores and specialty shoe stores;

- a broad range of high quality Expert's Choice brand products which are marketed as good value products at low prices, sold through mass, food, and drug stores. This brand offers retailers higher margins than competitive brands;

- a category management system incorporating customized planograms (i.e. product layouts) which vary product facings and depth of stock by SKU to achieve optimal visibility and profile for the Company's high gross margin products;

- merchandise display units which feature the brand's "Old World" image in high traffic, high visibility locations;

- frequent service and replenishment of merchandise display units to ensure high in-stock positions (known in the industry as "detailing"). This service is outsourced by the Company; and

- point-of-sale promotions and demonstrations.

The Company has rapidly expanded the distribution base of, and revenues from, its Product Line. When the Company first launched its Product Line, it tested the sale of its products in a limited number of Eaton's, Dack's and Shoppers Drug Mart stores in Canada, and in Macy's Men's Shoe Department in the United States. The Company achieved substantial sales increases over the competitive brand of shoe care products previously carried and thereafter became the sole supplier of certain shoe care products to all of these retail chains. In addition, the acquisition of Panita has significantly enhanced the Company's sales force and marketing strength in Canada, while the acquisition of Adcor has increased the Company's distribution in the United States by over 10,000 retail chain stores and has provided the Company with an increased manufacturing capability.

The Company's revenue from wholesale sales (including sales to national retail chains and franchisees) has increased to $8,018,000 in the year ended December 31, 1998. Since 1992, the Company's distribution base (the number of stores which sell the Company's Product Line) increased from 80 to over 15,000 stores. This expansion of the Company's distribution base was achieved largely as a result of the acquisitions of Panita and Adcor, as well as by testing certain products and merchandising at national retail chains, and ultimately distributing those products which had been tested successfully to all of the stores in each retail chain that had participated in testing. During 1998, the Company added U.S. department store chains Dayton Hudson and

Van Maur to its distribution base. In addition, as a result of the acquisition of Adcor, the Company's Product Line is now being distributed through Walmart, Target, CVS Drugstores, Snyder Drugs, Winn Dixie and other large U.S. retail chains.

Moneysworth's Product Line is sold in a majority of Canadian drugstore chains, including Shoppers Drug Mart, Pharma Plus, Peoples Drug Mart and Pharmaprix Drug Stores. In addition, during 1996, approximately 200 of Florsheim's 1,500 outlets in the United States began selling certain of the Company's products, which the Company distributes under the Florsheim brand name.

The Company sells directly to major Canadian accounts and, with the acquisition of Panita, has expanded its Canadian sales force. In addition, the Company contracts with an outside supplier to replenish the Company's merchandise displays nationwide.

United States Distribution

In August 1995, Moneysworth & Best Shoe Repair Corp. entered into an exclusive agreement with Rochester Shoe Tree Company to distribute the Product Line to over 1,000 United States accounts. As a result of the acquisition of Adcor, Moneysworth will distribute certain of its products through Adcor. Accordingly, effective as of March 22, 1999, the Company and Rochester agreed to terminate this distribution arrangement, after a transition period of six months, on September 22, 1999. Management believes that termination of the distribution arrangement will enable the Company to increase distribution and sales of its Product Line in the U.S. and recover margin which Rochester was previously earning. See "Business of the Company — Recent Developments — Agreement with Rochester Shoe Tree Company".

In the United States, the Company sells its Product Line through direct distribution methods as well as through a network of 31 sales agencies, which provide full coverage of the food, drug, mass and specialty shoe store trade classifications in the United States. The Company will sell its Product Line to department store and shoe specialty store chains in the United States by augmenting its existing U.S. sales team, and will take over the detailing contracts which Rochester currently has in place to service existing department store and shoe specialty store accounts.

Retail Stores

General

Management believes that the Company's Moneysworth & Best Quality Shoe Repair stores constitute the largest chain of shoe repair stores in North America. The Company has received numerous international and Canadian awards for quality, service and marketing, as well as sales awards for highest sales per square foot in its category.

There are currently 83 Moneysworth & Best Quality Shoe Repair stores, of which 81 are in major Canadian markets coast-to-coast and two are in Virginia. Eleven of these stores are corporately-operated stores, sixty are franchised and twelve are managed by a distributor in Alberta. There are currently two Moneysworth & Best shoeshine stands. In Canada, the Company earns a royalty of 8% on gross sales generated through all of its non-corporately-operated stores. In addition, 1% of gross sales are contributed by those stores to an advertising fund which is administered by the Company and a Franchisee Advisory Council, which is comprised of a number of Moneysworth franchise owners.

The Company's stores, conveniently located in high-traffic regional shopping centres and large office towers, offer consumers a range of shoe repair and key-cutting services and sell a broad range of Moneysworth brand shoe care and foot care products. All franchisees and distributors of the Company are required by their franchise or distribution agreements to purchase and market all of their products from the Company or its designated suppliers. A typical Moneysworth & Best Quality Shoe Repair store comprises approximately 320 square feet and generates approximately $130,000 in annual sales, or approximately $400 per square foot.

In 1998, the Company opened the first two Moneysworth & Best Quality Shoe Repair shoeshine stands in Terminal Three at Lester B. Pearson International Airport in Toronto. The Company plans to expand its shoeshine stand distribution to major airports in North America. The Company also plans to open several additional franchised shoeshine stands in high traffic, highly visible locations, as management believes that these stands provide opportunities for increasing brand awareness as well as generating revenue.

In 1998, Moneysworth & Best Quality Shoe Repair stores had retail sales of approximately $10 million.

Franchises and Distributorship Arrangements

Typically, a franchisee enters into a franchise agreement with the Company for a term which is the same as the lease for the franchisee's location. Franchise agreements require a royalty payment to the Company of 8% of sales, as well as a contribution to an advertising fund of 1% of sales. The franchisee also pays the Company an initial franchise fee of $15,000 and, in some cases, a store location fee of $5,000. The franchisee or distributor is required to purchase all of its consumables and products for resale from the Company. The Company provides a developed store, lease negotiation and lease administration services (and sub-leases the location to the franchisee), as well as initial and on-going training and marketing services to its franchisees and its distributor in Alberta. The Company may also provide financing to its franchisees.

Where the Company has provided financing to franchisees, the term of this financing is typically the same as the term of the franchisee's store lease and is secured by the store equipment and furnishings, the franchise agreement and sub-lease. In the future, management does not plan to offer franchise financing, but rather intends to assist the franchisee in arranging a franchisee financing package with one or more major Canadian banks. The average term remaining on outstanding franchisee loans is 40 months. As of December 31, 1998, the Company had long-term receivables of $1,374,000 under its franchisee loans.

Under its arrangement with its Alberta distributor, the Company granted the distributor the exclusive right to sell Moneysworth products and services in Alberta until September 2007, and agreed to locate, lease and develop the store sites and provide training services. The distributor is obligated to manage the store sites selected by the Company and may not acquire any store sites on its own without the Company's prior written approval. The distributor is prohibited from competing with the Company anywhere in Canada during the term of the distribution agreement and anywhere in Alberta or within five kilometres of any existing store anywhere in Canada for a period of two years following the termination of the distribution agreement.

Management believes that the Company has good relationships with its franchisees and its distributor.

Retail Store Strategy

Moneysworth & Best Quality Shoe Repair stores serve as a testing ground for the Company's products, allowing the Company to develop a product line and merchandising program that has proven itself with consumers and franchisees throughout North America. This nationwide chain repairs over 1,000,000 pairs of shoes a year.

Moneysworth has the right to operate shoe repair stores within Loblaws and National Grocers food stores in Canada, and is participating in these stores' new "store within a store" concept. This concept involves locating a shoe repair store outside the check-out lanes in a high-traffic food store with the goal of adding convenience to customers' shopping trips. This format results in lower costs when compared to the Company's traditional mall locations, and management believes that it will provide an expeditious expansion opportunity for the Canadian franchise system. To date, the Company has opened nine shoe repair stores in Loblaws and National Grocers Stores based on this concept, and plans to open three more in 1999.

Trade-marks

The Company is the registered owner of several trade-marks and related designs in Canada and the United States, including "Moneysworth & Best Quality Shoe Repair", "Moneysworth & Best", "Bring Us Your Wounded", "Pro-Tex", "SoleSaver" and "Panita", and is in the process of registering "Expert's Choice".

The Company believes that its trade-marks are material to its continued success and intends to defend its rights thereto vigorously.

Properties

The Company leases all of its facilities. The Company's typical retail store lease has an average initial term of five years with options to renew for additional five-year terms. The average unexpired term of the Company's existing store leases is approximately forty months. The Company is the head lessor for all but two of its franchise and distributor locations, and subleases the store facilities to its franchisees and its distributor on terms which are essentially the same as the terms of the head lease.

The Company leases its main headquarters and distribution centre at 501 Rowntree Dairy Road, Vaughan, Ontario. This location comprises approximately 28,000 square feet.

The Company leases its U.S. manufacturing and distribution facility at 929 West Barkley, Orange, California. This location comprises approximately 18,000 square feet.

Employees

As of June 1, 1999, the Company had 60 employees, including 22 in the corporately-operated stores. None of the Company's employees are parties to any collective bargaining agreement with the Company. Management believes that it has good relations with its work force and the Company has never experienced a strike or work stoppage.

Environmental and Governmental Regulation

The Company imports and exports products, certain of which contain chemicals which are regulated by various hazardous materials and/or safety standards acts or regulations of various government bodies. The Company believes that it is in compliance with all regulations and standards which relate to the packaging, handling and distribution of its Product Line.

The Company is also subject to certain laws and regulations relating to the sale of franchises and distributorships and its relationships with its franchisees and distributors. The Company believes that it is in compliance with all such laws and regulations.

Competition

In Canada, the shoe care product business has long been dominated by the Kiwi and Tana brands which are owned by Sara Lee Corporation (“Sara Lee”), of Chicago, Illinois. Sara Lee also owns several other brands, including Meltonian and Cavalier. The foot care product business is dominated by the Dr. Scholl’s and Scholl’s brands which are owned by The Schering-Plough, based in Madison, New Jersey. In addition to these multinational corporations, there are several small manufacturers whose products compete with the Company’s Product Line. These include EMU Polishes Inc., Cadillac Shoe Products Inc., Fiebing Company Inc. and Mitchellace Inc. The Company’s plan is to continue to increase its market share through superior product innovation, intensified sales and marketing efforts and by being a low-cost producer. Unlike its competitors, the Company conducts in-store promotions which result in increased sales per shelf foot and higher returns to retailers. See “Risk Factors”.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

The Company made significant progress towards pursuing its strategy of: (i) increasing the distribution of Moneysworth & Best products through additional large retail chains; (ii) acquiring like and competing companies; and (iii) increasing the number of franchised Moneysworth & Best Quality Shoe Repair stores.

Six Months Ended June 30, 1999 (Unaudited) Compared to Six Months Ended June 30, 1998 (Unaudited)

Results of Operations

Net Loss for the Period

The Company reported a loss of $1,054,000 ($0.08 per Common Share) compared to a loss of $342,000 ($0.03 per Common Share) in the prior period. The loss was primarily due to an increase in administrative expenses, interest, depreciation and amortization, as described below.

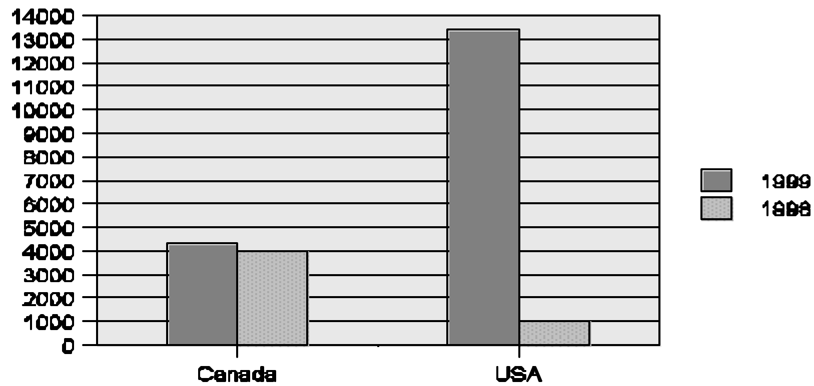
System Sales

System sales (consisting of wholesale sales to national retail chains and franchises, retail sales of the corporately-operated Moneysworth & Best Quality Shoe Repair stores, and retail sales of the Company’s franchisees) increased 36% to $11,385,000 from $8,361,000 for the prior period. The increase in wholesale sales was due to the acquisition of Adcor, which was effective January 5, 1999. The acquisition of Adcor, combined with the addition of a number of retail chains to the Company’s distribution base, brought the total number of retail chain stores selling the Company’s products to over 15,000 as at June 30, 1999.

Retail system sales of $5,144,000 increased 6% from sales of $4,850,000 in the prior period. The increase was due to an increase in the number of Moneysworth & Best Quality Shoe Repair stores which were opened during the period. As at June 30, 1999, there were seventy-two franchise stores and eleven corporate stores.

Corporate Revenue

Corporate revenue increased 63% to $7,028,000 from $4,305,000 for the prior period, and wholesale sales increased 78% to $6,241,000 from $3,511,000 for the prior period. During the period, the Company commenced selling certain of its products to Pathmark Stores Inc., Payless ShoeSource and Ames Department Stores Inc. The following chart illustrates the number of stores through which the Company sold its products at June 30, 1999 as compared to 1998:



Royalties and Other Revenue

Royalties and other revenue of $498,000 decreased slightly from $501,000 for the prior period. Of this amount, royalty revenue of $387,000 decreased slightly from royalty revenue of $388,000 for the prior period. Other revenue (consisting of interest revenue and franchise fees) of $111,000 decreased from $113,000 in the prior period.

Analysis of Stores

	Number of Locations			
	1999		1998	
	Franchise	**Corporate**	**Franchise**	**Corporate**
January 1	75	6	75	3
New stores	2	3		3
Corporately-operated stores franchised	1	(1)		
Franchise stores reacquired	(4)	4	(5)	5
Stores closed	(2)	(1)	(1)	(1)
June 30	72	11	69	10

Revenue from corporate stores of $289,000 decreased slightly from $293,000 in the prior period.

Cost of Sales

Total cost of sales of $5,921,000 increased 69% from cost of sales in the prior period of $3,497,000. Wholesale cost of sales of $5,181,000 increased 73% from $2,991,000 in the prior period. Wholesale cost of sales as a percentage of sales was 83.1% compared to 85.2% for the prior period. The reduction in the cost of sales and corresponding increase in earnings from wholesale operations was due to the acquisition of Adcor, as Adcor manufactures certain of its products and therefore is able to earn a higher margin on those products.

Retail cost of sales of $740,000 increased 46% from $506,000 in the prior period. Retail cost of sales as a percentage of total corporate revenue excluding revenue from wholesale sales, was 94% compared to 64% for the prior period. The increase in the cost of sales was due, in part, to an increase in the number of corporately-operated stores held during the period.

Administration

Administrative expenses of $1,104,000 were $428,000 higher than $676,000 for the prior period. Of this increase, $202,000 relates to the general and administrative expenses associated with the operation of Adcor. The balance of the increase is due largely to an increase in professional fees expensed during the period.

Interest

Interest expense increased 183% to $238,000 from $84,000 for the prior period. The increase is due to the interest on the promissory note and royalty financing issued to finance the acquisition of Adcor.

Depreciation and Amortization

Depreciation and amortization increased 110% to $819,000 from $390,000 for the prior period. Of the $429,000 increase, $235,000 related to the amortization of goodwill associated with the acquisition of Adcor, $150,000 related to the depreciation on the capital assets acquired with the acquisition of Adcor, and the balance related to depreciation on capital assets purchased by the Company during 1998.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

In 1998, the Company continued to achieve dramatic growth in corporate revenue, including a 34% increase in wholesale sales. In addition, the Company refocused its efforts on managed growth of the retail shoe repair stores. To that end, the Company opened six new shoe repair stores, three of which were sold as franchises and three of which remain corporately-operated stores.

Results of Operations

Net Loss for the Year

The Company reported a loss of $1,947,000 ($0.17 per Common Share) compared to income of $313,000 ($0.03 per Common Share) in 1997. This loss was due to an increase in administrative expenses, interest, depreciation and amortization as described below.

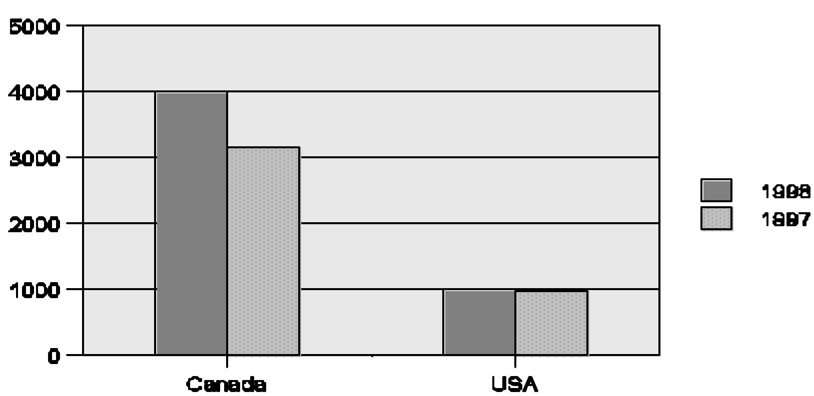
System Sales

System sales (consisting of wholesale sales to national retail chains and franchises, retail sales of the corporately-operated Moneysworth & Best Quality Shoe Repair stores, and retail sales of the Company's franchisees) increased 10% to $18,358,000 from $16,685,000 for the prior year. Wholesale sales increased 34% to $8,018,000 from $5,966,000 for the prior year. In September 1997, the Company acquired Panita, one of Canada's largest shoe and foot care companies. Panita's line of shoe care and footcare products are marketed through over 2,100 major Canadian shoe store chains and department stores, including Roots, Superstar, The Forzani Group, Tootsie's Factory, Shoe Market and other stores. The acquisition of Panita, combined with the addition of a number of retail chains to the Company's distribution base, brought the total number of retail chain stores selling the Company's products to over 5,000 as at December 31, 1998.

Retail system sales of $10,340,000 declined slightly from sales of $10,719,000 in the previous year. While the number of shoe repair stores increased during the year, the Company closed a corporately-operated store that sold large volumes of merchandise in the United States early in the year, causing the slight decline. As at December 31, 1998, there were seventy-five franchise stores and six corporate stores.

Corporate Revenue

Corporate revenue increased 28% to $9,764,000 from $7,645,000 for the prior year, and wholesale sales increased 34% to $8,018,000 from $5,966,000 for the prior year. During 1998, the Company commenced selling certain of its products to Wal-Mart, Bata and Hy & Zels. The following chart illustrates the number of stores through which the Company sold its products at December 31, 1998, as compared to 1997:



Royalties and Other Revenue

Royalties and other revenue of $1,046,000 decreased slightly from $1,047,000 for the year ended December 31, 1997. Of this amount, royalty revenue of $802,000 in 1998 decreased slightly from royalty revenue in 1997 of $853,000. This decrease was consistent with the slight decline in retail systems sales. Other revenue (consisting of interest revenue and franchise fees) of $244,000 increased 26% from revenue of $194,000 in the previous year.

