foot maxx™

ANNUAL REPORT 1999

THE NEXT STEP

HIGHLIGHTS OF 1999

- Revenue $14,127,137: an increase of 38.5% over 1998.
- 1175 diagnostic system placements: an increase of 36% over 1998.
- September 1999 first month of positive operating profit in company's short history.
- All product lines and geographic locations contributed to the company's growth.
- Placement and acceptance of diagnostic systems was strong with podiatrists, chiropractors, and orthopedic surgeons.
- Physician group practices, chains of clinics and national orthotic and prosthetic labs continue to endorse the efficiency and effectiveness of the diagnostic system and orthotics.
- Further expansion of Footmaxx orthotics sales to the majority of Major League Baseball, NFL, NBA, and NHL teams.
- Continued development of the Footmaxx diagnostic software and specialty Footmaxx orthotics for the growing diabetic and arthritic foot care market.
- Conversion to JD Edwards operating system in December 1999 to address current and future operational requirements.
- Changes in senior management and board membership to ensure the company continues to be successful through the next stages of growth and development.
- Completed private placement of $5,000,000.

TO OUR SHAREHOLDERS

WE ARE PLEASED TO REPORT THAT 1999 WAS ANOTHER OUTSTANDING YEAR OF GROWTH FOR FOOTMAXX. THE UNIQUE FOOTMAXX SCANNING SYSTEM AND DIAGNOSTIC SOFTWARE CONTINUE TO SET A NEW STANDARD FOR CLINICIANS IN THE AREA OF BIOMECHANICAL FOOT CARE.

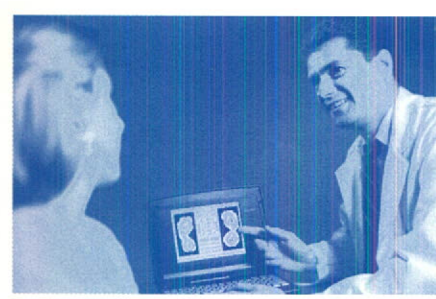
The Footmaxx scanning system and our proprietary software-generated gait analysis are increasingly accepted as essential and efficient evaluative tools by which practitioners can more effectively prescribe corrective custom orthotics for patients. With our scanning system's peerless ability to evaluate the progress of potentially severe foot problems in the diabetic and arthritic population, and our expanding line of specialty-designed orthotics for these and other foot pathologies, the applications of the Footmaxx diagnostic system and associated orthotics continue to be very promising.

Annual sales in 1999 increased by 38.5% over 1998 to $14,127,137. In our core North American and emerging international business, all product lines experienced significant growth.

Revenues were generated by the sales of prescription orthotics, our exclusive gait analysis reports, and the sales and rentals of the Footmaxx computer diagnostic system. Contribution of sales were split 82% prescription orthotics, 4% gait analysis reports, 14% system sales and rentals.

Placement of new diagnostic systems and increasing the revenue per system placed continue to be a key focus for the company. New Footmaxx diagnostic computer system placements grew by 36% or 313 units over 1998. At the end of 1999, 1175 diagnostics systems were in operation: 477 in Canada, 663 in the US and 35 internationally. With the Footmaxx diagnostic system firmly established in the North American market, toward the end of 1999, we undertook studies to evaluate expansion of the business internationally.

We continue to sell our diagnostic systems and proprietary gait analysis to clinicians such as podiatrists, chiropodists, chiropractors, and orthopedic surgeons, who use this technology to accurately and quickly diagnose, recommend and prescribe orthotics to patients. Increasingly, our market and customer base has begun to segment and cluster into group practices of practitioners, multi-center chains of clinics, and large group providers of orthotic and prosthetic services. The Footmaxx diagnostic system and services, products, and electronic link with customers provide significant

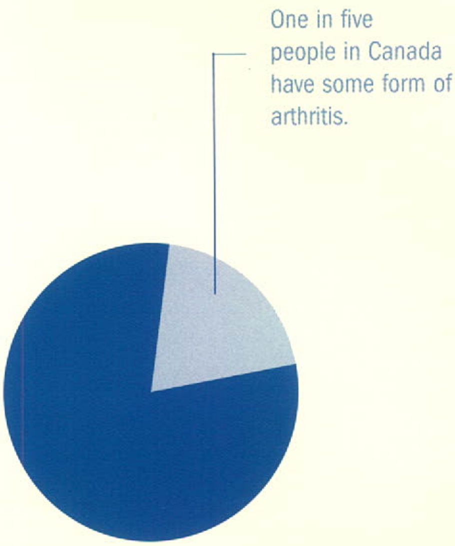


advantages, such as clinical standardization, operational efficiency, and mobility, that are simply unavailable with traditional methods. Because of this, Footmaxx has developed relations with large North American customers such as the Hanger/Novacare O&P group, the Ortholink orthopedic surgeons group, and several groups of chiropractic clinics.