Analysis of Stores

	Number of Locations			
	1998		1997	
	Franchise	Corporate	Franchise	Corporate
January 1	75	3	75	3
New stores	1	6	1	1
Corporately-operated stores franchised	7	(7)	1	(1)
Franchise stores reacquired	(7)	7	(1)	1
Stores closed	(1)	(3)	(1)	(1)
December 31	75	6	75	3

Revenue from corporate stores of $700,000 increased 11% from $632,000 in the prior year due to the increase in the number of corporately-operated stores.

Cost of Sales

Total cost of sales of $8,372,000 in 1998 increased 53% from cost of sales in the previous year of $5,444,000. Wholesale cost of sales of $6,860,000 increased 48% from $4,649,000 in the previous year. Wholesale cost of sales as a percentage of sales was 85.5% compared to 78% for 1997. The increase in the cost of sales as a percentage of sales was due to the one-time costs of integrating Panita with the Company. During the early part of 1998, the Company operated both Panita and Moneysworth's distribution facilities. As part of the integration process, Panita's distribution facilities were closed and its operations were transferred to Moneysworth's Toronto facility. Panita's operations were fully integrated into Moneysworth by approximately the third quarter of 1998. Also contributing to the increase in cost of sales, as a percentage of sales, was the increase in the size of the sales team resulting from the new sales personnel acquired with the Panita acquisition.

Retail cost of sales of $1,512,000 increased 69% from $895,000 in the previous year. Retail cost of sales as a percentage of total corporate revenue excluding revenue from wholesale sales, was 87% compared to 53% for the year ended December 31, 1997. This increase in the cost of sales and the corresponding reduction in contribution from retail store operations was due, in part, to the opening of 3 corporately-operated stores during the year. Typically, in the early months of a new corporate store, while the business is developing, the cost of sales as a percentage of sales is higher. Once the store has achieved its normalized revenue, the contribution as a percentage of sales increases.

Administration

The Company's administrative expenses of $2,307,000 were $1,253,000 higher than expenses of $1,054,000 incurred in 1997. Of this increase, approximately $700,000 represented one-time costs related to the pursuit of a U.S. acquisition and costs incurred in connection with the Company's application to become listed on The Toronto Stock Exchange in August 1998. Of the remaining expenses, approximately $300,000 was related to the increase in the costs associated with operating as a public company in August 1997.

In connection with the Company's pursuit of a U.S. strategic platform, it considered a number of targets and signed letters of intent with two targets, subject to due diligence and other conditions. The Company made the decision not to complete either acquisition and subsequently wrote off the due diligence and other costs associated with those targets. The costs associated with being a public company increased during 1998 as the Company was a public company for the entire year, whereas such costs were only incurred for four months during 1997.

Interest

Interest expense increased 20% to $209,000 in 1998 from $174,000 in the previous year. The increase is due to the amortization of the imputed interest of $74,000 in 1998 relating to the acquisition of Panita as compared to $24,000 in 1997.

Depreciation and Amortization

Depreciation and amortization increased 47% to $823,000 from $560,000 for the prior year. Of the $263,000 increase, $70,000 related to an increase in the amortization of goodwill associated with the acquisition of Panita and $193,000 related to the acquisition of capital assets during 1998 and 1997 ($806,000 and $701,000, respectively). See "Management's Discussion and Analysis of Operating Results — Liquidity and Capital Resources".

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

On October 23, 1996 the Company acquired control of Moneysworth & Best Shoe Repair Corp. ("Shoe Repair"). On January 1, 1997 the Company was amalgamated with Shoe Repair Corp. and changed its year end from October 31 to December 31. The audited financial statements accordingly include the results of operations of Shoe Repair for the fiscal year ended December 31, 1997. As the Company was an inactive reporting issuer prior to October 23, 1996, management believes that it is more informative to base the following discussion on the results of the Company for the fiscal year ended December 31, 1997 and the results of Shoe Repair for the fiscal year ended December 31, 1996.

Financial results improved significantly with the Company reporting a profit of $313,000 as compared to a loss of $1,241,000 for the year ended December 31, 1996. This success was attributed to both the ongoing aggressive growth in wholesale sales, and the elimination of reorganization expenses incurred during 1996. The Company's wholesale sales revenue increased by 37% in 1997. Also contributing to the increase was the acquisition of Panita in August 1997, which provided the Company with access to a number of key retail chains throughout Canada. In the same month, the Company completed an initial public offering of 2,300,000 Common Shares for net proceeds of $5,900,000.

Results of Operations

System Sales

System sales increased 8% to $16,685,000 from $15,407,000 in 1996. Retail system sales of $10,719,000 in 1997 declined slightly from the 1996 level of $11,045,000 due to better weather conditions in 1997 and the closure of two retail stores during the first quarter of 1997. As at December 31, 1997, there were seventy-five franchise stores and three corporately-operated stores.

Wholesale systems sales increased 37% to $5,966,000 from $4,362,000 in 1996. Contributing to the increase was the acquisition of Panita, as well as the addition of a number of retail chains, which brought the total number of stores in the Company's distribution network to over 1,188 as at December 31, 1997 and 1,183 as at December 31, 1996.

Corporate Revenue

Corporate revenue increased 11% to $7,645,000 from $6,864,000 in 1996. Wholesale revenue increased 37% to $5,966,000 from $4,362,000 in the previous year. During 1997, the Company signed multi-year agreements to sell certain of its Product Line on an exclusive basis through 180 A&P Food Stores and 140 PharmaPlus stores in Canada, and 385 Men's Wearhouse stores in the U.S. The acquisition of Panita in 1997 further increased the number of stores which sold the Company's Product Line. The following table summarizes the number of stores through which the Company sold its Product Line as at December 31, 1997:

	1997	**1996**
Canada	3,140	858
USA	960	325
Total	**4,100**	**1,183**

Panita's gross revenue for the 12 months ended December 31, 1997 was in excess of $3,200,000, and its contribution to the Company's revenue for the four months ended December 31, 1997 was $1,193,000.

Royalties and Other Revenue

Royalties and other revenue of $1,047,000 increased 6% from $989,000 in 1996. Royalty revenue of $853,000 decreased slightly from revenue in the previous year of $862,000, which was consistent with the slight decline in retail systems sales. Other revenue (consisting of interest revenue and franchise fees) of $194,000 represented a 50% increase from revenue of $127,000 for 1996.

Analysis of Stores

	Number of Locations			
	1997		**1996**	
	Franchise	**Corporate**	**Franchise**	**Corporate**
January 1	75	3	49	31
New stores	1	1	2	0
Corporately-operated stores franchised	1	(1)	26	(26)
Franchise stores reacquired	(1)	1	(1)	1
Stores closed	(1)	(1)	(1)	(3)
December 31	75	3	75	3

Revenue from corporately-operated stores of $632,000 represented a decrease of 58% from $1,513,000 in 1996 due to the Company's 1996 restructuring effort in which the number of corporately-operated stores decreased to three such stores at December 31, 1996 from 31 at January 1, 1996.

Cost of Sales

Total cost of sales of $5,544,000 increased 10% from total cost of sales of $5,053,000. Wholesale cost of sales of $4,649,000 increased 36% from $3,354,000 for the prior year. The increase was consistent with the increase achieved in wholesale sales. Cost of sales as a percentage of sales for the year ended December 31, 1997 was 77.9% compared to 76.9% for the prior year.

Retail cost of sales of $895,000 decreased 47% from $1,699,000 for 1996. Retail cost of sales as a percentage of total corporate revenue excluding revenue from wholesale sales, was 53.3% for the fiscal year 1997 compared to 67.9% for the prior year. The reduction in cost of sales and in margin is due to fewer corporate stores in 1997.

Administration

Administrative expenses totalled $1,054,000, which included $165,000 in connection with the acquisition of Panita. This represented a 6% increase of $56,000 over administrative expenses of $998,000 in 1996.

Interest

Interest expense increased 34% to $174,000 from $130,000 during 1996. This increase was due to a loan from a former shareholder which was issued to finance the acquisition of Shoe Repair in October 1996 that was outstanding for approximately two months in 1996 and approximately nine months in 1997.

Depreciation and Amortization

Depreciation and amortization increased 40% to $560,000 from $400,000 in the prior year. Substantially all of the $160,000 increase relates to the amortization of goodwill associated with the acquisitions of Panita and Shoe Repair.

Liquidity and Capital Resources

Cash used in operating activities for the six months ended June 30, 1999 of $1,771,000 compared to cash used in operating activities of $647,000 in the six months ended June 30, 1998. During 1998, cash used in operating activities totalled $1,293,000 compared to cash generated by operating activities of $199,000 in 1997. The Company had net working capital of $2,817,000 at June 30, 1999 compared to a working capital deficiency of $283,000 at December 31, 1998 and working capital of $2,327,000 at December 31, 1997. The increase in working capital at June 30, 1999 is attributable to the proceeds from the private placement pursuant to an agency agreement dated February 26, 1999 whereby the Company received net proceeds from the issuance of special warrants of $1,814,000.

The decrease in working capital from December 31, 1997 to December 31, 1998 was due to an increase in the bank indebtedness of $846,000 and an increase in the current portion of the convertible debenture issued to Capilano in connection with the Company's acquisition of Panita from $0 at December 31, 1997 to $626,000 at December 31, 1998. Pursuant to the terms of the Share Purchase Agreement governing the transaction, the Company may require Capilano at any time before May 31, 2000 to convert the outstanding principal amount of the Panita Debenture into Common Shares at a conversion price of $7.00 per Common Share. In the event that Moneysworth exercises this right, Capilano has agreed to sell at the then prevailing market price a minimum of 4,000 Common Shares (the "Panita Shares") each week, and Moneysworth is obligated to pay to Capilano the amount by which the proceeds from the sale of the Converted Shares are less than $1,400,000 minus any cash payments previously made. On each of May 31, 1999, June 30, 1999, and July 31, 1999, the Company made a payment to Capilano in the amount of $116,667. The Company has signed a letter agreement dated August 19, 1999 to exercise its right to satisfy its remaining obligations under the Panita Debenture by issuing 150,000 Panita Shares to Capilano. Capilano has agreed that, as required by the Share Purchase Agreement, it will sell a certain number of Panita Shares per week between the date of this Prospectus and October 29, 1999. In addition, the Company will make a partial payment to Capilano on November 30, 1999 in the amount of $116,667, and will make a second payment to Capilano on December 31, 1999 in the amount of $58,333. The Company will make a final adjustment payment to Capilano on May 31, 2000 in the amount of the original principal amount of the debenture less any amounts previously paid by the Company to Capilano or received by Capilano upon the sale by it of the Panita Shares. See "Panita Debenture".

Cash provided by financing activities for the six months ended June 30, 1999 totalled $4,570,000 compared to cash used in financing activities of $214,000 for the six months ended June 30, 1998. Included in the cash provided by financing activities in 1999 were the proceeds from the issuance of the deferred royalty obligation of $3,000,000 and the net proceeds from the issuance of special warrants of $1,814,000, net of the repayment of long-term debt of $47,000 and payment of the deferred royalty obligation of $197,000.

In 1998, cash provided by financing activities totalled $243,000 compared to $2,774,000 in 1997. Included in the cash provided by financing activities in 1997 were net proceeds of $5,900,000 from the Company's initial public offering. Netted against the cash provided by financing activities in 1997 was the repayment of debt of $2,500,000 and the interest on the equity component of the convertible debenture of $114,000.

Cash used in investing activities in the six months ended June 30, 1999 totalled $2,424,000 compared to cash used in investing activities of $453,000 in the six months ended June 30, 1998. Included in the investing activities for 1999 was the acquisition of Adcor for $1,919,000. During 1999, the Company acquired capital assets of $831,000 compared to $261,000 in 1998. Cash used in investing activities in 1998 totalled $1,157,000 compared to cash used in investing activities of $1,764,000 in 1997. During 1998, the Company acquired $806,000 worth of capital assets compared to $701,000 in 1997. Additions in 1998 included computer hardware and software, and additional merchandise display units which were installed at point-of-sale locations in the Company's retail chain accounts. In addition, the Company incurred $446,000 in costs related to the acquisition of Adcor, which transaction closed subsequent to year-end. The Company does not expect its capital expenditures in 1999 to be significantly higher than that of 1998.

Concurrently with the completion of the acquisition of Adcor and in order to obtain financing for it, the Company sold certain royalty interests in its revenues to McCarvill. Under the terms of the royalty agreement between the Company and McCarvill, the Company will pay McCarvill a royalty of 4.0% of its gross revenues, subject to adjustment to rates ranging from 2.1% to 7.2% (the actual rate being determined based on the actual gross revenue of the Company for the prior six month period). After the Recovery Date, which is expected to occur within four years of the granting of the royalty interests, the rate payable will be reduced to between 1.5% and 0.5% (depending upon the royalty rate in effect on the Recovery Date) and continue at that rate for a period of twelve years following the Recovery Date. The rate of the royalty will be further reduced to between 0.4% and 0.8% if the Company's gross revenues exceed $120 million in any particular fiscal year (and the actual reduced rate will depend upon the post-Recovery Date rate then in effect).

The Company has given a price guarantee to the vendors of Adcor in respect of the value of the Common Shares issued to them. Under the terms of the guarantee, the Company is obligated to make periodic adjustment payments in respect of the differences between the issue price of $2.88 and the price at which such shares are sold by the vendors. The Company's obligation to guarantee the minimum gross proceeds shall automatically be reduced and terminated at a rate of 25,000 Common Shares per week which the vendors could have sold pursuant to the merger agreement but elected not to do so, beginning on the first full calendar week following the first anniversary after the issuance of each tranche of Common Shares.

As consideration for the Adcor acquisition, the Company issued promissory notes in the amount of US$1,710,000. The principal repayments are due as follows: US$600,000 on January 15, 2000, US$600,000 on January 15, 2001, US$210,000 on January 15, 2003 and US$300,00 on January 15, 2006.

Bank indebtedness, net of short-term investments, at June 30, 1999 was $531,000 compared to cash and cash equivalents of $392,000 at June 30, 1998. As at June 30, 1999, the Company had a credit facility of $2,099,000 of which $985,000 had been drawn as a capital loan and $782,000 was drawn as bank indebtedness.

Bank indebtedness, net of short-term investments, as at December 31, 1998 was $925,000 compared to cash and cash equivalents of $1,278,000 as at December 31, 1997. As at December 31, 1998, the Company had a credit facility of $2,363,000 of which $1,113,000 was drawn as a capital loan and $1,176,000 (US$770,000) was drawn as bank indebtedness. As at December 31, 1998, the Company was not in compliance with one of the covenants contained in its credit facility with a Canadian chartered bank (the "Bank"). On April 30, 1999, the Bank agreed to waive its rights in respect of the breach of this covenant as at December 31, 1998. In January 1999, the Company renegotiated its credit facility with the Bank to, among other things, amend certain covenants, including the covenant in respect of which the waiver was required. As at June 30, 1999, the Company was not in compliance with a different covenant contained in its credit facility with the Bank. On August 27, 1999, the Bank agreed to waive its right in respect of the breach of this covenant for the period ending June 30, 1999. See "Description of Existing Credit Facility".

The Company may require additional capital to fund its obligations described above, and is currently negotiating a new credit facility that management believes will satisfy these obligations. The Company continues to evaluate potential strategic acquisitions, and will consider appropriate acquisitions if financing is available on satisfactory terms.

The Company continues to integrate its operations with those of Adcor. As the integration progresses, the Company expects to realize cost reductions which will both improve the contribution margin and reduce general and administration expenses. Management believes that these anticipated cost reductions, coupled with increased revenue generated by sales to retail chains such as American Stores, Pathmark and Payless, will result in the Company recording a profit by its fiscal year end.

Risks and Uncertainties

Year 2000

The Year 2000 ("Y2K") issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Y2K issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could effect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Y2K issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The Company is reviewing the possible effects of Y2K issues on an ongoing basis. Computer hardware and software systems were installed during 1997 to integrate the operations of the Company. As a result of system upgrades installed during 1998, the Company expects to be Y2K compliant by the end of 1999. Management does not expect the cost of upgrades to be material, and believes that the Y2K issue will not have a materially adverse impact on the Company. Like every other business enterprise, however, the Company is at risk of Y2K compliance failures, including failures on the part of its major business counterparts, including suppliers, distributors, franchisees and manufacturers, as well as potential failures in public and private infrastructure services, including electricity, water, gas, transportation and communications.

Credit Risk

The Company is exposed to credit risk to the extent that customers and franchisees fail to meet their contractual obligations. To manage its credit risk, the Company reviews customer credit limits prior to the acceptance of new sales.

Foreign Exchange Risk

The Company's operating results are reported in Canadian dollars. With the acquisition of Adcor, an increasing portion of the Company's revenue is generated in the United States and in U.S. dollars. The Company presently has a natural hedge as revenues generated in the United States approximate the value of the products the Company buys from the United States in U.S. dollars.

Competition

A number of competitors have greater financial marketing and other resources than the Company. While the Company has experienced steady growth in the last few years, there is no assurance that the Company will continue to do so.

Outlook

The Company expects to continue to achieve growth in its wholesale revenue during 1999. The acquisition of Adcor provides a platform from which the Company can accelerate the growth of both the Moneysworth & Best Quality Shoe Care and the Experts Choice brands in the Canadian and U.S. markets. The Company has begun to manufacture certain of its products at Adcor and expects to realize significant efficiencies, cost reductions and, as a result, anticipates improved profit margins.

Adcor Products, Inc.

The following is a discussion and analysis of the operating results of Adcor for the financial year ended June 30, 1998 compared to the financial year ended June 30, 1997.

Sales of $4,887,684 reflect an increase of 15% from sales of $4,253,889 for the year ended June 30, 1997 due to the introduction of new products to customers.

Cost of sales of $3,234,441 decreased 3% from $3,340,127 in 1997. Cost of sales as a percentage of sales was 66.2% compared to 78.6% for the prior year. This decrease in cost of sales as a percentage of sales was due to: (i) an improvement in the gross margins earned as a result of an increased concentration of higher gross margin products and; (ii) a reduction in the amount invested in display fixtures which was higher in 1997 due to a rollout of an insole product line to a major customer.

General and administrative expenses of $645,384 increased 6% from $608,261 in 1997 due to an increase in sales activity during the year. Depreciation of capital assets of $297,560 decreased by $49,057 from $346,617 in 1997. The decrease was due to dies and molds acquired prior to 1997 becoming fully depreciated by December 31, 1997. Earnings before income taxes of $710,299 increased by $751,415 from a loss of $41,116 in 1997 due to the improvement in gross margin earned in the year. See “Business of the Company — Recent Developments — Acquisition of Adcor Products, Inc.”

PRINCIPAL SHAREHOLDERS

The following table sets forth the name of every person or corporation who, to the knowledge of management of Moneysworth, beneficially owned, directly or indirectly, or exercised control and direction over more than 10 percent of the voting securities of Moneysworth as at July 31, 1999, without giving effect to the exercise of the Special Warrants.

Name and Address	Type of Ownership	Number of Common Shares	Percentage of Class
Richard VanSant(1) Toronto, Ontario	beneficial and of record	3,000,040	22.53%(2)

(1) The 3,000,040 Common Shares are held, directly and indirectly, by Welsford Investments Inc., a company controlled by Mr. VanSant. Welsford Investments Inc. is the company resulting from the amalgamation of 1201366 Ontario Inc. and Welsford Investments Inc. on October 10, 1997.

(2) Giving effect to the issuance of the 546,549 Common Shares issuable upon the exercise of the 520,522 Special Warrants previously issued, Mr. VanSant’s holdings will be reduced to 21.64%. Giving effect to the issuance of an additional 546,549 Common Shares issuable upon the exercise of the 546,549 Warrants (which are issuable upon the exercise of the 520,522 Special Warrants), Mr. VanSant’s holdings will be reduced to 20.82%.

As at the date hereof, the directors and senior officers of Moneysworth, as a group, beneficially own, directly or indirectly, or exercise control and direction over 3,894,763 Common Shares, being 29.25% of the issued and outstanding Common Shares of Moneysworth as at July 31, 1999 (which percentage does not give effect to the exercise of the Special Warrants). In addition, the directors and senior officers of Moneysworth, as a group, hold options under the Company’s stock option plan (the “Stock Option Plan”) to purchase an additional 604,355 Common Shares. See “Stock Option Plan”.

DIRECTORS AND OFFICERS

The Company's board of directors currently consists of seven directors. The following table sets forth the names, municipality of residence, position held with the Company and principal occupation during the past five years of each of the directors and officers of the Company.

Name and Municipality of Residence	Position with the Company/Since	Principal Occupation if Other than Position Held with Company
Richard VanSant(1) Toronto, Ontario	Chairman, President and Chief Executive Officer/1996	—
Linda Millage Uxbridge, Ontario	Vice President of Finance, Chief Financial Officer and Corporate Secretary/1997	—
Stephen Dodds Burlington, Ontario	Senior Vice President, Manufacturing/ Logistics/1998	—
David Snutch Markham, Ontario	Managing Director, Canadian Operations/1998	—
Ronald Best(1)(2) Elmvale, Ontario	Director/1997	President and Managing Partner, First Marquis International Inc.
Richard Harshman(1) Chicago, Illinois	Director/1997	Chief Executive Officer, Favorite Brands International Inc.
Clare Copeland Toronto, Ontario	Director/1999	Chair, Toronto Hydro
Michael Serruya Thornhill, Ontario	Director/1998	Chairman, President and Chief Executive Officer of Yogen Fruz Worldwide Incorporated
Michael Stein(1)(2) Toronto, Ontario	Director/1997	Chairman, Chief Executive Officer of Canadian Apartment Communities Inc. and Canadian Apartment Management Inc.
Norman Winton(2) Toronto, Ontario	Director/1996	Consultant, First Centennial Securities, Inc.
Russ Hill Orange, California	Chief Operating Officer, Consumer Products Division of Moneysworth; President of Moneysworth & Best (USA Brands) Inc./1999	—

(1) Indicates member of the Audit Committee.
(2) Indicates member of the Compensation Committee.

PRINCIPAL OCCUPATIONS AND BACKGROUND OF MANAGEMENT TEAM

Richard VanSant, Chairman, President and Chief Executive Officer

Mr. VanSant has been the President and Chief Executive Officer of Moneysworth since December 1996. Before founding Moneysworth & Best Shoe Repair Corp. in 1984, Mr. VanSant held a variety of executive positions, including: Brand Manager, RJR Nabisco Brands; Vice President and General Manager of Dover's, a menswear retail chain, and Divisional Vice President of Foodex, the operator of Ponderosa and Frank Vetere's restaurants. Mr. VanSant is also the founder and President of Opportunities Canada, an advertising and sales promotion agency. A former Director and Treasurer of the Canadian Franchise Association, he holds a Bachelor of Arts degree in astrogeophysics, and a Master's degree in education administration.

Linda Millage, Vice President of Finance, Chief Financial Officer and Corporate Secretary

Ms Millage has been the Chief Financial Officer of the Company since June 1997. She is a former senior executive with over eight years of experience at Family Trust Corporation, a trust company with a real estate brokerage subsidiary. Ms Millage also worked with KPMG Peat Marwick Thorne where she specialized in corporate auditing and taxation.

Stephen J. Dodds, Senior Vice President, Manufacturing/Logistics

Mr. Dodds has held a number of executive positions with Noxell Corp., the manufacturer of cosmetics and toiletry brands such as Cover Girl, Clarion and Noxzema Skin Cream, as well as with Canadian Admiral, a home appliance manufacturer. Mr. Dodds was appointed Senior Vice President, Manufacturing/Logistics in November 1998.

David Snutch, Managing Director, Canadian Operations

Prior to joining Moneysworth in November 1997, Mr. Snutch was President of Travel Distribution Resource Group Inc., the parent company of Goliger Travel International, for eight years. Mr. Snutch will lead the Company's retail expansion program in both Canada and the U.S. Mr. Snutch has over eighteen years of experience in both retail and franchising with prominent retailers.

Russ Hill, President, Chief Operating Officer, Consumer Products Division; President, USA Brands

Before being appointed Chief Operating Officer, Consumer Products Division of Moneysworth and President of USA Brands in August 1999, Mr. Hill was Vice President of USA Brands for a term of six months. Prior to this, Mr. Hill was the co-owner of Adcor, where he was responsible for all of the operations of the company with the exception of sales. During this time, Mr. Hill was also the sole owner of Rusco Sales Inc., a sales agency based in Southern California, which was sold on August 1, 1999.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation of Executive Officers

The following table sets forth the actual compensation paid or awarded to the named executive officers of

Moneysworth for the fiscal years ended December 31, 1997 and 1998 (Messrs. VanSant, Snutch, Dodds and Ms Millage being the only such named executive officers as no other executive officer's combined salary and bonus exceeded $100,000 in respect of either of the years ended December 31, 1997 or 1998).

Summary Compensation Table

			Compensation		
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Long Term Compensation**	**All Other Compensation**
Richard VanSant, Chairman, President and Chief Executive Officer	1997	$156,758	$50,000	—	$24,072[1]
	1998	195,132	—	—	28,929[2]
Linda Millage, Chief Financial Officer[3]	1997	50,000	25,000	—	—
	1998	109,192	—	—	—
Stephen J. Dodds, Vice President Manufacturing/ Logistics	1997	107,640	20,000	—	—
	1998	112,374	—	—	—
David Snutch, Managing Director, Canadian Operations [4]	1997	13,461	—	—	—
	1998	103,846	—	—	46,800[5]

(1) Does not include perquisites or other personal benefits, the value of which does not exceed $20,676.
(2) Does not include perquisites or other personal benefits, the value of which does not exceed $19,513.
(3) Linda Millage commenced employment with the Company in June 1997.
(4) David Snutch commenced employment with the Company in November 1997.
(5) Does not include perquisites or other personal benefits, the value of which does not exceed $10,384.

Option Grants for Fiscal Year End

Name	**Common Shares Underlying Options Granted**	**% of Total Options Granted to Employees**	**Exercise Price**	**Market Value of Common Shares Underlying Options on the Date of Grant**	**Expiration Date**
Richard VanSant	35,555	3.56%	$2.25	$2.25	August 6, 2008
	150,000	15.01%	$3.00	$3.00	August 6, 2007
Linda Millage	50,000	5.00%	$3.00	$3.00	August 6, 2007
	14,600	1.46%	$2.25	$2.25	August 6, 2008
Stephen Dodds	50,000	5.00%	$3.00	$3.00	August 6, 2007
	14,200	1.42%	$2.25	$2.25	August 6, 2008
David Snutch	150,000	15.01%	$3.28	$3.28	Dec. 10, 2008

None of the Named Executive Officers exercised any options during the year ended December 31, 1998.

Compensation of Directors

Directors are entitled to receive 10,000 stock options granted pursuant to the Company's Stock Option Plan for each year of service. The Company pays annual premiums of approximately $28,500 in respect of directors' and officers' liability insurance. No directors are entitled to receive any per meeting fee. See "Stock Option Plan".

Executive Contracts

Except as described below, there are not presently any written employment agreements between any person and the Company or any of its subsidiaries.

Effective August 20, 1999, the Company entered into an employment agreement with Rick VanSant, President and Chief Executive Officer of the Company. Under the terms of the agreement, the Company shall pay Mr. VanSant $200,000 per year, which amount shall be subject to review each year and shall be set by the Board of Directors of the Company after considering the recommendation of the Compensation Committee. In the event of a Change of Control (as defined in the agreement), if Mr. VanSant's employment is terminated by the Company for just cause or by Mr. VanSant other than for good reason subsequent to such a Control Change and during the Control Change Period (as defined in the Agreement), the Company shall pay to Mr. VanSant the portion of his annual salary earned for the period to and including the date of termination. On termination of Mr. VanSant by the Company other than for just cause, disability, death or termination by Mr. VanSant for good reason, the Company shall pay Mr. VanSant: that portion of his annual salary for the period to and including the date of termination; an amount equal to the lesser of (i) three times Mr. VanSant's annual salary and (ii) an amount equal to the result obtained when his annual salary is multiplied by a fraction, the numerator of which is the number of days between the date of termination and Mr. VanSant's normal retirement date and the denominator of which is 365; an amount equal to the present value of all accrued pension benefits, and accrued regular vacation pay. Any options, rights, warrants or other entitlements to acquire shares in the Company that Mr. VanSant would have been entitled to receive under the terms of his employment agreement but for such termination shall be deemed to be granted to Mr. VanSant and available for exercise if he so elects. In addition, the Company shall provide him with job relocation counselling services and shall pay all additional reasonable expenses that he may incur in connection with obtaining alternative employment. The agreement also provides that Mr. VanSant shall execute the standard form of non-competition agreement required by the Company in connection with the employment of each of its senior executives, provided that he shall not be prohibited from obtaining employment with any business in the event that he is terminated by the Company without just cause or terminates his employment for good reason. Pursuant to the agreement, Mr. VanSant also agrees not to solicit any transaction which could result in a change of control or other material change in the Company without the approval of the Board of Directors.

Effective August 2, 1999, the Company's U.S. subsidiary, Moneysworth & Best (USA Brands) Inc. ("USA Brands"), entered into an employment agreement with Russ Hill, one of the two former shareholders of Adcor. Mr. Hill is employed as President of USA Brands and is responsible for all divisional operations and profits of USA Brands. As compensation for services rendered, Mr. Hill shall be paid by the Company a base salary of U.S.$150,000 per year, as well as a base performance bonus of U.S. $50,000 per year, which bonus shall be paid quarterly in arrears. In addition, Mr.Hill is entitled to participate in the executive stock option program as determined by the Compensation Committee of Moneysworth. The address of USA Brands is 501 Rowntree Dairy Road, Unit 5, Vaughan, Ontario. Mr. Hill resides at 12292 Circular Panorama

Place, Santa Ana, California. Mr. Hill is also Chief Operating Officer of the Consumer Products Division of Moneysworth.

On January 15, 1999, USA Brands entered into a six-month employment agreement with Lisa Hill, the other former shareholder of Adcor, during which term she shall be employed as President of USA Brands. Ms Hill's responsibilities include the sales and marketing function of USA Brands. In all other respects, the terms of the agreement entered into between Ms Hill and USA Brands are identical to the agreement entered into between Mr. Hill and USA Brands. Ms Hill resides at 11445 South Orange Park Boulevard, Orange, California.

On the same day, USA Brands also entered into an employment contract with Bryan Houser. Pursuant to this agreement, from January 5, 1999 until January 5, 2000, Mr. Houser shall be employed by USA Brands as Vice President, Sales. Mr. Houser's responsibilities include the sales management function of USA Brands. As compensation for services rendered, Mr. Houser shall be paid by USA Brands an annual base salary of U.S. $75,000, payable semi-monthly. At the discretion of the Board of Directors of USA Brands, Mr. Houser shall also be eligible to participate in USA Brands' bonus program, which shall provide Mr. Houser an annual cash bonus of 20% (and up to a maximum of 50%) of his annual base salary upon USA Brands' achievement of its annual budget, with incremental increases in such annual cash bonus of up to a maximum of 50% of Mr. Houser's annual base salary upon USA Brands exceeding certain specified annual budget targets. The termination provisions contained in Mr. Houser's contract are identical to those contained in the agreements between USA Brands and each of Russ and Lisa Hill. Upon termination of employment, Mr. Houser shall not, for a period of two years, engage in any business which is competitive with the USA Brands, its parent or subsidiary corporations, or solicit any employees or customers thereof. Mr. Houser resides at 3202 Sunset Oaks Drive, Arlington, Texas.

STOCK OPTION PLAN

The purpose of the Moneysworth Stock Option Plan (the "Stock Option Plan") is to provide incentives to directors, officers, employees and consultants of the Company and its affiliates through participation in the growth and success of the Company. Options to purchase Common Shares may be granted from time to time by the directors of the Company at an exercise price determined by them, which in no case will be less than the closing market price of the Common Shares on the last trading day immediately preceding the date of the grant. The maximum number of Common Shares that currently may be issued under the Stock Option Plan is 1,000,000 Common Shares. At the Annual General and Special Meeting of the Company held on June 9, 1999, shareholders approved an amendment to the Stock Option Plan to increase the number of Common Shares issuable thereunder by 446,283. The Stock Option Plan also contains restrictions on the number of Common Shares which may be issued or reserved for issuance to insiders of the Company and their associates under the Stock Option Plan. Options granted under the Stock Option Plan must be exercised no later than ten years after the date of the grant. The Stock Option Plan also limits the number of shares which may be taken up upon the exercise of options to a maximum of 20% of the shares covered by the option during any 12 month period. Options are non-assignable other than in accordance with the provisions of the Stock Option Plan.

As at August 20, 1999, options to purchase a total of 1,087,755 Common Shares have been granted pursuant to the Stock Option Plan, of which 1,087,755 are outstanding as follows:

Holder	Number of Options	Exercise Price	Expiry Date
Executive Officers (4 persons)	250,000	$3.00	August 6, 2007
	64,355	$2.25	August 6, 2008
	150,000	$3.28	Dec. 10, 2008
Directors who are not Executive Officers (5 persons)	40,000	$3.00	August 6, 2007
	100,000	$2.50	August 6, 2003
	90,000	$1.40	August 20, 2009
Others	56,000	$3.00	August 6, 2007
	33,500	$2.25	August 6, 2008
	300,000	$2.50	Nov. 20, 2001
	3,900	$3.85	March 10, 2009

The 250,000 options which were granted to the executive officers expiring on August 6, 2007 have vested as to 20% on August 6, 1998 and as to an additional 20% on August 6 of each of the next four years. None of the 64,355 options which were granted to executive officers expiring on August 6, 2008 have vested. The 150,000 options granted to executive officers expiring on December 10, 2008 have vested as to 10% on December 10, 1998, and will vest as to an additional 15% on December 10, 1999, an additional 20% on December 10, 2000 an additional 25% on December 10, 2001, and the remaining 30% on December 10, 2002. The 40,000 options expiring on August 6, 2007 granted to directors who are not executive officers have vested as to 20% on August 6, 1998 and will vest as to an additional 20% on each of the next four anniversaries of that date. The 90,000 options which were granted to directors who are not executive officers will vest as to 20% on each of the next five anniversaries of August 20, 1999. The options granted to others are subject to various vesting requirements.

As at August 20,1999, 4,000 of the options granted pursuant to the Stock Option Plan have been exercised by employees of the Company.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The following sets forth the interest of management and other related parties in material transactions affecting the Company over the past three years. Other than as set out below, no insider of the Company, or associate or affiliate thereof, had any material interest, direct or indirect, in any transaction since the date of Moneysworth's incorporation or has any material interest, direct or indirect, in any proposed transaction which has or will materially affect the Company:

(1) Through a series of transactions entered into on October 23, 1996, HMD acquired control of Shoe Repair and the principal shareholder of HMD sold substantially all of its holdings in HMD to two unrelated companies, one of which is controlled by the President and Chief Executive Officer of Shoe Repair, Richard VanSant, who is now Chairman of the Board, President and Chief Executive Officer of Moneysworth. As a result of these transactions, Welsford Investments Inc., a company controlled by Richard VanSant, holds approximately 22.53% of the issued and outstanding Common Shares of the Company. See "Promoter".

(2) With effect as of January 1, 1999, the Company entered into a consulting arrangement with First Centennial Securities, Inc. ("FCS") and Norman Winton, a director of the Company, pursuant to which the Company engaged FCS to provide the services of Mr. Winton as a consultant. As consideration for the provision of Mr. Winton's services, the Company agreed to pay FCS the sum of $10,000 per month, $7,500 which is payable in cash each month, with the remaining $2,500 to be satisfied in the form of monthly option grants to FCS pursuant to the Company's Stock Option Plan. The exercise price of the options granted each month pursuant to this arrangement will be the price of the Common Shares at the close of business on the last business day of each such month. The exercise price of the option grants which will be made to Mr. Winton in respect of January through June of 1999 will be the price of the Common Shares at the close of business on June 30, 1999, subject to the approval by shareholders of the proposed amendment to the Company's Stock Option Plan. As a consultant, Mr. Winton will assist the Company with the negotiation of acquisitions and financings and will work with the Chief Executive Officer to ensure compliance with legal and regulatory matters.

CAPITALIZATION

The following table sets forth the capitalization of the Company as at June 30, 1999, as at July 31, 1999 and as at July 31, 1999 after giving effect to the exercise of the Special Warrants (but not the Agent's Special Warrants, Agent's Warrants or the Panita Shares).

	Authorized	**Outstanding as at June 30, 1999** (unaudited)	**Outstanding as at July 31, 1999** (unaudited)	**Outstanding as at July 31, 1999 as adjusted for issue** (unaudited)
Bank Indebtedness		$ 782,000	$ 897,087	$ 897,087
Convertible Debenture	-	$ 1,222,000	$ 1,111,542	$ 1,111,542
Deferred royalty obligation		$ 2,803,000	$ 2,770,075	$ 2,770,075
Long-term debt (including current portion)	-	$ 3,777,000	$ 3,724,266	$ 3,724,266
Shareholders' equity				
Common Shares	unlimited	$ 12,553,000 (13,423,908 shares)	$ 12,553,000 (13,423,908 shares)	$ 14,367,000(1)(2)(3)(4) (13,970,457 shares)
Preference Shares	unlimited	-	-	-
Special Warrants	520,522	$ 1,814,000 (520,522 warrants)	$ 1,814,000 (520,522 warrants)	-
(Deficit)(5)		$ (2,855,000)	$ (2,855,000)	$ (2,855,000)
Total capitalization		$ 20,096,000	$ 20,014,970	$ 20,014,970

(1) Gives effect to the exercise of Special Warrants. See Note 13 to the Consolidated Financial Statements of Moneysworth.

(2) In addition, options granted under the Stock Option Plan of Moneysworth to purchase an aggregate of 997,755 Common Shares were outstanding at July 31, 1999.