During 1999, Footmaxx continued to invest in R&D for our clinician software and the diagnostic capability of our proprietary 8-point gait analysis. We have also invested heavily in the capability and capacity of our customer clinical services group, customer service, and manufacturing and information technology to meet the future growth needs of Footmaxx. We will continue our association and work with a variety of major professional sport disciplines. As well as endorsements from well recognized athletes, this work provides an invaluable source of information for product development. Footmaxx supplies customized orthotics to the majority of Major League Baseball, NFL, NBA, and NHL teams.

In December of 1999, Footmaxx converted to a J. D. Edwards based information system. This investment will ensure that the company is able to keep up with the information and operational requirements of a growing technology company. During the last quarter of 1999, Footmaxx made several strategic additions to the senior management team and board of directors, which will ensure the company's success in its next growth and development phase. These include the appointment of Mr. Lenny Simak as the new President and CEO, and the addition of Dr. Alan Lustig as DPM Senior Medical Director. Dr. Connie Curran, President and CEO of CurranCare Chicago, Illinois, was appointed to the board of directors of Footmaxx.

As the company moves into the new millennium, Footmaxx remains very optimistic on the potential and impact that the Footmaxx diagnostic system, 8-point gait analysis and special orthotics can have on the advancement of patient foot care and the practice management of clinicians. We believe two key indicators of the potential of Footmaxx are as follows:

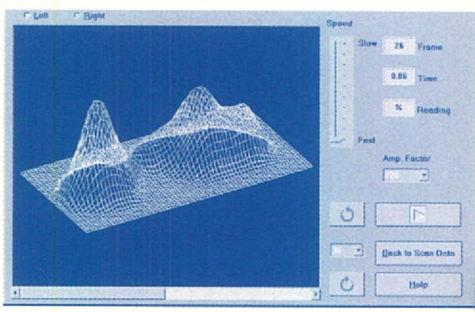


Orthotic Therapy for the Arthritic Patient

For patients with chronic arthritis, orthotics may be prescribed in order to accommodate an existing deformity, provide increased shock absorption, or redistribute pressure away from prominent lesions.

In North America alone, there are over 13,000 podiatrists, 15,000 orthopedic surgeons, and 80,000 chiropractors. Thus far, Footmaxx has been enormously successful with only 4.9% of the US podiatric market and 9.3% of the Canadian chiropractic market, as measured by the number of systems placed with these types of practitioners.

In North America, the number of patients diagnosed with diabetes and arthritis continues to rise as the overall percentage of people over the age of 60 increases. In the US alone, estimates are that 16 million people, or 5.5% of the population, have diabetes. It is believed that early screening and intervention can help prevent and heal diabetic foot ulcers, thereby greatly decreasing the amputation rate and medical care costs. In North America, 50 million, or 14% of the population, have some form of arthritis–it is the #1 cause of disability. When arthritis involves the joints of the feet, physical therapy, exercise, and control of foot function with orthotics are among the treatment tools used to relieve pain and to restore near normal foot function.



Orthotic Therapy for the Diabetic Patient

Because diabetic patients often have impaired circulation and limited sensation in their feet, areas of abnormal pressure can create open wounds on the bottom of the foot. These wounds, known as plantar ulcers, are slow to heal due to impaired circulation and are the leading cause of non-traumatic lower extremity amputations among diabetics. One key preventative measure is the use of foot orthotics. Orthotics are customized insoles worn in the shoes. They help to reduce peak pressure areas by distributing the weight evenly, thereby alleviating high pressure points on the bottom of the foot where ulcers may form.