(3) An additional 104,104 Common Shares are issuable pursuant to the exercise of the Compensation Options.
(4) 80,000 Common Shares are issuable upon the exercise of 80,000 warrants (the “Taurus Warrants”) issued to Taurus as additional compensation for its services in connection with the royalty agreement with McCarvill. Each Taurus Warrant is exercisable at a price of $3.75 per Common Share until January 15, 2001. In addition, 225,000 Common Shares are issuable upon the exercise of 225,000 warrants (the “McCarvill Warrants”) issued to McCarvill in connection with the Company’s royalty agreement with McCarvill. Each McCarvill Warrant is exercisable at a price of $3.75 per Common Share until January 15, 2002.
(5) Deficit as at June 30, 1999 assumed in each case.
(6) See Note 16 to the Consolidated Financial Statements of Moneysworth with respect to certain lease commitments of the Company.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of Moneysworth consists of an unlimited number of Common Shares and an unlimited number of Preference Shares. As at July 31, 1999 there were 13,423,908 Common Shares issued and outstanding, 80,000 warrants expiring on January 15, 2001, each exercisable into one Common Share at an exercise price of $3.75, and 225,000 warrants expiring on January 15, 2002, each exercisable into one Common Share at an exercise price of $3.75. There were also 52,052 Agent’s Special Warrants, and 997,755 options to purchase Common Shares outstanding pursuant to the Stock Option Plan. In addition, the 520,522 Special Warrants were issued and outstanding. All Common Shares are entitled to participate equally in any dividends declared thereon, and on liquidation or distribution of the assets of the Company, and each Common Shares has one vote per share at all meeting of shareholders. All of the outstanding Common Shares are fully paid and non-assessable. There are currently no Preference Shares issued and outstanding.

TRADING HISTORY OF COMMON SHARES

Prior to August 18, 1998, the Common Shares traded on the Canadian Dealing Network (“CDN”) under the trading symbol “WRTH” where trading commenced on August 6, 1997. On August 18, 1998, the Common Shares were listed and posted for trading on The Toronto Stock Exchange (“TSE”) under the trading symbol “MWB”. The following table sets forth the reported high and low sale prices and volume of trading of the Common Shares as reported by the CDN and TSE, as applicable, for the periods indicated, since the commencement of trading activity on August 6, 1997:

	Price Range		Trading
	High	**Low**	**Volume**
1997			
August 6, 1997 to September 30, 1997	$8.30	$3.50	5,168,161
Fourth Quarter	$8.40	$5.00	930,743
1998			
First Quarter	$5.20	$3.50	835,207
Second Quarter	$4.70	$3.00	2,076,978
Third Quarter	$3.60	$2.20	549,936
Fourth Quarter	$3.85	$2.00	3,527,940

	Price Range Trading High	Low	Volume
January 1999	$4.49	$3.65	1,192,976
February 1999	$4.25	$3.65	546,677
March 1999	$4.09	$3.02	695,263
April 1999	$3.80	$3.00	865,845
May 1999	$4.30	$2.85	987,400
June 1, 1999 to June 30, 1999	$3.10	$2.50	126,838
July 1, 1999 to July 31, 1999	$2.65	$2.25	167,559
August 1, 1999 to August 31, 1999	$2.45	$1.35	844,442

Prior Sales

Since February 26, 1998 and other than the offering of Special Warrants to which this prospectus relates and options and Common Shares issued in connection with Moneysworth's Stock Option Plan, Moneysworth has issued or sold the following securities:

Date of Issue	No. and Type of Security	Price per Security	Gross Cash Consideration
January 15, 1999	225,000 Warrants	$3.75	$0 (1)
January 15, 1999	80,000 Warrants	$3.75	$0 (2)
January 15, 1999	1,582,248 Common Shares	$2.88	$0(3)
June 15, 1999	106,232 Common Shares	$2.88	$0(4)

(1) Issued to McCarvill in connection with the royalty financing. See "Business of the Company — Recent Developments — Royalty Agreement with McCarvill Corporation".

(2) Issued to Taurus in connection with the royalty financing. See "Business of the Company — Recent Developments — Royalty Agreement with McCarvill Corporation".

(3) Issued to Russ and Lisa Hill in connection with the acquisition of Adcor. The value of the shares was based on the average closing price of the Company's Common Shares on the Toronto Stock Exchange for the 30 days immediately preceding the closing date. See "Business of the Company — Recent Developments — Acquisition of Adcor Products, Inc.".

(4) Issued to Russ and Lisa Hill in connection with the acquisition of Adcor as a purchase price adjustment. The value of the shares was based on the average closing price of the Company's Common Shares on the Toronto Stock Exchange for the 30 days immediately preceding the closing date. See "Business of the Company — Recent Developments — Acquisition of Adcor Products, Inc.".

PANITA DEBENTURE

On August 31, 1997, as partial consideration for the acquisition of Panita, the Company issued a non-interest bearing $1,400,000 convertible debenture (the “Panita Debenture”) to Capilano Trading (1996) Ltd. (“Capilano”), payable in 12 consecutive equal monthly instalments commencing May 31, 1999, which was partially secured for $500,000 by a Letter of Guarantee. Pursuant to the terms of the Panita Debenture and the share purchase agreement (the “Share Purchase Agreement”) governing the acquisition of Panita between Moneysworth and Capilano, the Company may require Capilano, at any time prior to May 31, 2000, to convert the outstanding principal amount of the Panita Debenture into Common Shares at a conversion price of $7.00 per Common Share on the condition that such Common Shares are not subject to any resale restrictions under the *Securities Act* (British Columbia) and the *Securities Act* (Ontario) and the respective rules thereunder, and are listed on The Toronto Stock Exchange.

In the event that Moneysworth exercises its right to require Capilano to convert the unpaid principal amount of the Panita Debenture into Common Shares, Capilano agrees to offer to sell at the then prevailing market price and, if such offer is accepted, sell at such market price, a minimum of 4,000 Common Shares (the “Converted Shares”) each week until the earlier of the following dates: (i) May 31, 2000; (ii) the date on which all of the Converted Shares are sold; (iii) the day on which an event of default (as defined in the Share Purchase Agreement) occurs, and (iv) the date on which an order is issued that has the effect of cease trading the Common Shares. Under the terms of the Share Purchase Agreement, Moneysworth is obligated to pay to Capilano the amount by which the proceeds (after deducting the broker’s fees and other related expenses) from the sale of the Converted Shares are less than $1,400,000 minus any cash payments previously made (the “Adjustment Amount”). Upon conversion of the principal amount into Common Shares, the right of the Holder to receive cash in payment of the principal amount shall be terminated.

On each of May 31, 1999, June 30, 1999, and July 31, 1999, the Company made a payment to Capilano in the amount of $116,667. The Company has signed a letter agreement dated August 19, 1999 to exercise its right to satisfy its remaining obligations under the Panita Debenture by issuing 150,000 Panita Shares to Capilano. Capilano has agreed that, as required by the Share Purchase Agreement, it will sell 21,000 of Panita Shares per week (or the remaining number in the last week in which sales are made) between the date of this Prospectus and October 29, 1999. In addition, the Company will make a partial payment to Capilano on November 30, 1999 in the amount of $116,667, and will make a second payment to Capilano on December 31, 1999 in the amount of $58,333. The Company will make a final adjustment payment to Capilano on May 31, 2000 in the amount of the original principal amount of the debenture minus any amounts previously paid by the Company to Capilano or received by Capilano upon the sale by it of the Panita Shares. The re-sale of the Panita Shares forms part of the distribution qualified by this Prospectus and each such purchaser of Panita Shares shall be entitled to receive a copy of this Prospectus. Each such purchaser shall also be entitled to certain statutory rights.

See “Business of the Company — Recent Developments — Acquisition of Panita Enterprises Inc.”, “Private Placement and Plan of Distribution” and “Purchasers’ Statutory Rights.”

DESCRIPTION OF EXISTING CREDIT FACILITY

On January 14, 1999, the Company entered into a credit agreement with a Canadian chartered bank (the “Bank”) pursuant to which the Bank agreed to a credit facility (the “Facility”) comprised of six segments.

Segment 1 consists of a demand operating loan in the amount of $1,000,000, which amount was increased to $1,250,000 on July 30, 1999; Segment 2 is comprised of revolving demand installment loans totalling $1,000,000; Segment 3 is comprised of demand installment RBP loans totalling $99,906; Segment 4 is comprised of corporate VISA expense accounts totalling $50,000; Segment 5 is a foreign exchange facility in the amount of US$1,000,000; and Segment 6 is comprised of stand-by letters of credit and/or guarantees totalling $500,000. As collateral security for the Facility, the Company executed the following documents:

- (i) a general security agreement;
- (ii) a guarantee and postponement of claim in the amount of $2.5 million from Moneysworth & Best Shoe Repair (Canada) Inc.;
- (iii) a postponement and subordination agreement between the Company, the Bank and McCarvill Corporation and guarantee and postponement of claim in the amount of $1,000,000 from Moneysworth & Best (USA Brands) Inc.;
- (iv) a specific assignment from the Company of loans receivable from franchisees; and
- (v) a business loan insurance plan of $500,000 on the life of Richard VanSant and security agreement covering cash collateral in the amount of $250,000.

As at July 31, 1999, the Company had drawn $1,782,136 under the Facility.

DIVIDEND RECORD AND POLICY

The Company currently does not have any immediate plans to pay dividends on its Common Shares and intends to retain all of its available funds for use in the operation of its business. Any future determination by the Company to pay dividends will be at the discretion of the board of directors of the Company and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors of the Company considers relevant.

DILUTION

After giving effect to this offering (after deducting the Agent's fees and the estimated expenses of this offering), assuming that 546,549 Common Shares are issued upon the exercise of the Special Warrants without giving effect to the issuance of the 52,052 Common Shares issuable upon the exercise of the Compensation Options, the effective price of $3.85 paid for each unit comprised of one Common Share and one Warrant through the purchase of a Special Warrant exceeds by $3.91 (or 102% of the issue price) the consolidated net tangible book value per Common Share as shown in the balance sheet of the Company as at June 30, 1999 as set out below:

Issue price		$ 3.85
Net tangible book value per Common Share as at June 30, 1999(1)	$ (0.19)	
Increase in net tangible book value per Common Share attributable to the issuance of 546,549 Common Shares	$ 0.13	
Net tangible book value per Common Share as at June 30, 1999 after giving effect to the exercise of the Special Warrants	$ (0.06)	$ (0.06)
Dilution to subscribers		$ 3.91
Percentage of dilution in relation to the issue price		102%

(1) Represents shareholders' equity less intangible assets, deferred charges and other as at June 30, 1999, less the

proceeds from the offering of Special Warrants, divided by the number of outstanding Common Shares on that date.

USE OF PROCEEDS

The net proceeds of the Special Warrants previously issued and sold, after payment of the Agent's fees and the expenses of this offering estimated at $190,000, will be used by the Company as to approximately $1,000,000 as working capital, largely to fund the growth of its U.S. business, and the balance to fund capital requirements, including display units for new customers.

PRIVATE PLACEMENT AND PLAN OF DISTRIBUTION

Pursuant to an agreement dated February 26, 1999 (the "Agency Agreement") between Moneysworth and the Agent, Moneysworth issued and sold by way of private placement 520,522 Special Warrants at a price of $3.85 each. Each Special Warrant entitled the holder to acquire, without payment of any additional compensation, a unit comprised of one Common Share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Because the Company did not receive a (final) receipt from the Ontario Securities Commission (the "OSC") for this prospectus on or before June 26, 1999 (the "Qualification Deadline"), each Special Warrant entitles the holder to acquire a unit comprised of one and one-twentieth (1.05) Common Shares and one and one-twentieth (1.05) Warrants. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of $3.85 for a period of one year from the date of expiry of the Special Warrants (the "Warrant Expiry Date"), which Special Warrant expiry date shall be five business days following the earlier to occur of: (i) the date upon which the OSC has issued a (final) receipt for this Prospectus (the "Final Receipt"); and (ii) February 26, 2000 (the "Special Warrant Expiry Date").

Pursuant to the Agency Agreement, Moneysworth agreed to pay to the Agent a fee equal to 7% of the gross proceeds from the issue and sale of the Special Warrants, to reimburse the Agent for certain fees and expenses relating to this offering and to indemnify the Agent against certain liabilities. As additional compensation under the terms of the Agency Agreement, the Company issued to the Agent 52,052 agent's special warrants ("Agent's Special Warrants"), each exercisable without payment of any additional compensation to the Company into one compensation option (a "Compensation Option"). Each Compensation Option entitles the holder thereof to purchase one Common Share and one agent's warrant (an "Agent's Warrant") at an exercise price of $3.85. The Compensation Options will be exercisable for a period of 24 months from February 26, 1999, being the closing date of the private placement of the Special Warrants, provided that no Agent's Warrants shall be issued following the expiry date of the Warrants. Each Agent's Warrant shall be exercisable into one Common Share at a price of $3.85 until the Warrant Expiry Date. No additional compensation will be payable to the Agent in connection with the distribution of the Agent's Special Warrants, Compensation Options, Agent's Warrants or Common Shares issuable upon the exercise of the Compensation Options and Agent's Warrants. This prospectus also qualifies the distribution of 26,026 of the 52,052 Compensation Options issuable upon the exercise of the Agent's Special Warrants.

Under the terms of the Agency Agreement, the Agent will be invited to participate in any offering of securities by Moneysworth in Canada for a period of two (2) years from February 26, 1999.

The Special Warrants were issued under a special warrant indenture (the "Special Warrant Indenture") dated as of February 26, 1999 between the Company and Equity Transfer Services Inc., as warrant agent (the "Warrant Agent"). The Warrants will be issued under a warrant indenture (the "Warrant Indenture") dated as of February 26, 1999 between the Company and the Warrant Agent.

Upon the issuance of the Final Receipt by the OSC, each Special Warrant which has not been exercised previously shall be deemed to have been exercised without any further action on the holder's part immediately prior to 5:00 p.m. on the fifth business day following the issue of the Final Receipt. Any Special Warrants which have not been exercised previously shall be deemed to have been exercised without any further action on the holder's part, immediately prior to 5:00 p.m. on February 26, 2000.

The Special Warrants were issued pursuant to exemptions in the *Securities Act* (Ontario) from the registration and prospectus requirements of such legislation. This prospectus is being filed to qualify the Common Shares and Warrants to be issued upon exercise of the Special Warrants. In accordance with applicable securities laws, if the Special Warrants are exercised prior to the issuance of the Final Receipt, the Common Shares and Warrants issued upon such exercise may be subject to a hold period or other restrictions on resale.

In addition to all of the Common Shares and Warrants issuable upon exercise of the Special Warrants, this prospectus also qualifies the distribution of up to 150,000 Panita Shares issuable to Capilano in satisfaction of the Company's obligations owing under a debenture issued in connection with Moneysworth's acquisition of Panita, and the re-sale of the Panita Shares by Capilano. The re-sale of the Panita Shares will be considered to be part of the distribution qualified by this Prospectus and each purchaser of Panita Shares from Capilano shall be entitled to receive a copy of this Prospectus. In addition, each such purchaser shall be entitled to certain statutory rights of recission. See "Panita Debenture" and "Purchasers' Statutory Rights".

ESCROW ARRANGEMENTS

Pursuant to an escrow agreement dated July 29, 1997 (the "Escrow Agreement") between the Company, 1201366 Ontario Inc. ("1201366"), First Centennial International Inc. ("FCII") and Equity Transfer Services Inc. (the "Escrow Agent"), 1202366 and FCII placed 3,854,174 Common Shares in escrow. As of June 30, 1999, 30% of the escrowed shares have been released, 10% having been released on April 29, 1998 (the "Initial Release Date") in accordance with the terms of the Escrow Agreement, and the remaining 20% having been released on the first anniversary of the Initial Release Date. A further 20% of the shares are to be released on each of the next two anniversaries of the Initial Release Date. The remaining 30% of the shares are to be released on the fourth anniversary of the Initial Release Date.

RISK FACTORS

An investment in the Common Shares should be considered speculative due to the risk factors set out below, all of which should be carefully considered by a prospective investor.

Protection of Intellectual Property Rights; Risk of Third Party Claims of Infringement

The Company considers its trademarks, particularly certain brand names and product package, advertising and promotional design and art work to be of considerable value and critical to its business. The Company relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by the Company to protect its intellectual property rights may not preclude competitors from developing confusingly similar brand names or promotional materials. While the Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, there can be no assurance in this regard.

Additionally, as the Company widens the geographic distribution of its Product Line to other countries, there is increased potential for litigation surrounding the Company's brand names and promotional materials. The costs of such litigation may be significant and there can be no assurance of success in that regard.

Environmental Regulation

The Company is subject to environmental laws and regulations imposed by governmental authorities in Canada and the United States pertaining to the discharge of materials into the environment, the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Although management believes that the Company is in compliance with all such laws and regulations, unforeseen expenditures required to maintain such compliance or correct any violation of such laws and regulations, or unforeseen environmental liabilities could have a material adverse effect on the Company's business or financial condition.

Immediate Dilution

Purchasers of Special Warrants realized immediate dilution of $3.91 per Common Share (102%) of the offering price, representing the difference between the consolidated net tangible book value per Common Share as at June 30, 1999 after giving effect to the offering of ($0.06) and the offering price of $3.85 per Common Share.

Competition

A number of competitors have greater financial, marketing and other resources than the Company. There can be no assurance that the Company will be able to continue to compete successfully with its existing competitors or to compete successfully with new competitors.

Market Trends

Demand for the Company's products and services could be adversely affected by changes in consumer preferences and general economic conditions. Changes in footwear styles may affect sales of the Company's services or products.

Product Liability

Some of the Company's consumer products are toxic if ingested, and/or are flammable; while the Company has comprehensive product liability insurance it may not fully cover liability claims that could arise.

Exchange Rate

The Company's operating results are reported in Canadian dollars. An increasing portion of the Company's sales revenues are generated in the United States and in U.S. dollars. Accordingly, any increase in the value of the Canadian dollar versus the U.S. dollar will reduce sales revenue of the Company as expressed in Canadian dollars.

Dependence Upon Key Management and Employees

The Company's success depends in part on certain key management employees. The experience of these individuals will be a factor contributing to the Company's continued success and growth. If, for any reason, any one or more of such key personnel do not continue to be active in the Company's management, the operations and business prospects of the Company could be adversely affected.

Sales Infrastructure and Market Penetration

The Company's success will depend upon its ability to continue to develop and establish a sales infrastructure and strategic alliances with which to pursue increasing market penetration. There is no assurance that the Company will be able to continue to develop and establish such sales infrastructure and strategic alliances.

Integration of Acquired Businesses

The integration of Adcor into the Company is complex and requires diversion of resources and management. The integration of Adcor is expected to be completed during the year 2000. There can be no assurance that the Company will be able to achieve the contemplated level of operational integration.

Dividend Policy

The Company currently does not have any immediate plans to pay dividends on its Common Shares in the foreseeable future and intends to retain all of its available funds for use in the operation of its business. Any future determination by the Company to pay dividends will be at the discretion of the board of directors of the Company and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors of the Company considers relevant.

Year 2000

The Year 2000 ("Y2K") issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Y2K issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could effect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Y2K issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The Company is reviewing the possible effects of the Year 2000 issue on an ongoing basis. Computer hardware and software systems were installed during 1997 to integrate the operations of the Company. As a result of system upgrades installed during 1998, the Company expects to be Y2K compliant by the end of 1999. Management does not expect the cost of upgrades to be material, and believes that the Y2K issue will not have a materially adverse impact on the Company. Like every other business enterprise, however, the Company is at risk of Y2K compliance failures, including failures on the part of its major business counterparts, including suppliers, distributors, franchisees and manufacturers, as well as potential failures in public and private infrastructure services, including electricity, water, gas, transportation and communications. See "Management's Discussion and Analysis of Operating Results — Risks and Uncertainties — Year 2000".

LEGAL PROCEEDINGS

The Company is subject to various legal suits and claims pertaining to product name infringement and other franchise related matters that occur in the normal course of business. There are two outstanding claims, one of which was issued in 1990 and the other of which was issued in 1991, both of which have remained dormant since the original letters were received. While the ultimate liability resulting from these matters cannot be determined, management believes that any potential liabilities will not have a material adverse effect on the Company.

On May 5, 1998, Bowne of Canada Inc. ("Bowne") commenced an action against Shoe Repair claiming in excess of $92,000 based on Shoe Repair's alleged failure to pay certain commercial printing costs. Shoe Repair has filed a statement of defence as well as a third party claim against its former solicitors, Goldman Spring Schwartz & Kichler claiming contribution and indemnity for any amount exceeding $40,000 which a court may find is owed by Shoe Repair to Bowne, however, it is very difficult to assess the possibility of success of the action at this point in time.

On June 9, 1998, Park Street Plaza Limited commenced an action against Shoe Repair claiming approximately $58,000 based on Shoe Repair's alleged breach of a lease agreement, and $2,000,000 in consequential damages. Shoe Repair has filed a statement of defence, and the parties are currently in settlement discussions. Management does not believe that it will be necessary to pay any material amount in settlement of this claim.

On May 12, 1999, the Company commenced an action against Dr. Fabricant's Foot Health Products, Inc. ("Dr. Fabricant's") in the Supreme Court of the State of New York, County of Suffolk. The Company is seeking a judgment in the amount of US$125,000 based on Dr. Fabricant's failure to repay such amount which was evidenced by a promissory note issued in connection with the Company's proposed acquisition of Dr. Fabricant's.

Moneysworth is bringing an action against a former franchisee who has set up a competing business at the Yorkdale Shopping Centre called Walk & Wear Dry Clean and Shoe Repair. Moneysworth is suing for breach of contract, on the basis of a covenant not to compete, for trademark infringement, for monies due under a promissory note, and for missing equipment. Moneysworth is claiming damages in the amount of $700,000. The claim was issued on July 16, 1999. Defences were served on Moneysworth on August 6, 1999 by the former franchisee, and on August 20, 1999 by, among others, the franchisee's new competing business.

PROMOTER

Richard VanSant, the President and Chief Executive Officer of the Company, took the initiative in founding and organizing the business of the Company. Accordingly, Mr. VanSant may be considered to be a promoter of the Company within the meaning ascribed to that term in the *Securities Act* (Ontario) and the *Securities Act* (British Columbia). On October 23, 1996, HMD acquired from Welsford Investments Inc., a company of which Mr. VanSant is a principal shareholder, an option to acquire 23% of the then issued and outstanding common shares of Shoe Repair for $1.00 in the aggregate. This option was exercised by HMD on December 18, 1996. Concurrent with the grant of this option, Welsford was granted an option by the then principal shareholder of HMD to acquire approximately 32% of HMD's then issued and outstanding common shares for $30,000.

MATERIAL CONTRACTS

The only agreements which the Company has entered into during the previous two years or will enter into prior to the closing of this offering, which are now material, other than contracts entered into the ordinary course of business, are the following:

1. the agency agreement dated July 29, 1997 between the Company and Taurus., whereby the Company agreed to issue and sell, and the agent agreed to use its best efforts to arrange for the purchase of 2,300,000 Common Shares (including the over-allotment option granted to Taurus);

2. the escrow agreement dated July 29, 1997 between the Company, 1201366 Ontario Inc., First Centennial International Inc. and Equity Transfer Services Inc.(see "Escrow Arrangements");

3. the share purchase agreement dated November 26, 1997 between Capilano and Moneysworth (see "Business of the Company — Recent Developments — Acquisition of Panita Enterprises Inc.");

4. the convertible secured debenture dated November 26, 1997 issued by the Company to Capilano (see "Panita Debenture");

5. the share purchase agreement dated November 26, 1997 between the Company and Panita (see "Business of the Company — Recent Developments — Acquisition of Panita Enterprises Inc.");

6. the agreement and plan of merger dated as of December 17, 1998, as amended as of January 6, 1999, between the Company, USA Brands, Adcor, Russ Hill and Lisa Hill (see "Business of the Company — Recent Developments — Acquisition of Adcor Products, Inc.");

7. the consulting agreement effective as of January 1, 1999 between the Company, First Centennial Securities, Inc. and Norman Winton (see "Interests of Management and Others in Material Transactions");

8. the royalty agreement dated as of January 14, 1999 between the Company and McCarvill (see "Business of the Company — Recent Developments –- Royalty Agreement with McCarvill Corporation.");

9. the letter agreement dated January 14, 1999 between the Company and a Canadian chartered bank (see "Description of Existing Credit Facility ");

10. the employment agreement dated as of January 15, 1999 between the Company and Russ Hill (see "Compensation of Executive Officers and Directors — Executive Contracts");

11. the employment agreement dated as of January 15, 1999 between the Company and Lisa Hill (see "Compensation of Executive Officers and Directors — Executive Contracts");

12. the employment agreement dated as of January 15, 1999 between the Company and Brian Houser (see "Compensation of Executive Officers and Directors — Executive Contracts");

13. the Agency Agreement dated as of February 26, 1999 between the Company and Taurus (see "Private Placement and Plan of Distribution");

14. the Special Warrant Indenture dated as of February 26, 1999 between the Company and Equity Transfer Services Inc. (see "Private Placement and Plan of Distribution");

15. the Warrant Indenture dated as of February 26, 1999 between the Company and Equity Transfer Services Inc. (see "Private Placement and Plan of Distribution");

16. the Agent's Special Warrant, Compensation Option and Agent's Warrant dated as of February 26, 1999 between the Company and Taurus (see "Private Placement and Plan of Distribution");

17. the subscription agreements between the Company and purchasers of the Special Warrants dated February 26, 1999 (see "Private Placement and Plan of Distribution");

18. the amending agreement dated as of March 22, 1999 between the Company and Rochester to the distribution, non-disclosure and non-competition agreement dated as of October 9, 1996 between Shoe Repair and Rochester (see "Business of the Company — Recent Developments — Agreement with Rochester Shoe Tree Company"); and

19. the letter agreement between the Company and Capilano dated August 19, 1999 regarding the proposed sale of Panita Shares.

Copies of the above agreements may be inspected during normal business hours at the head office of the Company at 501 Rowntree Dairy Road, Unit #5, Vaughan, Ontario L4L 8H1 during the course of distribution of the securities qualified hereunder and for 30 days thereafter.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon on behalf of the Company by Osler, Hoskin & Harcourt, Toronto, and on behalf of the Agent by Cassels Brock & Blackwell.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Moneysworth for the year ended December 31, 1998 were Deloitte & Touche LLP, Chartered Accountants, 5140 Yonge Street, Suite 1700, Toronto, Ontario, M2N 6L7. The registrar and transfer agent for the Common Shares of Moneysworth is Equity Transfer Services Inc, 120 Adelaide Street West, Suite 420, Toronto, Ontario, M5H 4C3.

PURCHASERS' STATUTORY RIGHTS

Securities legislation of the provinces of Ontario and British Columbia provide purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. Such legislation further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant who acquires Common Shares and Warrants upon the exercise of the Special Warrant is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant but also of the private placement transaction pursuant to which the Special Warrant was initially acquired, and the holder shall be entitled in connection with such recession to a full refund of all consideration paid on the acquisition of the Special Warrant. In the event such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund as if such permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of a Special Warrant under section 130 of the *Securities Act* (Ontario) or otherwise at law and is subject to the defences, limitations and other provisions of such legislation.

AUDITORS' REPORT

To the Directors of
Moneysworth & Best Shoe Care Inc.

We have audited the consolidated balance sheets of Moneysworth & Best Shoe Care Inc. as at December 31, 1998 and 1997, and the consolidated statements of operations, retained earnings (deficit) and cash flows for each of the years ended December 31, 1998 and 1997 and for the two months ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the years then ended and for the two month period ended December 31, 1996 in accordance with generally accepted accounting principles.

(SIGNED) DELOITTE & TOUCHE LLP

Chartered Accountants

Toronto, Ontario
March 5, 1999 (except for Note 21 which is as of August 31, 1999)

MONEYSWORTH & BEST SHOE CARE INC.
(formerly HMD Capital Corp.)

CONSOLIDATED BALANCE SHEETS

	June 30, 1999 (unaudited)	December 31, 1998	December 31, 1997
ASSETS			
CURRENT			
Cash	$ -	$ -	$ 150,000
Short-term investments	251,000	251,000	1,458,000
Accounts receivable (Note 4)	2,802,000	1,625,000	1,349,000
Inventory	3,133,000	1,344,000	1,224,000
Prepaid expenses and sundry assets	439,000	279,000	50,000
Assets held for resale (Note 5)	275,000	183,000	75,000
Current portion of long-term receivables (Note 6)	257,000	303,000	389,000
	7,157,000	3,985,000	4,695,000
LONG-TERM RECEIVABLES (Note 6)	954,000	1,071,000	1,002,000
CAPITAL ASSETS (Note 7)	2,325,000	1,750,000	1,599,000
GOODWILL (Note 8)	11,915,000	4,184,000	4,413,000
DEFERRED CHARGES AND OTHER	355,000	528,000	207,000
	$ 22,706,000	$ 11,518,000	$11,916,000
LIABILITIES			
CURRENT			
Bank indebtedness (Note 9)	$ 782,000	$ 1,176,000	$ 330,000
Accounts payable and accrued liabilities	1,809,000	1,883,000	1,497,000
Current portion of long-term debt (Note 10)	629,000	583,000	541,000
Current portion of convertible debenture (Note 11)	461,000	626,000	-
Income taxes payable (Note 15)	659,000	-	-
	4,340,000	4,268,000	2,368,000
LONG-TERM DEBT (Note 10)	3,148,000	688,000	487,000
CONVERTIBLE DEBENTURE (Note 11)	761,000	676,000	1,228,000
DEFERRED ROYALTY OBLIGATION (Note 12)	2,803,000	-	-
DEFERRED INCOME TAXES	142,000	-	-
	11,194,000	5,632,000	4,083,000
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (Note 13)	12,553,000	7,687,000	7,687,000
SPECIAL WARRANTS (Note 13)	1,814,000	-	-
RETAINED EARNINGS (DEFICIT)	(2,855,000)	(1,801,000)	146,000
	11,512,000	5,886,000	7,833,000
	$ 22,706,000	$ 11,518,000	$ 11,916,000

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

(Signed) RICHARD VAN SANT
Director

(Signed) MICHAEL SERRUYA
Director

MONEYSWORTH & BEST SHOE CARE INC.
(formerly HMD Capital Corp.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

	Six Months ended June 30, 1999 (unaudited)	Six Months ended June 30, 1998 (unaudited)	Year ended December 31, 1998	Year ended December 31, 1997	Two Months ended December 31, 1996
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	$ (1,801,000)	$ 146,000	$ 146,000	$ (53,000)	$ (258,000)
NET INCOME (LOSS) FOR THE PERIOD	(1,054,000)	(342,000)	(1,947,000)	313,000	235,000
INTEREST ON EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	-	-	-	(114,000)	(30,000)
RETAINED EARNINGS (DEFICIT), END OF PERIOD	$ (2,855,000)	$ (196,000)	$ (1,801,000)	$ 146,000	$ (53,000)

MONEYSWORTH & BEST SHOE CARE INC.
(formerly HMD Capital Corp.)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months ended June 30, 1999 (unaudited)	Six Months ended June 30, 1998 (unaudited)	Year ended December 31, 1998	Year ended December 31, 1997	Two Months ended December 31, 1996
SYSTEM SALES (Note 14)					
Retail (unaudited)	$ 5,144,000	$ 4,850,000	$ 10,340,000	$ 10,719,000	$ 2,150,000
Wholesale	$ 6,241,000	$ 3,511,000	$ 8,018,000	$ 5,966,000	$ 1,047,000
CORPORATE REVENUE					
Wholesale sales	$ 6,241,000	$ 3,511,000	$ 8,018,000	$ 5,966,000	$ 1,047,000
Royalties and other	498,000	501,000	1,046,000	1,047,000	179,000
Corporately-operated stores	289,000	293,000	700,000	632,000	127,000
TOTAL CORPORATE REVENUE	7,028,000	4,305,000	9,764,000	7,645,000	1,353,000
COST OF SALES					
Wholesale sales	5,181,000	2,991,000	6,860,000	4,649,000	737,000
Retail Sales	740,000	506,000	1,512,000	895,000	143,000
TOTAL COST OF SALES	5,921,000	3,497,000	8,372,000	5,544,000	880,000
EARNINGS BEFORE ADMINISTRATIVE EXPENSES AND OTHER UNDERNOTED ITEMS					
From wholesale operations	1,060,000	520,000	1,158,000	1.317,000	310,000
From retail store operations	47,000	288,000	234,000	784,000	163,000
	1,107,000	808,000	1,392,000	2,101,000	473,000
ADMINISTRATIVE EXPENSES	1,104,000	676,000	2,307,000	1,054,000	133,000
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	3,000	132,000	(915,000)	1,047,000	340,000
INTEREST					
Short-term	184,000	36,000	74,000	38,000	6,000
Long-term	54,000	48,000	135,000	136,000	21,000
DEPRECIATION AND AMORTIZATION	819,000	390,000	823,000	560,000	78,000
	1,057,000	474,000	1,032,000	734,000	105,000
NET (LOSS) INCOME FOR THE PERIOD	$ (1,054,000)	$ (342,000)	$ (1,947,000)	$ 313,000	$ 235,000
(LOSS) EARNINGS PER SHARE	$ (0.08)	$ (0.03)	$ (0.17)	$ 0.03	$ 0.02

MONEYSWORTH & BEST SHOE CARE INC.
(formerly HMD Capital Corp.)

CONSOLIDATED CASH FLOW STATEMENTS

	Six Months ended June 30, 1999 (unaudited)	Six Months ended June 30, 1998 (unaudited)	Year ended December 31, 1998	Year ended December 31, 1997	Two Months ended December 31, 1996
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net income (loss) for the period	$ (1,054,000)	$ (342,000)	$ (1,947,000)	$ 313,000	$ 235,000
Add items not affecting cash					
Depreciation and amortization	788,000	367,000	776,000	513,000	78,000
Amortization of deferred charges	31,000	23,000	47,000	47,000	-
Amortization of imputed interest	37,000	37,000	74,000	24,000	-
Gain on foreign currency exchange	(19,000)	-	(4,000)	(5,000)	-
Changes in non-cash working capital components	(1,554,000)	(732,000)	(239,000)	(693,000)	(232,000)
	(1,771,000)	(647,000)	(1,293,000)	199,000	81,000
INVESTING ACTIVITIES					
Long-term receivables	163,000	82,000	17,000	114,000	85,000
Capital assets and assets held for resale	(831,000)	(261,000)	(806,000)	(701,000)	(42,000)
Deferred charges and other	163,000	(274,000)	(368,000)	(172,000)	(4,000)
Business acquisition	(1,919,000)	-	-	(1,005,000)	-
	(2,424,000)	(453,000)	(1,157,000)	(1,764,000)	39,000
FINANCING ACTIVITIES					
Issuance (repayment) of long-term debt	(47,000)	214,000	243,000	(782,000)	(113,000)
Issue of capital stock (net proceeds)	-	-	-	6,170,000	-
Issuance of special warrants (net proceeds)	1,814,000	-	-	-	-
Issuance of deferred royalty obligation	3,000,000	-	-	-	-
Payment of deferred royalty obligation	(197,000)	-	-	-	-
Interest on equity component of convertible debenture	-	-	-	(114,000)	(30,000)
Repayment of convertible debenture	-	-	-	(2,500,000)	-
	4,570,000	214,000	243,000	2,774,000	(143,000)
Effect of exchange rates	19,000	-	4,000	5,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	394,000	(886,000)	(2,203,000)	1,214,000	(23,000)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(925,000)	1,278,000	1,278,000	64,000	87,000
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ (531,000)	$ 392,000	$ (925,000)	$ 1,278,000	$ 64,000
CASH AND CASH EQUIVALENTS COMPRISED OF:					
Cash	$ -	$ 136,000	$ -	$ 150,000	$ 175,000
Bank indebtedness	(782,000)	-	(1,176,000)	(330,000)	(141,000)
Short-term investments	251,000	256,000	251,000	1,458,000	30,000
	$ (531,000)	$ 392,000	$ (925,000)	$ 1,278,000	$ 64,000

MONEYSWORTH & BEST SHOE CARE INC.
(formerly HMD Capital Corp.)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Six months ended June 30, 1999 (unaudited)	Six months ended June 30, 1998 (unaudited)	Year ended December 31, 1998	Year ended December 31, 1997	Two months ended December 31,1996
Interest paid	165,000	65,000	135,000	136,000	27,000
Promissory notes issued on acquisition of Adcor Products, Inc.	2,614,000	-	-	-	-
Common shares issued on acquisition of Adcor Products, Inc.	4,866,000	-	-	-	-
Issue of convertible debt on acquisition of Panita Enterprises Inc. (net of imputed interest)	-	-	-	1,204,000	-

There were no income tax payments during the above periods.

Moneysworth & Best Shoe Care Inc.
(formerly HMD Capital Corp.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF OPERATIONS

Moneysworth & Best Shoe Care Inc. ("Moneysworth" or the "Company") is a consumer products company which develops, manufactures, distributes and markets a broad range of premium shoe care and foot care products in the North American wholesale and retail markets. As at June 30, 1999, the Company has a chain of 83 Moneysworth & Best Quality Shoe Repair stores, 72 of which are operated by franchisees and a distributor. The Company derives its revenue from the sale and supply of merchandise from its wholesale operations, royalty income from the franchisees, and the sale of franchises.

Pursuant to the Company's standard franchise agreement (a "Franchise Agreement"), the Company provides staff training and advertising upon payment of initial franchise fees. Each franchisee also makes payments in respect of on-going royalty and advertising fees, which fees are calculated as a percentage of sales of each franchise.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying financial statements include the accounts of the parent company and its subsidiaries.

Inventory

Inventory is valued at the lower of cost on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost and depreciation is provided for on a straight-line basis using rates which approximate the useful lives of the assets, as follows:

Merchandise display units	20%
Computer	20%-25%
Furniture, fixtures and equipment	10%
Leasehold improvements	10%
Machinery and tools	10%-25%
Packaging	20%

Merchandise display units related to terminated contracts with wholesale customers are written down to net recoverable amount.

Cash and cash equivalents

Cash and cash equivalents include cash on accounts, bank overdrafts and short-term investments with original maturities of three months or less.

Corporate store assets and assets held for resale

Corporate store assets held for resale are recorded at the lower of cost and net recoverable amount.

When the Company terminates a Franchise Agreement relating to a particular store, the carrying value of any amount owed by the franchisee to the Company is capitalized either as assets held for resale or as corporate store assets.

The Company classifies its corporately-operated stores into two groups on the balance sheet. Stores and store assets from franchises which have been reacquired by the Company and identified by management as being readily saleable as franchises are classified as assets held for resale. Based on past experience, management believes that such stores generally will be disposed of within one year. Other corporately-operated stores and store assets which are less likely to be sold as franchises are classified as corporate store assets. The Company provides depreciation on stores classified as corporate store assets on a straight-line basis over periods up to ten years. Assets held for resale are not depreciated.