31 Million Patient Visits to North American Doctors of Chiropractic Every Year

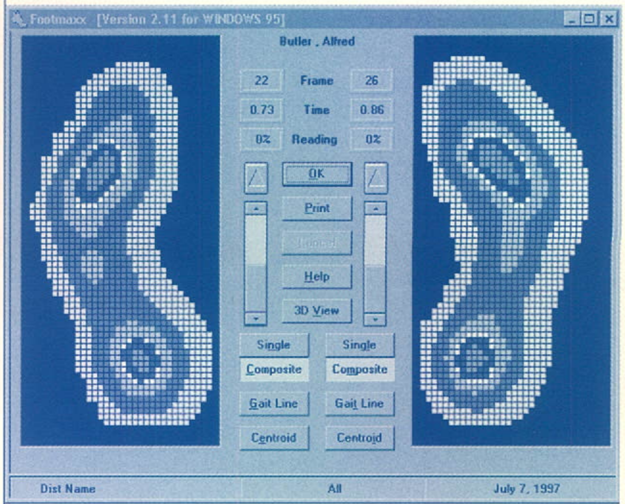
How many Americans visit Doctors of Chiropractic per year?

A 1991 Gallup Poll commissioned by the ACA found that, 10.1% of adults (18 and over) had used chiropractic services within the last year. According to the US Census Bureau, today there are approximately 273 million people in the US. Assuming the 10% annual figure has remained unchanged, the number of people who visit a chiropractor every year is now approximately 27 million.

How many Canadians visit Doctors of Chiropractic per year?

In 1996, over 3 million Canadians, an estimated 12.5% of the population, received chiropractic care from Canada's 5000+ licensed Doctors of Chiropractic.

Over $500 million dollars were expended on chiropractic services in 1996 in Canada.



In both instances the diagnostic and screening capability of the Footmaxx scanning system and the therapeutic benefits of specially designed Footmaxx diabetic-type and arthritic-type orthotics have enormous potential.

In September of 1999, we achieved a milestone–our first month of positive operating profit in our short history. Looking forward, the company will focus on profitable sales growth opportunities, improving manufacturing efficiency, refining our sales and marketing activities and further reducing and leveraging operating overheads.

Lenny Simak
President and Chief Executive Officer

1999

CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated balance sheets of Footmaxx Holdings Inc. as at December 31, 1999 and the consolidated statements of operations and deficit and cash flows for the year then ended. 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 audit in accordance with Canadian 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, 1999 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 1998 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their reported dated April 14, 1999.

KPMG LLP

Chartered Accountants
Toronto, Canada
March 31, 2000

December 31, 1999 and 1998		**1999**		1998
ASSETS				
Current assets:				
Cash	$	323,064	$	159,967
Accounts receivable		1,813,905		2,109,627
Inventory (note 2)		2,038,593		2,729,570
Other assets		88,011		222,858
		4,263,573		5,222,022
Capital assets (note 3)		2,589,174		2,863,988
	$	6,852,747	$	8,086,010

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

		1999		1998
Current liabilities:				
Bank indebtedness (note 4)	$	1,880,316	$	2,516,724
Accounts payable and accrued liabilities		2,624,306		2,228,941
Current portion of term bank loans (note 6)		620,000		180,000
Loan payable (note 5)		-		550,000
Convertible debentures (note 7)		10,404,548		-
		15,529,170		5,475,665
Term bank loans (note 6)		-		120,000
Convertible debentures (note 7)		-		5,250,000
Shareholders' deficiency:				
Capital stock (note 8)		22,244,706		22,244,706
Deficit		(30,921,129)		(25,004,361)
		(8,676,423)		(2,759,655)
	$	6,852,747	$	8,086,010

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

On behalf of the Board:

Director

Director

Years ended December 31, 1999 and 1998	**1999**	1998
Sales	$ 14,127,137	$ 10,198,886
Cost of goods sold	7,012,871	4,594,711
Gross profit before inventory allowance on consigned revenue generating systems	7,114,266	5,604,175
Inventory allowance on revenue generating systems	811,510	734,254
Gross profit	6,302,756	4,869,921
Sundry income	1,907	18,848
	6,304,663	4,888,769
Expenses:		
Selling and administration	8,539,986	9,660,498
Research and development	1,919,895	2,900,765
Interest on long-term debt	994,418	537,828
Other interest	183,938	125,552
Amortization	583,194	468,534
	12,221,431	13,693,177
Loss for the year	(5,916,768)	(8,804,408)
Deficit, beginning of year	(25,004,361)	(16,199,953)
Deficit, end of year	$ (30,921,129)	$ (25,004,361)
Loss per common share (note 10)	$ (0.16)	$ (0.34)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Years ended December 31, 1999 and 1998	**1999**	1998
Cash flows from operating activities:		
Loss for the year	$ (5,916,768)	$ (8,804,408)
Items not involving cash:		
Amortization of capital assets	583,194	468,534
Inventory allowance	811,510	734,254
	(4,522,064)	(7,601,620)
Change in other non-cash working capital:		
Decrease (increase) in accounts receivable	295,722	(1,448,436)
Increase in inventory	(120,533)	(1,334,041)
Decrease (increase) in other assets	134,847	(57,565)
Increase in accounts payable and accrued liabilities	549,913	892,476
Cash flows used in operating activities	(3,662,115)	(9,549,186)
Cash flows from financing activities:		
Increase (decrease) in bank indebtedness	(636,408)	2,516,724
Shareholder advances	(550,000)	550,000
Proceeds (repayment) of bank term loans	320,000	(180,000)
Proceeds on issue of share capital	-	6,802,900
Proceeds on issue of convertible debentures	5,000,000	-
Cash flows provided by financing activities	4,133,592	9,689,624
Cash flows from investing activities:		
Purchase of capital assets	(308,380)	(1,459,635)
Increase (decrease) in cash	163,097	(1,319,197)
Cash, beginning of year	159,967	1,479,164
Cash, end of year	$ 323,064	$ 159,967
Supplementary information:		
Interest paid	$ 183,938	$ 649,041

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Years ended December 31, 1999 and 1998

The Company is in the business of manufacturing, distributing and selling foot orthotics and associated computer systems for specifying custom foot orthotics in Canada and internationally.

The accompanying consolidated financial statements include the accounts of Footmaxx Holdings Inc. and its wholly owned subsidiaries, Footmaxx International Inc., Footmaxx Limited and Footmaxx Inc.

1. Significant accounting policies:

(a) Basis of presentations:

The Company has not yet generated cash flow from operations, has continued to have negative working capital and is in violation of the covenants on its convertible debenture. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon the Company being able to meet its financial covenant tests or refinance or renegotiate new terms for its convertible debentures and its ability to improve profitability of the business to permit it to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption is not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities and the reported revenue and expenses.

(b) Inventory:

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

Computer footmats and the associated computer hardware (revenue generating systems) that are intended for resale are included in inventory.

An inventory allowance is applied by the Company on unsold revenue generating systems at year end to write-down the cost of the inventory to its market value based on their estimated useful life as follows:

Computer footmats	5 years
Computer hardware	3 years

Years ended December 31, 1999 and 1998

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Rates and basis of amortization applied by the Company to write-off the cost of the capital assets over their estimated useful lives, on a straight-line basis are as follows:

Leasehold improvements	10 years
Furniture, fixtures and equipment	10 years
Computer hardware	5 years
Computer software	5 years
Dies and moulds	20 years

Goodwill, included in capital assets, which was acquired with the purchase of a division of a public company is amortized on a straight-line basis over 20 years.

The Company reviews the value of the unamortized balance of goodwill every year by comparing the balance with the present value of the projected cash flows from goodwill.

Externally developed software costs are capitalized as computer software and are included with capital assets and amortized over the lesser of five years and the estimated useful life of the software.

(d) Translation of foreign currency:

Foreign currency transactions and account balances have been translated where applicable into Canadian dollars as follows:

(i) Current assets and liabilities are translated into Canadian dollars at approximate quoted rates of exchange at year end.

(ii) Revenues and expenses are translated into Canadian dollars at the approximate average monthly rates of exchange.

(iii) Realized and unrealized foreign exchange gains and losses are included in earnings.

Years ended December 31, 1999 and 1998

1. Significant accounting policies (continued):

The results of foreign operations which are financially and operationally integrated with the Company are translated using the temporal method. Under this method, monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at year end. Capital assets have been translated at the rates prevailing at the dates of acquisition. Amortization is translated at the rates prevailing when the related assets were acquired. Any long-term debt would be translated at the year-end rate, accordingly, any resulting gain or loss thereon would be amortized over the remaining term of the debt. Revenue and expense items, other than amortization and deferred taxes, are translated at the average rate of exchange for the year.