Goodwill

Goodwill is amortized on a straight-line basis over a period of 20 years. The Company reviews the value of goodwill annually to assess whether the value has been impaired based primarily on expected future cash flows.

Deferred charges

Deferred charges represent the initial cost to the Company of establishing distribution of its consumer products to major customers. These costs are amortized over three years on a straight-line basis.

Franchise fees and royalties

Income from the sale of franchises is recognized upon the signing of a Franchise Agreement and when substantially all initial services prescribed by the franchise agreement have been performed. Continuing royalties, which are based on retail sales at the store level, are recorded as earned.

Foreign currency

The Company's investment in its integrated foreign subsidiaries is accounted for using the temporal method of foreign currency translation.

Income taxes

The Company accounts for income taxes using the deferral method of tax allocation.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

3. BUSINESS ACQUISITIONS

(a) Effective January 5, 1999, the Company acquired 100% of the outstanding common shares of Adcor Products, Inc. ("Adcor"), a private shoe care company based in Orange, California. The acquisition has been accounted for using the purchase method. The Vendors received 1,688,480 Common Shares of the Company valued at approximately $4,866,000, and approximately $3.1 million in cash and promissory notes. In addition, the Vendors are entitled to receive additional consideration pursuant to an earn-out mechanism, which consideration may be satisfied through the issuance of additional Common Shares. As this amount cannot be reasonably estimated at the present time, it will be treated as contingent consideration and any resulting payments and issuance of Common Shares will be recorded as goodwill when determined.

The agreement also contains provisions which guarantee the minimum sale price of $2.88 per share for Common Shares sold by the vendors during prescribed periods of time. To the extent that this guarantee is called upon, the Company shall be obligated to make periodic adjustment payments to the vendors. Under the terms of the Merger Agreement, the Company has the right to issue additional Common Shares to the vendors instead of making cash payments.

Details of the acquisition are as follows:

Current assets	$ 2,670,000
Long-term assets	460,000
Current liabilities	(1,925,000)
Deferred income taxes	(142,000)
Net assets acquired	$ 1,063,000

Consideration	
Cash	$ 480,000
Promissory notes	2,614,000
Shares	4,866,000
Acquisition costs	1,150,000
	9,110,000
Goodwill	$ 8,047,000

(b) The Company purchased 100% of the common shares of Panita Enterprises Inc. ("Panita"), effective August 31, 1997, for $2,260,000. The purchase price consisted of cash consideration of $680,000 paid at closing, a $1,400,000 convertible debenture and $180,000 of acquisition-related costs. The acquisition has been reflected in the consolidated financial statements as a purchase. The total cost of the purchase was allocated to the net assets on the basis of their fair value as follows:

Current assets	$ 1,023,000
Long-term assets	155,000
Current liabilities	(1,274,000)
Net assets	(96,000)
Imputed interest	196,000
Consideration	2,260,000
Goodwill	$ 2,160,000

4. ACCOUNTS RECEIVABLE

Accounts receivables are as follows:

	June 30, 1999 (unaudited)	December 31, 1998	December 31, 1997
Due from wholesale accounts	$2,146,000	$ 888,000	$ 662,000
Due from franchisees	649,000	686,000	676,000
Other	7,000	51,000	11,000
	$2,802,000	$ 1,625,000	$ 1,349,000

5. ASSETS HELD FOR RESALE

The assets held for resale at June 30, 1999 include eight (1998 – six, 1997 – one) operating store(s) on hand and identified by management as readily saleable. These stores operate in leased premises.

6. LONG-TERM RECEIVABLES

Long-term receivables consist of amounts due from franchisees for store financing and accounts receivable. These receivables are partly secured by the assets of the stores and bear interest at an average rate of 8.0% (1998 – 8.0%, 1997 – 6.9%). Future principal repayments as at December 31, 1998 are as follows:

1999	$ 303,000
2000	286,000
2001	195,000
2002	176,000
2003	180,000
Thereafter	234,000
	1,374,000
Current portion	303,000
Long-term portion	$ 1,071,000

7. CAPITAL ASSETS

Capital assets include corporate store assets and are as follows:

	June 30, 1999 (unaudited)		
	Cost	Accumulated Depreciation	Net Book Value
Capital assets			
Merchandise display units	$ 2,048,000	$ 1,005,000	$ 1,043,000
Computer	1,180,000	477,000	703,000
Furniture, fixtures and equipment	309,000	143,000	166,000
Leasehold improvements	148,000	6,000	142,000
Machinery and tools	300,000	164,000	136,000
Packaging	117,000	51,000	66,000
	4,102,000	1,846,000	2,256,000
Corporate store assets	150,000	81,000	69,000
	$ 4,252,000	$ 1,927,000	$ 2,325,000

	December 31, 1998		
	Cost	Accumulated Depreciation	Net Book Value
Capital assets			
Merchandise display units	$ 1,790,000	$ 800,000	$ 990,000
Computer	973,000	366,000	607,000
Furniture, fixtures and equipment	206,000	129,000	77,000
Leasehold improvements	105,000	84,000	21,000
Machinery and tools	80,000	77,000	3,000
Packaging	36,000	30,000	6,000
	3,190,000	1,486,000	1,704,000
Corporate store assets	116,000	70,000	46,000
	$ 3,306,000	$ 1,556,000	$ 1,750,000

	December 31, 1997		
	Cost	Accumulated Depreciation	Net Book Value
Capital assets			
Merchandise display units	$ 1,430,000	$ 495,000	$ 935,000
Computer	735,000	190,000	545,000
Furniture, fixtures and equipment	153,000	112,000	41,000
Leasehold improvements	91,000	75,000	16,000
Machinery and tools	77,000	77,000	-
Packaging	36,000	23,000	13,000
	2,522,000	972,000	1,550,000
Corporate store assets	96,000	47,000	49,000
	$ 2,618,000	$ 1,019,000	$ 1,599,000

8. GOODWILL

	June 30, 1999 (unaudited)	December 31, 1998	December 31, 1997
Cost	$12,643,000	$ 4,596,000	$ 4,596,000
Accumulated amortization	728,000	412,000	183,000
	$11,915,000	$ 4,184,000	$ 4,413,000

Amortization expense for the unaudited six months ended June 30, 1999 and 1998 was $316,000 and

$115,000 respectively (1998 – $229,000;1997 – $159,000; two months ended December 31, 1996 - Nil).

9. BANK INDEBTEDNESS

On January 14, 1999, the Company entered into a credit agreement with a Canadian chartered bank (the "Bank") pursuant to which the Bank agreed to a credit facility (the "New Facility") comprised of six segments. Segment 1 consists of a demand operating loan in the amount of $1,000,000, which was temporarily increased to $1,250,000 from July 30, 1999 to September 30, 1999; Segment 2 is comprised of revolving demand installment loans totalling $1,000,000; Segment 3 is comprised of demand installment RBP loans totalling $99,906; Segment 4 is comprised of corporate VISA expense accounts totalling $50,000; Segment 5 is a foreign exchange facility in the amount of US$1,000,000; and Segment 6 is comprised of stand-by letters of credit and/or guarantees totalling $500,000.

Substantially all of the Company's assets have been pledged as security under the terms of its credit facility arrangement (the "Credit Facility") with a Canadian chartered bank (the "Bank"). Under the terms of the Credit Facility, as at December 31, 1998, the Company was entitled to draw a total of $2,363,000. The $1,113,000 (1997 - $717,000) drawn as a capital loan under the Credit Facility is disclosed in Note 10 (long-term debt). The U.S. $770,000 (1997 - $0) drawn on the $1,250,000 operating line portion of the Facility is disclosed as bank indebtedness.

As at December 31, 1998 and June 30, 1999, the Company was not in compliance with some of the covenants contained in the respective credit facilities. The Bank waived its rights in respect of the breach of these covenants and will permit the loans to remain in place. Based on this acknowledgment from the Bank, the term loans aggregating $602,000 at December 31, 1998 and $455,980 at June 30, 1999 continue to be classified as long-term.

As of June 30, 1999, the Company had drawn $985,000 as a capital loan under the New Facility, which is disclosed in Note 10 (Long-term Debt). The $782,000 drawn on the $1,250,000 operating line portion of the New Facility is disclosed as bank indebtedness.

Moneysworth & Best Shoe Care Inc.
(formerly HMD Capital Corp.)

10. LONG-TERM DEBT

	June 30, 1999 (unaudited)	December 31, 1998	December 31, 1997
Promissory Notes	$2,531,000	$ -	$ -
Capital loans These loans are secured as described in Note 9, bear interest at rates varying from 1.25% to 1.75% in excess of prime and mature between 1999 and 2002.	985,000	1,113,000	717,000
National Trust These loans are partly secured by the assets of the stores, bear interest at rates varying from prime plus 1% to 9% per annum and mature between 1998 and 2000	-	16,000	102,000
Other These loans are partly secured by various assets, bear interest at a weighted average rate of 3.5% per annum and mature between 1998 and 2004	261,000	142,000	209,000
	3,777,000	1,271,000	1,028,000
Current portion	629,000	583,000	541,000
Long-term portion	$3,148,000	$ 688,000	$ 487,000

Principal payments as at December 31, 1998 are due as follows:

1999	$ 583,000
2000	386,000
2001	256,000
2002	33,000
2003	10,000
Thereafter	3,000
	$ 1,271,000

Promissory Notes

These two promissory notes are payable to the previous owners of Adcor (Note 3(a)). Each promissory note bears interest at 7% payable quarterly commencing March 31, 1999. Principal repayments for each promissory notes are as follows: US$300,000 due January 2000; US$300,000 due January 2001; US$105,000 due January 2003; and US$150,000 due January 2006.

11. CONVERTIBLE DEBENTURE

As partial consideration for the acquisition of Panita (described in Note 3), the Company issued a $1,400,000 convertible debenture, partially secured by a $500,000 Letter of Guarantee, that is non-interest bearing and payable in 12 consecutive equal monthly installments of $116,667 commencing on May 31, 1999. The convertible debenture was recorded at fair value, with fair value being estimated by imputing an interest rate of 8%. The resulting interest is being amortized over the term of the convertible debenture. At any time prior to May 31, 2000, the Company may require the holder to convert the outstanding principal balance into common shares of the Company ("Common Shares") at a conversion price of $7 per Common Share. Under the terms of the share purchase agreement, the Company is obligated to pay to the vendor, in settlement of the convertible debenture, the amount by which the proceeds from the total of principal payments plus the sale of the Common Shares (after deducting the broker's fees and other related expenses) received upon conversion are less than $1,400,000. The Company intends to convert the remaining outstanding balance of the debenture into Common Shares prior to November 1, 1999 (also see Notes 17 and 21).

	June 30, 1999 (unaudited)	December 31, 1998	December 31, 1997
Convertible debenture	$1,283,000	$ 1,400,000	$ 1,400,000
Imputed interest (net of accumulated amortization of $116,000)	61,000	98,000	172,000
	1,222,000	1,302,000	1,228,000
Less current portion	461,000	626,000	-
	$761,000	$ 676,000	$ 1,228,000

12. DEFERRED ROYALTY OBLIGATION

On January 14, 1999, the Company sold certain royalty interests in its revenues to McCarvill Corporation ("McCarvill"). Under the terms of the royalty agreement between the Company and McCarvill, the Company will pay McCarvill a royalty of 4.0% of its gross revenues, subject to adjustment to rates ranging from 2.1% to 7.2% (the actual rate being determined based on the actual gross revenue of the Company for the prior six month period). After McCarvill has received an aggregate of $3.9 million in royalty payments (the "Recovery Date"), the rate payable will be reduced to between 1.5% and 0.5% (depending upon the royalty rate in effect on the Recovery Date) and continue at that rate for a period of twelve years following the Recovery Date. The rate of the royalty will be further reduced to between

0.4% and 0.8% if the Company's gross revenues exceed $120 million in any particular fiscal year (and the actual reduced rate will depend upon the post-Recovery Date rate then in effect). The royalty payments, net of amortization of the deferred royalty obligation, will be reflected in interest expense in the consolidated statement of operations and deficit. Amortization of the royalty funding credit is on a systematic basis over the term of the funding agreement. The total royalty payments for the unaudited six months ended June 30, 1999 were $255,780. The amortization of the royalty obligation was $197,000, and the remaining amount of $58,780 was charged to interest expense.

Under the terms of the royalty agreement, the Company also issued 225,000 Common Share purchase warrants to McCarvill, exercisable at $3.75 each until January 15, 2002. As partial consideration for acting as financial advisor to the Company in respect of the royalty arrangement, the Company issued 80,000 Common Share purchase warrants to the Agent, exercisable at $3.75 each until January 15, 2001.

13. CAPITAL STOCK

Authorized

Unlimited	number of Common Shares
Unlimited	number of preference shares

Issued	Number of Common Shares	Amount
Balance as at January 1, 1997	9,291,428	$1,517,000
Issue of Common Shares pursuant to public offering (net of offering costs of $1,000,000)	2,300,000	5,900,000
Conversion of Common Share purchase warrants for nominal consideration	50,000	-
Conversion of Common Share purchase warrants	90,000	270,000
Balance as at December 31, 1997 and 1998	11,731,428	7,687,000
Issue of Common Shares on acquisition of Adcor (Note 3(a)), net of expenses of $12,000	1,688,480	4,854,000
Exercise of stock options	4,000	12,000
Balance as at June 30, 1999 (unaudited)	13,423,908	$ 12,553,000

Moneysworth & Best Shoe Care Inc.
(formerly HMD Capital Corp.)

As at December 31, 1998, the following Common Share purchase warrants ("Warrants") and options to purchase Common Shares ("Options") were outstanding:

Number of Options	Price per Common Share	Expiration Date
Warrants:		
94,000	$3.00	August 1999
Options:		
350,000	$3.00	August 2007
99,455	$2.25	October 2008
300,000	$2.50	November 2001
100,000	$2.50	August 2003
150,000	$3.28	December 2008

Each Warrant entitles the holder thereof to purchase one Common Share.

Each Option entitles the holder thereof to purchase one Common Share.

Earnings (loss) per Common Share results were calculated based on the weighted average number of Common Shares outstanding at June 30, 1999 of 13,185,155 (1998 - 11,731,428, 1997 - 10,359,093).

Special Warrants

Pursuant to an agreement dated February 26, 1999 (the "Agency Agreement") between Moneysworth and Taurus Capital Markets Ltd. (the "Agent"), Moneysworth agreed to issue and sell, and the Agent agreed to use its best efforts to arrange for the purchase, by way of private placement, of 520,522 Special Warrants at a price of $3.85 per Special Warrant. The Company received net proceeds from the issuance of Special Warrants of $1,814,000 after the payment of $190,000 in commission and expenses to the Agent. Each Special Warrant entitled the holder to acquire, without payment of any additional consideration, a unit comprised of one Common Share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Because the Company did not receive a (final) receipt from the Ontario Securities Commission (the "OSC") for this prospectus on or before June 26, 1999 (the "Qualification Deadline"), each Special Warrant entitles the holder thereof to receive a unit comprised of one and one-twentieth (1.05) Common Shares and one and one-twentieth (1.05) Warrants. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of $3.85 for a period of one year from the date of expiry of the Special Warrants (the "Warrant Expiry Date"), which Special Warrant expiry date shall be five business days following the earlier to occur of: (i) the date upon which the OSC has issued a (final) receipt for this Prospectus; and (ii) February 26, 2000.

Pursuant to the Agency Agreement, Moneysworth agreed to pay to the Agent a fee equal to 7% of the gross proceeds from the issue and sale of the Special Warrants, to reimburse the Agent for certain fees and expenses relating to this offering and to indemnify the Agent against certain liabilities. As additional compensation under the terms of the Agency Agreement, the Company issued to the Agent 52,052 agent's special warrants ("Agent's Special Warrants"), each exercisable without payment of any additional consideration to the Company into one compensation option (a "Compensation Option"). Each Compensation Option entitles the holder thereof to purchase one Common Share and one agent's warrant (an "Agent's Warrant") at an exercise price of $3.85. The Compensation Options will be exercisable for a period of 24 months from February 26, 1999, being the closing date of the private placement of the Special Warrants, provided that no Agent's Warrants shall be issued following the expiry date of the Warrants. Each Agent's Warrant is exercisable into one Common Share at a price of $3.85 until the Warrant Expiry Date. No additional compensation will be payable to the Agent in connection with the distribution of the Agent's Special Warrants, Compensation Options, Agent's Warrants or Common Shares issuable upon the exercise of the Compensation Options and Agent's Warrants.

14. SYSTEM SALES

Retail sales are unaudited and consist of sales of the Company's corporately-operated and franchise stores. Wholesale sales consist of the Company's sales to retail chains and specialty shoe stores as well as sales to its franchisees and distributors.

15. INCOME TAXES

As of December 31, 1998, the Company has income tax loss carry-forward expiring as follows:

2001	$ 786,000
2002	1,222,000
2005	1,100,000
	$ 3,108,000

The benefit of these loss carry-forwards has not been recognized in these consolidated financial statements. The Company's corporate tax rate in the current year is approximately 44%.

The income taxes payable relate to the acquisition described in Note 3(a).

16. COMMITMENTS

(a) The future minimum annual lease payments as at December 31, 1998 for corporately-operated stores and franchise locations where the Company is the lessor on the lease are as follows:

	Total	Recoverable from Franchises	Net
1999	$ 1,233,000	$ 890,000	$ 343,000
2000	1,028,000	712,000	316,000
2001	799,000	574,000	225,000
2002	596,000	379,000	217,000
2003	459,000	242,000	217,000
Thereafter	431,000	420,000	11,000
	$ 4,546,000	$ 3,217,000	$ 1,329,000

(b) The Company has entered into employment agreements with its President and certain other executives of the Company. The agreements set out the remuneration and severance benefits to which the executives are entitled.

17. CONTINGENCIES

(a) The Company is subject to various legal suits and claims pertaining to product name infringement and other franchise related matters that occur in the normal course of business. In particular, there are two outstanding claims, one issued in 1990 and the other in 1991, both of which have remained dormant since the original letters were received. While the ultimate liability resulting from these matters cannot be determined, management believes that any potential liabilities will not have a material adverse effect on the Company.

(b) As noted in Note 11, under the terms of the Panita Share Purchase Agreement, the Company is obligated to pay to the vendor, in settlement of the convertible debenture, the amount by which the proceeds from the total of the principal repayments plus the sale of the Common Shares (after deducting the brokers' fees and other related expenses) received upon conversion are less than $1,400,000. On each of May 31, 1999, June 30, 1999 and July 31, 1999 the Company made payments to the vendor in the amounts of $116,667. The Company intends to issue 150,000 Common Shares to the vendor in lieu of making the remaining cash payments. As required by the Share Purchase Agreement, the vendor will then sell a certain number of these Common Shares each week until October 29, 1999. As the Company is anticipating a short-fall in the anticipated total proceeds from the principal repayments to date and the expected proceeds from the sale of the shares, the Company has agreed to pay a further amount of $116,667 on November 30, 1999 and $58,333 on December 31, 1999. The Company will make a final adjustment payment to the vendor on May 31, 2000 in the amount of the original principal amount of the debenture less all amounts previously paid by the Company to the vendor or received by the vendor upon the sale by it of the Common Shares.

The Company has given a price guarantee to the vendors of Adcor in respect of the value of the Common Shares issued to them (see Note 3(a)). Under the terms of the guarantee, the Company shall be obligated to make periodic adjustment payments for the differences between the price at which the shares were issued of $2.88 and the price at which they are sold by the vendors. The vendors will lose this guarantee at the rate of 25,000 per week following one year after the issuance of the shares. The vendors are limited to selling 25,000 per week.

Under the terms of the royalty agreement (see Note 12), the Company will pay McCarvill a royalty of 4% of its gross revenues, subject to adjustment to rates ranging from 2.1% to 7.2% (the actual rate being determined based on the actual gross revenue of the Company for the prior six month period).

The cash flow requirements of the Company are contingently affected by the amounts that come due under the above noted items. The Company may require additional capital to fund the above noted obligations and is currently seeking to negotiate a new credit facility.

18. FINANCIAL INSTRUMENTS

Fair value

The fair value of financial assets and liabilities approximate their fair values.

Credit risk

The Company is exposed to credit risk to the extent that customers fail to meet their contractual obligations. To manage its credit risk, the Company reviews customer credit limits prior to the acceptance of new sales.

Exchange risk

The Company has purchases denominated in U.S. dollars and is, therefore, exposed to the risk of fluctuations in exchange rates. This risk is, however, mitigated by the revenues generated in U.S. dollars by the Company and its subsidiaries.

Interest rate risk

The Company is subject to risk of interest rate fluctuations. As a result, the profitability and cash flow of the Company are affected by interest rate fluctuations.

19. SEGMENT INFORMATION

As a result of the acquisition of Adcor, the Company now operates in two segments which principally market the same kind of products, shoe care and foot care products. Prior to January 1999, the Company operated in only one operating segment. Information relating to operating segments for June 30, 1999 is as follows:

	Canada (unaudited)	**United States (unaudited)**	**Total (unaudited)**
Corporate revenue	$4,196,000	$2,832,000	$7,028,000
Depreciation and amortization	682,000	137,000	819,000
Net income (loss)	(1,404,000)	350,000	(1,054,000)
Total assets	19,364,000	3,342,000	22,706,000
Purchase of capital assets	556,000	41,000	597,000

Information about the Company's geographic operations is given below:

	Six months ended June 30, 1999 (unaudited)	Six months ended June 30, 1998 (unaudited)	Year ended December 31, 1998	Year ended December 31, 1997	Two months ended December 31, 1996
Corporate revenue derived from customers in					
Canada	$4,196,000	$4,305,000	$8,926,000	$6,401,000	$899,000
United States of America	$2,832,000	$483,000	$838,000	$1,244,000	$454,000
Total	$7,028,000	$4,305,000	$9,764,000	$7,645,000	$1,353,000
Capital assets and goodwill					
Canada	$13,872,000	$5,875,000	$5,934,000	$6,012,000	$3,417,000
United States of America	368,000	-	-	-	-

20. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could effect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

21. SUBSEQUENT EVENTS

(a) (Final) Prospectus

On September 3, 1999, the Company filed a (final) prospectus dated August 31, 1999 to qualify the distribution of 546,549 Common Shares and 546,549 Common Share purchase warrants issuable upon the exercise of 520,522 Special Warrants, as well as certain compensation options and up to 150,000 Common Shares issuable upon the conversion of a convertible debenture.

(b) Convertible Debenture

The Company has signed an agreement dated August 19, 1999 to exercise its right to satisfy the remaining obligations under the convertible debenture by issuing 150,000 Common Shares to the debenture holder (see Note 11). In accordance with this agreement, the debenture holder has agreed that it will sell a certain number of Common Shares per week between the date of the prospectus and October 29, 1999. The Company will make a series of payments between July 31, 1999 and May 31, 2000 to cover its obligation to pay the debenture holder the amount by which the proceeds from the total of principal payments plus the sale of the Common Shares (after deducting the brokers' fees and other related expenses) are less than $1,400,000 (see Notes 11 and 17).

AUDITORS' REPORT

To the Directors of
Moneysworth & Best Shoe Repair Corp.

We have audited the consolidated balance sheets of Moneysworth & Best Shoe Repair Corp. as at December 31, 1996 and 1995 and the consolidated statements of operations, deficit and changes in financial position for each of the fiscal years in the three year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the fiscal years in the three year period ended December 31, 1996 in accordance with generally accepted accounting principles.

(SIGNED) DELOITTE & TOUCHE

Chartered Accountants

Toronto, Ontario
February 21, 1997

MONEYSWORTH & BEST SHOE REPAIR CORP.

CONSOLIDATED BALANCE SHEETS

December 31

	1996	1995
ASSETS		
CURRENT		
Accounts receivable (Note 3)	$1,004,000	$ 690,000
Inventory	735,000	832,000
Prepaid expenses and sundry assets	27,000	61,000
Assets held for resale (Note 4)	168,000	1,107,000
Current portion of long-term receivables (Note 5)	384,000	361,000
	2,318,000	3,051,000
DUE FROM PARENT (Note 6)	101,000	—
LONG-TERM RECEIVABLES (Note 5)	1,121,000	686,000
CAPITAL ASSETS (Note 7)	1,005,000	1,727,000
DEFERRED CHARGES	82,000	33,000
	$4,627,000	$5,497,000
LIABILITIES		
CURRENT		
Bank indebtedness (Note 8)	$ 141,000	$ 139,000
Accounts payable and accrued liabilities	1,191,000	1,056,000
Current portion of long-term debt (Note 9)	1,278,000	456,000
	2,610,000	1,651,000
LONG-TERM DEBT (Note 9)	532,000	1,109,000
ADVANCES FROM SHAREHOLDER (Note 10)	—	850,000
DEFERRED INCOME TAXES	—	113,000
	3,142,000	3,723,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 11)	5,731,000	4,731,000
DEFICIT	(4,246,000)	(2,957,000)
	1,485,000	1,774,000
	$4,627,000	$5,497,000

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

(Signed) RICHARD VAN SANT
Director

(Signed) NORMAN WINTON
Director

MONEYSWORTH & BEST SHOE REPAIR CORP.

CONSOLIDATED STATEMENTS OF DEFICIT

	Years ended December 31,		
	1996	1995	1994
DEFICIT AT BEGINNING OF YEAR	$(2,957,000)	$(1,848,000)	$(1,928,000)
NET INCOME (LOSS) FOR THE YEAR	(1,241,000)	(1,108,000)	80,000
PREMIUM ON REDEMPTION OF SHARES	(48,000)	(1,000)	—
DEFICIT AT END OF YEAR	$(4,246,000)	$(2,957,000)	$(1,848,000)

MONEYSWORTH & BEST SHOE REPAIR CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31, 1996	1995	1994
SYSTEM SALES (Note 12)			
Retail (unaudited)	$11,045,000	$11,360,000	$11,771,000
Wholesale	$ 4,362,000	$ 1,975,000	$ 1,790,000
CORPORATE REVENUE			
Wholesale sales	$ 4,362,000	$ 1,975,000	$1,790,000
Corporate operated stores	1,513,000	4,349,000	3,957,000
Royalties and other	989,000	747,000	911,000
TOTAL CORPORATE REVENUE	6,864,000	7,071,000	6,658,000
COST OF SALES			
Wholesale sales	3,354,000	1,564,000	1,144,000
Retail sales	1,699,000	4,617,000	4,066,000
TOTAL COST OF SALES	5,053,000	6,181,000	5,210,000
EARNINGS BEFORE ADMINISTRATIVE EXPENSES AND OTHER UNDERNOTED ITEMS			
From wholesale operations	1,008,000	411,000	646,000
From retail store operations	803,000	479,000	802,000
	1,811,000	890,000	1,448,000
ADMINISTRATIVE EXPENSES	998,000	986,000	895,000
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	813,000	(96,000)	553,000
INTEREST			
Long-term	93,000	125,000	133,000
Short-term	37,000	20,000	20,000
DEPRECIATION AND AMORTIZATION	400,000	383,000	308,000
OTHER ITEMS (Note 13)	1,647,000	451,000	—
	2,177,000	979,000	461,000
INCOME (LOSS) BEFORE INCOME TAXES	(1,364,000)	(1,075,000)	92,000
INCOME TAXES (RECOVERY)	(123,000)	33,000	12,000
NET INCOME (LOSS) FOR THE YEAR	$(1,241,000)	$(1,108,000)	$ 80,000

MONEYSWORTH & BEST SHOE REPAIR CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Years ended December 31,		
	1996	**1995**	**1994**
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net income (loss) for the period	$ (1,241,000)	$ (1,108,000)	$ 80,000
Add items not affecting cash			
Depreciation and amortization	400,000	383,000	308,000
Loss on sale of franchises	1,366,000	–	–
Deferred income taxes	(113,000)	37,000	7,000
Provision against franchise operations	–	451,000	–
Changes in non-cash working capital components	(618,000)	(722,000)	(242,000)
	(206,000)	(959,000)	153,000
FINANCING ACTIVITIES			
Long-term debt	246,000	(322,000)	83,000
Shareholder advances received	150,000	800,000	40,000
Shareholder advances discharged/repaid	(1,000,000)	–	–
Issue of capital stock	1,000,000	542,000	441,000
Redemption of shares	(48,000)	(11,000)	–
	348,000	1,009,000	564,000
INVESTING ACTIVITIES			
Due from parent	(100,000)	–	–
Long-term receivables - Net	299,000	470,000	179,000
Corporate store assets and assets held for resale	(57,000)	(380,000)	–
Deferred charges	(77,000)	7,000	(69,000)
Purchase of capital assets	(511,000)	(366,000)	(834,000)
Cash received on disposition of franchises	302,000	–	–
	(144,000)	(269,000)	(724,000)
CASH USED IN THE YEAR	(2,000)	(219,000)	(7,000)
CASH (BANK INDEBTEDNESS) AT BEGINNING OF YEAR	(139,000)	80,000	87,000
CASH (BANK INDEBTEDNESS) AT END OF YEAR	$ (141,000)	$ (139,000)	$ 80,000

Moneysworth & Best Shoe Repair Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF OPERATIONS

Moneysworth & Best Shoe Repair Corp. ("Moneysworth") is an Ontario corporation incorporated on February 27, 1992.

Moneysworth is a consumer products company which develops, distributes and markets a broad range of premium shoe care and foot care products, in the North American wholesale and retail markets. Moneysworth also has its own chain of 78 (1995 - 80) Moneysworth & Best Quality Shoe Repair stores, 75 (1995 - 49) of which are operated by franchisees and a distributor.

Under the Franchise Agreement Moneysworth provides staff training and advertising. These services are provided for an initial franchise fee and on-going royalties and advertising fees which are calculated as a percentage of the store's sales.

Moneysworth derives its revenue from the sale and supply of merchandise from its wholesale operations, royalty income from the franchisees, and the sale of franchises.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying financial statements include the accounts of Moneysworth and its U.S. subsidiary.

Inventory

Inventory is valued at the lower of cost on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost with depreciation provided on a straight-line using rates which approximate the useful lives of the assets as follows:

Furniture, fixtures and equipment	10%
Machinery and tools	10% - 25%
Leasehold improvements	10%
Computer equipment	25%
Merchandise display units	20%
Packaging costs	20%
Automobile	20%

Merchandise display units related to terminated contracts with wholesale customers are written down to net recoverable amount.

Corporate store assets and assets held for resale

Corporate store assets and assets held for resale are recorded at the lower of cost and net recoverable amount.

Moneysworth classifies its corporately operated stores in two groups on the balance sheet. Stores from reacquired franchises identified by management as being readily saleable as franchises are classified as assets held for resale. Based on past experience, management believes that all such stores will be disposed of within one year. Other corporately operated stores which are less likely to be sold as franchises are classified as corporate store assets. Moneysworth provides depreciation on stores classified as corporate store assets on a straight-line basis over periods up to ten years. Assets held for resale are not depreciated.

When the franchise agreement relating to a particular store is terminated by Moneysworth, the carrying value of any amounts owed by the franchisee to Moneysworth is capitalized as either assets held for resale or corporate store assets.

Deferred charges

Deferred charges represent the initial cost to Moneysworth of establishing distribution of its consumer products with major customers. These costs are amortized over three years on a straight-line basis.

Franchise fees and royalties

Income from the sale of franchises is recognized on signing of the franchise agreement and when substantially all initial services prescribed by the franchise agreement have been fulfilled.

Continuing royalties, which are based on retail sales at the store level, are recorded as earned.

Foreign currency

Subsidiary monetary assets and liabilities denominated in foreign currency are translated at the balance sheet exchange rates. Non-monetary assets and liabilities are translated using the rate of exchange in effect as at the date the asset was acquired or liability assumed. Revenues and expenses are translated at the rate of exchange in effect at the transaction date.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Moneysworth & Best Shoe Repair Corp.

3. ACCOUNTS RECEIVABLE

	1996	1995
Due from wholesale accounts	$ 535,000	$ 417,000
Due from franchisees	469,000	273,000
	$1,004,000	$690,000

4. ASSETS HELD FOR RESALE

These assets include 2 (1995 - 15) operating stores on hand identified by management as readily saleable. The underlying assets include equipment, store fixtures and leasehold improvements. These stores operate in leased premises. The leases for the two stores expire in 1997.

5. LONG-TERM RECEIVABLES

Long-term receivables include amounts due from franchisees for store financing and accounts receivable which have been deferred. These receivables are secured by the assets of the stores and bear interest at an average rate of 6.9% (1995 - 8.0%). Future principal repayments are as follows:

1997	$ 384,000
1998	341,000
1999	268,000
2000	165,000
2001	92,000
Thereafter	344,000
	1,594,000
Less: Provisions for doubtful accounts	89,000
	1,505,000
Current portion	384,000
Long-term portion	$ 1,121,000

6. DUE FROM PARENT

The balance due from parent relates to certain payments made by Moneysworth to third parties on behalf of the parent company. This balance is unsecured, non-interest bearing and due on demand.

Moneysworth & Best Shoe Repair Corp.

7. CAPITAL ASSETS

Capital assets are comprised of corporate store assets.

	1996		
	Cost	Accumulated Depreciation	Net book Value
Corporate fixed assets			
Furniture, fixtures and equipment	$ 91,000	$ 66,000	$ 25,000
Machinery and tools	77,000	66,000	11,000
Leasehold improvements	92,000	66,000	26,000
Computer equipment	216,000	131,000	85,000
Merchandise display units	944,000	239,000	705,000
Packaging development costs	35,000	16,000	19,000
	1,455,000	584,000	871,000
Corporate store assets	335,000	201,000	134,000
	$ 1,790,000	$ 785,000	$ 1,005,000

	1995		
	Cost	Accumulated Depreciation	Net book Value
Corporate fixed assets			
Furniture, fixtures and equipment	$ 82,000	$ 57,000	$ 25,000
Machinery and tools	77,000	54,000	23,000
Leasehold improvements	89,000	57,000	32,000
Computer equipment	203,000	96,000	107,000
Merchandise display units	448,000	95,000	353,000
Packaging development costs	35,000	9,000	26,000
Automobile	12,000	3,000	9,000
	946,000	371,000	575,000
Corporate store assets	2,091,000	939,000	1,152,000
	$ 3,037,000	$ 1,310,000	$ 1,727,000

8. BANK INDEBTEDNESS

Under the terms of the credit facility dated November 18, 1996 (the "Facility"), Moneysworth has pledged inventory and accounts receivable as security to the Bank. In addition, a general security agreement provides a first floating charge on all assets.

At December 31, 1996 Moneysworth was entitled to draw a total of $1,821,000 in funding under the Facility. The $671,000 drawn as a capital loan under the Facility is disclosed in long-term debt (Note 9). The amount drawn on the $800,000 operating line portions of the Facility is disclosed in bank indebtedness, net of cash on deposit at other banks.

Moneysworth & Best Shoe Repair Corp.

9. LONG-TERM DEBT

	1996	1995
Capital and revolving loans		
These loans are secured as described in Note 8 and bear interest at rates varying from 1.25% to 1.75% in excess of prime	$ 671,000	$ 638,000
Former shareholder		
This loan is secured by a second claim, subordinated to the bank, on specific long-term receivables, bears interest at 8% per annum and is due on October 24, 1997. If not repaid on its due date, the debt will continue as a short term loan, without penalty, and will be paid down through the repayment of the franchise loans receivable (long-term receivables)	500,000	—
National Trust		
These loans are partly secured by the assets of the stores, bear interest at rates varying from prime plus 1% to 9% per annum and mature between 1998 and 2001	243,000	402,000
Other		
These loans are partly secured by various assets, bear interest at a weighted average rate of 3.5% per annum and mature between 1997 and 2004	396,000	525,000
	1,810,000	1,565,000
Current portion	1,278,000	456,000
Long-term portion	$ 532,000	$ 1,109,000

Principal payments are due as follows:

1997	$ 1,278,000
1998	435,000
1999	36,000
2000	24,000
2001	15,000
Thereafter	22,000
	$ 1,810,000

10. ADVANCES FROM SHAREHOLDER

Advances from shareholder which were unsecured and non-interest bearing have been discharged during the year.

Moneysworth & Best Shoe Repair Corp.

11. CAPITAL STOCK

		1996	1995
Authorized			
Unlimited	number of Class A preference shares issuable in series:		
10,000,000	series I shares, redeemable, non-voting, with non-cumulative dividends of 8% of the stated capital per annum.		
Unlimited	number of Class B common shares, voting and participating		
Unlimited	number of Class C common shares, non-voting and participating		
Issued			
416,261	Class A preference, series 1 shares	$4,163,000	$4,163,000
7,861,594	Class B common shares (1995 - 6,861,594)	1,547,000	547,000
135,200	Class C common shares (1995 - 135,700)	21,000	21,000
		$ 5,731,000	$ 4,731,000

During the year Moneysworth issued 1,000,000 Class B common shares in exchange for a $1,000,000 reduction in the loan owned to a former shareholder. Moneysworth also issued 58,500 Class C common shares during the year for cash consideration of $9,850.

During the year Moneysworth redeemed 59,000 Class C common shares for cash consideration of $59,000.

12. SYSTEM SALES

Retail sales (unaudited) consist of sales of the Company's corporate operated and franchise stores. Wholesale sales consist of the Company's sales to retail chains and specialty stores as well as its sales to its franchise stores and distributors.

13. OTHER ITEMS

	1996	1995	1994
Loss on sale of franchises	$ 1,366,000	$ -	$ -
Retail sales tax assessment	216,000	-	-
Reorganization	65,000	-	-
Provisions against franchise receivables	-	451,000	-
	$ 1,647,000	$ 451,000	$ -

14. LEASE COMMITMENTS

The future minimum annual lease payments for corporate operated stores and franchise locations where Moneysworth is the lessor on the lease are as follows:

	Total	Recoverable from Franchises	Net
1997	$ 1,264,000	$ 1,017,000	$ 247,000
1998	960,000	793,000	167,000
1999	720,000	647,000	73,000
2000	511,000	456,000	55,000
2001	335,000	308,000	27,000
Thereafter	454,000	450,000	4,000
	$ 4,244,000	$ 3,671,000	$ 573,000

15. CONTINGENCIES

In the normal course of business Moneysworth is subject to various legal suits and claims pertaining to product name infringement and other franchise related matters. The outstanding contingencies consist of a complaint filed against the Company regarding the labelling of one of its consumer products, and two other claims, one dated 1990 and the other dated 1991, both of which have remained dormant since the original letters were received. While the ultimate liability resulting from these matters cannot be determined, management believes that any potential liabilities will not have a material adverse effect on Moneysworth.