(e) Research and development:

Research and development costs are expensed as incurred.

(f) Stock options:

The Company has the ability to grant stock options. No expense is recognized when stock options are granted. The consideration paid to the Company on the exercise of stock options is recorded in share capital.

(g) Income taxes:

The Company follows the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between accounting and taxable income result in the recording of deferred income taxes.

(h) Measurement uncertainty:

The preparation of 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 year. Actual results could differ from those estimates.

(i) Comparative amounts:

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Years ended December 31, 1999 and 1998

2. Inventory:

Inventory is comprised of the following:

	1999	1998
Computer footmats and hardware	$ 1,530,676	$ 2,246,484
Orthotics	507,917	483,086
	$ 2,038,593	$ 2,729,570

3. Capital assets:

			1999	1998
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Leasehold improvements	$ 479,413	$ 119,261	$ 360,152	$ 408,807
Furniture, fixtures and equipment	1,058,953	242,773	816,180	766,740
Computer hardware	982,660	624,477	358,183	513,057
Computer software	1,223,926	528,791	695,135	785,981
Dies and moulds	293,275	166,996	126,279	141,581
	4,038,227	1,682,298	2,355,929	2,616,166
Goodwill	5,248,036	5,014,791	233,245	247,822
	$ 9,286,263	$ 6,697,089	$ 2,589,174	$ 2,863,988

4. Bank indebtedness:

The bank indebtedness consists of:

	1999	1998
Operating line of credit (a)	$ 1,738,000	$ 1,500,000
Operating bank loan (b)	–	680,000
Bank overdraft	142,316	336,724
	$ 1,880,316	$ 2,516,724

Years ended December 31, 1999 and 1998

4. Bank indebtedness (continued):

(a) The operating line of credit bears interest at Royal Bank prime plus 1.5% (1998 - Royal Bank prime plus 2.5%) and is repayable on demand. This line of credit is part of a bank credit facility that includes other term loans as described in note 6. The loan is secured as described in (c) below. The 1998 operating line of credit was repaid with debenture proceeds in 1999.

(b) The operating bank loan bears interest at Royal Bank prime plus 1.5% and is repayable on demand. The loan is secured as described in (c) below.

(c) In addition to other securities provided for specific loans as described above and in note 6, the bank credit facilities are secured by a general security agreement covering all assets.

5. Loan payable:

The loan is due to one of the Company's shareholders, bears interest at bank prime plus 9% and is secured by a fixed and floating charge on all assets of the Company. The loan is repayable on demand. This loan was repaid in 1999 out of the proceeds from the debenture.

6. Term bank loans:

Loans bear interest at Royal Bank prime plus 2.5% and are secured by a general security agreement covering all assets other than real property.

The total loans consist of the following:

	1999	1998
Principal balance outstanding	$ 620,000	$ 300,000
Less current portion	620,000	180,000
	$ -	$ 120,000

$500,000 of the loan was repaid in February 2000 with the balance to be repaid by August 31, 2000.

Years ended December 31, 1999 and 1998

7. Convertible debentures:

The convertible debentures consist of Series I debentures with a face value of $5,250,000 and Series II debentures with a face value of $5,154,548.

These convertible debentures mature on September 30, 2000 and bear interest at 10% per annum, compounded quarterly in arrears to December 31, 1999. As of January 1, 2000, interest will be accrued and paid at maturity or date of conversion, whichever is earlier. The Series I debentures are convertible into 8,750,000 common shares of the Company at a price equal to $0.60 per common share, at any time, in whole or in part, at the sole option of the holder. The Series II debentures are convertible into 10,309,096 common shares of the Company at a price equal to $0.50 per common share, at any time, in whole or in part, at the sole option of the holder. The Series I debentures are subordinated to the Series II debentures. The debentures are secured by a floating charge on all assets of the Company, subordinated to bank indebtedness and to a subsequent debenture financing in January 2000 as noted in note 15.

No amount has been assigned to the equity component of this financial instrument as the conversion option, at the time of issuance, had a nominal value.