16. FINANCIAL INSTRUMENTS

Fair Value

All financial assets and liabilities are recorded at values that approximate fair value.

Credit Risk

Long-term receivables are due from franchisees for financing of stores and accounts receivable. The Company is exposed to credit risk to the extent that customers fail to meet their contractual obligations. To manage its credit risk, the Company reviews customer credit limits prior to the acceptance of new sales.

Accounts receivable from the two distributors represent approximately 25 per cent of the total accounts receivable balance.

Moneysworth & Best Shoe Repair Corp.

17. INCOME TAXES

Moneysworth has income tax losses carried forward of approximately $2,200,000 expiring as follows:

2001	$ 957,00
2002	1,168,000
2003	75,000
	$2,200,000

The benefit of these loss carryforwards has not been recognized in these consolidated financial statements.

18. SUBSEQUENT EVENTS

As of January, 1997 Moneysworth amalgamated with its parent company, HMD Capital Corp.

AUDITORS' REPORT

To the Directors of
Moneysworth & Best (USA Brands) Inc.

We have audited the balance sheets of Adcor Products, Inc. (the "Company") as at January 4, 1999, June 30, 1998 and June 30, 1997, and the statements of operations and retained earnings and of changes in financial position for the period from July 1, 1998 to January 4, 1999 and for the years ended June 30, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as explained in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because we were appointed auditors of the Company during 1998, we were not able to observe the counting of the physical inventories at June 30, 1996 and 1997 nor satisfy ourselves concerning those inventory quantities by alternative means. Accordingly, we were unable to determine whether any adjustments might be necessary to inventories at June 30, 1997. Further, since inventories as at June 30, 1996 and 1997 enter into the determination of the results of operations and cash flows for the years ended June 30, 1998 and 1997, we were unable to determine whether adjustments to retained earnings at June 30, 1996 or adjustments to cost of sales, income taxes, net income (loss) and cash provided from operations might be necessary for the years ended June 30, 1997 and 1998.

In our opinion, except for the effect on the financial statements for the years ended June 30, 1998 and 1997 of adjustments, if any, which we might have determined to be necessary had we been able to examine inventory quantities as at June 30, 1996 and 1997, as described in the preceding paragraph, the balance sheet as at June 30, 1997, and the statements of operations and retained earnings, and of changes in financial position for the years ended June 30, 1998 and 1997, present fairly, in all material respects, the financial position of the Company as at June 30, 1997, and the results of its operations and the changes in financial position for the years ended June 30, 1998 and 1997 in accordance with generally accepted accounting principles. Further, in our opinion, the balance sheets at January 4, 1999 and June 30, 1998, and the statements of operations and retained earnings, and of changes in financial position for the period from July 1, 1998 to January 4, 1999, present fairly, in all material respects, the financial position of the Company as at January 4, 1999 and June 30, 1998 and the results of its operations and the changes in financial position for the period from July 1, 1998 to January 4, 1999 in accordance with generally accepted accounting principles.

(SIGNED) DELOITTE & TOUCHE LLP

Chartered Accountants

Toronto, Ontario
June 11, 1999

ADCOR PRODUCTS, INC.

BALANCE SHEETS

	January 4, 1999	June 30, 1998	June 30, 1997
ASSETS			
CURRENT			
Cash	$ -	$ 256,351	$ -
Accounts receivable	931,089	490,236	530,515
Inventories	1,665,883	1,603,519	1,464,578
Prepaid expenses and sundry assets	72,921	79,609	81,227
	2,669,893	2,429,715	2,076,320
CAPITAL ASSETS (Note 3)	460,044	566,748	731,044
	$ 3,129,937	$ 2,996,463	$2,807,364
LIABILITIES			
CURRENT			
Bank indebtedness (Note 4)	$ 289,113	$ -	$ 337,757
Accounts payable and accrued liabilities	428,617	378,143	492,958
Due to shareholders (Note 5)	547,603	724,538	793,166
Income taxes payable	659,178	659,178	376,955
	1,924,511	1,761,859	2,000,836
DEFERRED INCOME TAXES	142,344	133,091	134,633
	2,066,855	1,894,950	2,135,469
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (Note 6)	1,542	1,542	1,542
RETAINED EARNINGS	1,061,540	1,099,971	670,353
	1,063,082	1,101,513	671,895
	$ 3,129,937	$ 2,996,463	$2,807,364

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

(Signed) RICHARD VAN SANT
Director

(Signed) LINDA MILLAGE
Director

ADCOR PRODUCTS, INC.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Period from July 1, 1998 to January 4, 1999	Year ended June 30, 1998	Year ended June 30, 1997
SALES	$ 2,441,825	$ 4,887,684	$ 4,253,889
COST OF SALES	1,730,436	3,234,441	3,340,127
	711,389	1,653,243	913,762
GENERAL AND ADMINISTRATIVE EXPENSES	608,384	645,384	608,261
DEPRECIATION OF CAPITAL ASSETS	132,183	297,560	346,617
EARNINGS (LOSS) BEFORE INCOME TAXES	(29,178)	710,299	(41,116)
INCOME TAXES (EXPENSE) RECOVERY	(9,253)	(280,681)	17,738
NET EARNINGS (LOSS) FOR THE PERIOD	(38,431)	429,618	(23,378)
RETAINED EARNINGS, BEGINNING OF PERIOD	1,099,971	670,353	693,731
RETAINED EARNINGS, END OF PERIOD	$ 1,061,540	$ 1,099,971	$ 670,353

ADCOR PRODUCTS, INC.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Period from July 1, 1998 to January 4, 1999	Year ended June 30, 1998	Year ended June 30, 1997
CASH (USED IN) PROVIDED BY			
OPERATING ACTIVITIES			
Net earnings (loss) for the period	$ (38,431)	$ 429,618	$ (23,378)
Items not affecting cash			
Depreciation of capital assets	132,183	297,560	346,617
Deferred income taxes	9,253	(1,542)	(23,133)
	103,005	725,636	300,106
Changes in non-cash working capital items	(622,990)	1,736	(346,183)
	(519,985)	727,372	(46,077)
INVESTING ACTIVITY			
Purchase of capital assets	(25,479)	(133,264)	(395,537)
	(25,479)	(133,264)	(395,537)
INCREASE (DECREASE) IN CASH	(545,464)	594,108	(441,614)
CASH (BANK INDEBTEDNESS) AT BEGINNING OF PERIOD	256,351	(337,757)	103,857
CASH (BANK INDEBTEDNESS) AT END OF PERIOD	$ (289,113)	$ 256,351	$ (337,757)

Adcor Products, Inc.

NOTES TO FINANCIAL STATEMENTS
January 4, 1999, June 30, 1998 and June 30, 1997

1. DESCRIPTION OF BUSINESS

Adcor Products, Inc. (the "Company") was incorporated on August 6, 1992 under the laws of the State of California. The Company is based in California and is engaged in the manufacturing and distribution of shoe care products.

The Company was acquired by Moneysworth & Best Shoe Care Inc. on January 4, 1999 and merged with Moneysworth & Best (USA Brands) Inc. The financial statements presented herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Company's financial statements were originally prepared in U.S. dollars, the reporting currency of the Company, and have been translated into Canadian dollars at the rate of Cdn1.5422 to 1.00 U.S. dollar. The translation of the U.S. dollar amounts into Canadian dollar amounts has been made solely for the convenience of readers in Canada and should not be construed as representations that the U.S. dollar amounts could be converted into Canadian dollars at the above or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories are valued at the lower of cost on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost with depreciation provided on a straight-line basis over the estimated useful lives of the assets as follows:

Dies and molds	33a%
Equipment, furniture and fixtures	10%-20%
Computer hardware	20%
Displays and packaging	20%

Income taxes

The Company accounts for income taxes using the deferral method of tax allocation.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adcor Products, Inc.

3. CAPITAL ASSETS

	Cost	January 4, 1999 Accumulated Depreciation	Net Book Value
Dies and molds	$ 559,972	$ 537,499	$ 22,473
Equipment, furniture and fixtures	836,165	595,348	240,817
Computer hardware	168,340	117,165	51,175
Displays and packaging	407,935	262,356	145,579
	$ 1,972,412	$ 1,512,368	$ 460,044

	Cost	June 30, 1998 Accumulated Depreciation	Net Book Value
Dies and molds	$ 559,972	$ 518,662	$ 41,310
Equipment, furniture and fixtures	832,621	524,141	308,480
Computer hardware	162,312	105,144	57,168
Displays and packaging	392,705	232,915	159,790
	$ 1,947,610	$ 1,380,862	$ 566,748

	Cost	June 30, 1997 Accumulated Depreciation	Net Book Value
Dies and molds	$ 549,062	$ 475,150	$ 73,912
Equipment, furniture and fixtures	812,793	371,180	441,613
Computer hardware	146,720	75,885	70,835
Displays and packaging	305,775	161,091	144,684
	$ 1,814,350	$ 1,083,306	$ 731,044

4. BANK INDEBTEDNESS

Bank indebtedness is repayable on demand, bears interest at US prime plus 2% and is covered by a general security agreement over all of the assets of the Company.

5. DUE TO SHAREHOLDERS

Amounts due to shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

6. SHARE CAPITAL

	January 4, 1999	June 30, 1998	June 30, 1997
Authorized			
1,000 common shares			
Issued			
300 common shares	$ 1,542	$ 1,542	$ 1,542

7. LEASE COMMITMENTS

The Company has the following minimum annual payments under operating leases at January 4, 1999:

Year ending December 31,	
1999	$ 200,933
2000	197,001
2001	133,814
2002	3,720
	$ 535,468

8. CONTINGENT LIABILITIES

The Company faces the possibility of routine litigation incidental to its business, and to assessment and reassessment of income and other taxes by various taxing authorities. The Company believes that it has provided adequately for these matters and, accordingly, their ultimate disposition will not have a material affect on its earnings or financial position.

9. FINANCIAL INSTRUMENTS

Concentration of credit risk

Revenues from two customers amounted to 58% of the Company's sales for the period from July 1, 1998 to January 4, 1999 (two customers comprised 66% and 68% of sales for the years ended June 30, 1998 and 1997, respectively).

As at January 4, 1999, June 30, 1998 and 1997 receivables from two customers comprised 46% , 70% and 68%, respectively, of the total receivable balance.

Fair value

The fair value of financial assets and financial liabilities approximates their book value.

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

COMPILATION REPORT

To the Directors of Moneysworth & Best Shoe Care Inc.

We have reviewed, as to compilation only, the accompanying pro forma condensed consolidated statement of earnings of Moneysworth & Best Shoe Care Inc. for the year ended December 31, 1998, which has been prepared for inclusion in the prospectus relating to the qualification of Common Shares and Warrants issuable upon the exercise of certain Special Warrants. In our opinion, the pro forma condensed consolidated statement of earnings has been properly compiled to give effect to the transactions and the assumptions described in the notes thereto.

(SIGNED) DELOITTE & TOUCHE LLP

Chartered Accountants

Toronto, Ontario
August 31, 1999

MONEYSWORTH & BEST SHOE CARE INC.

Pro Forma Condensed Consolidated Statement of Earnings for the year ended December 31, 1998

(Unaudited - see compilation report)

	Moneysworth & Best Shoe Care Inc. For the year ended December 31, 1998	Adcor Products, Inc. For the year ended June 30, 1998	Pro Forma Adjustments	Notes	Moneysworth & Best Shoe Care Inc. Pro Forma For the year ended December 31, 1998
SYSTEM SALES					
Retail (unaudited)	$ 10,340,000	$ -			$ 10,340,000
Wholesale	$ 8,018,000	$ 4,888,000			$ 12,906,000
CORPORATE REVENUE					
Wholesale sales	$ 8,018,000	$ 4,888,000			$ 12,906,000
Royalties and other	1,046,000	-			1,046,000
Corporately-owned stores	700,000	-			700,000
TOTAL CORPORATE REVENUE	9,764,000	4,888,000			14,652,000
COST OF SALES					
Wholesale sales	6,860,000	3,234,000			10,094,000
Retail sales	1,512,000	-			1,512,000
TOTAL COST OF SALES	8,372,000	3,234,000			11,606,000
EARNINGS BEFORE ADMINISTRATIVE EXPENSES AND UNDERNOTED ITEMS					
From wholesale operations	1,158,000	1,654,000			2,812,000
From retail store operations	234,000	-			234,000
	1,392,000	1,654,000			3,046,000
ADMINISTRATIVE EXPENSES	2,307,000	645,000			2,952,000
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	(915,000)	1,009,000			94,000
INTEREST					
Short-term	74,000				74,000
Long-term	135,000		346,000	3	481,000
INTEREST INCOME			(78,000)	3	(78,000)
DEPRECIATION AND AMORTIZATION	823,000	298,000	402,000	3	1,523,000
INCOME TAXES	-	281,000		3	281,000
	1,032,000	579,000			2,281,000
NET INCOME (LOSS) FOR THE YEAR	$ (1,947,000)	$ 430,000			$ (2,187,000)

Loss per share	$ (0.16)
Weighted average number of common shares outstanding	13,419,908

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

(Signed) RICHARD VAN SANT	(Signed) NORMAN WINTON
Director	Director

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(unaudited - see Compilation Report)
Year ended December 31, 1998

1. DESCRIPTION OF TRANSACTIONS

The Pro Forma Condensed Consolidated Statement of Earnings has been prepared to reflect the following transactions:

Acquisition of Adcor

Effective January 5, 1999, Moneysworth & Best Shoe Care Inc. (the "Company") acquired 100% of the outstanding common shares of Adcor Products, Inc. ("Adcor"). The acquisition has been accounted for using the purchase method. The consideration paid for the shares consisted of cash and promissory notes of approximately $3.1 million and 1,688,480 Common Shares of the Company with an ascribed value of $4,866,000, and acquisition costs of $1,150,000 for a total consideration of approximately $9,110,000.

Royalty financing

On January 14, 1999, the Company entered into an agreement with McCarvill Corporation ("McCarvill"). In consideration for payment of $3,000,000, the Company agreed to pay a royalty to McCarvill at varying rates based on revenues, until a total of $3,900,000 has been paid and, thereafter, pay a lower royalty percentage for a period of 12 years. The Company also issued 225,000 Common Share purchase warrants to McCarvill exercisable at $3.75 per Common Share for a period of three years.

Issue of Special Warrants

On February 26, 1999, the Company completed a private placement of 520,522 Special Warrants at a price of $3.85 per Special Warrant. The Company received net proceeds from the issuance of the Special Warrants of $1,814,000 after the payment of $190,000 in commission and expenses to Taurus Capital Markets Ltd. Additional offering expenses are estimated at $140,000. Each Special Warrant entitled the holder to acquire, without payment of any additional compensation, a unit comprised of one Common Share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Because the Company did not receive a (final) receipt from the Ontario Securities Commission (the "OSC") for this prospectus on or before June 26, 1999 (the "Qualification Deadline"), each Special Warrant entitles the holder thereof to acquire a unit comprised of one and one-twentieth (1.05) Common Shares and one and one-twentieth (1.05) Warrants. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of $3.85 for a period of one year from the date of expiry of the Special Warrants (the "Warrant Expiry Date"), which Special Warrant expiry date shall be five business days following the earlier to occur of: (i) the date upon which the OSC has issued a (final) receipt for this Prospectus (the "Final Receipt"); and (ii) February 26, 2000

As additional compensation under the terms of the Agency Agreement, the Company issued to the Agent 52,052 agent's special warrants ("Agent's Special Warrants"), each exercisable without payment of any additional compensation to the Company into one compensation option (a "Compensation Option"). Each Compensation Option entitles the holder thereof to purchase one Common Share and one agent's warrant (an "Agent's Warrant") at an exercise price of $3.85. The Compensation Options will be exercisable for a period of 24 months from February 26, 1999, being the closing date of the private placement of the Special Warrants, provided that no Agent's Warrants shall be issued following the expiry date of the Warrants. Each Agent's Warrant shall be exercisable into one Common Share at a price of $3.85 until the Warrant Expiry Date. No additional compensation will be payable to the Agent in connection with the distribution of the Agent's Special Warrants, Compensation Options, Agent's Warrants or Common Shares issuable upon the exercise of the Compensation Options and Agent's Warrants.

2. BASIS OF PRESENTATION

Moneysworth & Best Shoe Care Inc.

The Condensed Consolidated Statement of Earnings presented for the Company was derived from the Company's audited consolidated financial statements for the year ended December 31, 1998.

Adcor Products, Inc.

The Condensed Statement of Earnings presented for Adcor (which included a qualification described below) was derived from Adcor's audited financial statements for the year ended June 30, 1998.

Adcor's statement of earnings and retained earnings for the year ended June 30, 1998 was qualified as the auditors had not observed the counting of physical inventories at the beginning of the year and were not able to satisfy themselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations, the auditors were unable to determine whether adjustments to cost of sales, income taxes, net income for the year and opening retained earnings might be necessary.

The Pro Forma Condensed Consolidated Statement of Earnings has been prepared by Management in accordance with Canadian generally accepted accounting principles.

The Pro Forma Condensed Consolidated Statement of Earnings may not be indicative either of results that actually would have occurred if the transactions had taken place on the dates indicated, or the results which may be achieved in the future.

The Pro Forma Condensed Consolidated Statement of Earnings should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 1998, and for Adcor as at and for the year ended June 30, 1998.

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The Pro Forma Condensed Consolidated Statement of Earnings gives effect to the above transactions as if they occurred on January 1, 1998.

Goodwill

The excess of the purchase price over the fair value of the net assets acquired amounted to $8,047,000 and has been allocated to goodwill. This amount is being amortized over 20 years.

Interest on long-term debt

Interest expense has been increased by a total of $346,000 to reflect interest on the promissory notes due to the former shareholders of Adcor and the interest expense incurred on the deferred royalty obligation.

Interest income

Interest income has been recorded at 5% on the net cash balance arising out of the above transactions.

Income taxes

Income tax expense of Adcor has not been adjusted to reflect the net loss or the income tax loss carryforward benefits available within the Company.

CERTIFICATE OF THE COMPANY

Dated: August 31, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder, and Part 9 of the *Securities Act* (British Columbia) and the regulations thereunder.

(Signed)	RICHARD VANSANT President and Chief Executive Officer	(Signed)	LINDA MILLAGE Chief Financial Officer

On behalf of the Board of Directors

(Signed)	MICHAEL SERRUYA Director	(Signed)	NORMAN WINTON Director

CERTIFICATE OF THE PROMOTER

Dated: August 31, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder, Part 9 of the *Securities Act* (British Columbia) and the regulations thereunder.

(Signed) RICHARD VANSANT

CERTIFICATE OF THE AGENT

Dated: August 31, 1999

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder, and Part 9 of the *Securities Act* (British Columbia) and the regulations thereunder.

TAURUS CAPITAL MARKETS LTD.

BY: (SIGNED) P. GAGE JULL

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Taurus Capital Markets Ltd.:

Taurus Capital Markets Ltd. is a wholly-owned subsidiary of Taurus Capital Markets Corporation.