The above convertible debenture facilities require, among other things, that the Company satisfy certain financial covenants, including the maintenance of certain financial ratios. During 1999 and for the year ended December 31, 1999, the Company was unable to meet these financial ratios. The Company obtained waivers from the debt holders and is currently in discussion with its debenture holders to amend these covenants. In addition, since the debentures are due September 30, 2000 and the Company has not yet negotiated extended terms, the convertible debentures has been reclassified to current liabilities. The convertible debentures are secured by a floating charge with respect to all of the Company's undertaking and business and all its property, assets and rights.

Years ended December 31, 1999 and 1998

8. Capital stock:

	1999	1998
Authorized:		
Unlimited Class A preferred shares, voting, cumulative dividends at prime less 1%, non-participating, redeemable and retractable at amount paid thereon plus dividends due, with retraction based upon a retained income formula		
Unlimited Class B preferred shares, issuable in series with rights, privileges, restrictions and conditions to be determined by the directors on issue		
Unlimited common shares		
Issued:		
4,207,847 Class A preferred shares	$ 2,103,924	$ 2,103,924
35,766,224 common shares (1998 - 34,766,224)	20,140,782	20,140,782
	$ 22,244,706	$ 22,244,706

Details of shares issued:

	COMMON SHARES		CLASS A PREFERRED SHARES	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Balance, January 1, 1998	23,099,558	$ 13,337,882	4,207,847	$ 2,103,924
Warrants exercised	11,666,666	6,802,900	-	-
Balance, January 1, 1999	34,766,224	20,140,782	4,207,847	2,103,924
Warrants exercised	1,000,000	-	-	-
Balance, December 31, 1999	35,766,224	$ 20,140,782	4,207,847	$ 2,103,924

There remains unrecorded and in arrears at the end of 1999, approximately $300,000 (1998 - $180,000) in dividends to Class A preferred shareholders.

Years ended December 31, 1999 and 1998

8. Capital stock (continued):

Warrants issued and outstanding:

	SHARES	STATED AMOUNT	EXPIRY DATE
Series C:			
Balance, December 31, 1998	500,000	$ 0.75	September 11, 1999
Expired in 1999	(500,000)		
Balance, December 31, 1999	–		
Series D:			
Issued in 1998	1,000,000	$ 0.70	March 31, 2000 to April 27, 2000
Balance, December 31, 1998 and 1999	1,000,000		Subsequent to year end, Series D expired
Series E - performance warrants:			
Issued in 1998	1,000,000	$ 0.00	June 30, 1999
Balance, December 31, 1998	1,000,000		
Exercised in 1999	(1,000,000)		
Issued in 1999	–		
Balance, December 31, 1999	–		
Broker warrants:			
Balance, December 31, 1998	740,000	$ 1.00	March 6, 1999
Expired in 1999	(740,000)		
Issued in 1999	500,000	$ 0.50	June 15, 2000
Balance, December 31, 1999	500,000	$ 0.50	June 15, 2000
Special warrants:			
Balance, December 31, 1998	–		
Issued in 1998	11,666,666	$ 0.60	June 30, 1999
Exercised in 1998	(11,666,666)		
Balance, December 31, 1998 and 1999	–		

9. Stock option plan:

The following summarizes the stock options outstanding:

	1999		1998	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	2,824,000	$ 1.14	2,125,000	$ 1.17
Granted	1,760,000	0.56	959,000	1.10
Exercised	-	-	-	-
Retired	389,000	1.01	260,000	1.25
Outstanding, end of year	4,195,000	$ 0.91	2,824,000	$ 1.14

	1999	1998
Stock options exercisable, end of year	1,727,000	1,205,000
Weighted average remaining contractual life	3.48 years	3.6 years

The Company grants stock options to employees, directors and members of the advisory board of the Company. The stock options vest over varying time periods from the date of grant to 4 years and expire approximately 5 years from the date of grant. No options have been exercised since granted.

10. Loss per common share:

The weighted average number of common shares outstanding, used for the determination of loss per common share, was 35,266,224 (1998 - 26,519,649). Loss per share has not been computed on a fully-diluted basis as the effect would be anti-dilutive.

Years ended December 31, 1999 and 1998

11. Related party transactions:

The following is a summary of the Company's approximate transactions and balances with significant shareholders and officers in the normal course of operations and accounted for under normal conditions of trade:

	1999	1998
Sales	$ 250,000	$ 225,000
Management fees	$ 176,500	$ 303,000
Balances, end of year:		
Accounts receivable	$ 44,212	$ 24,000

The loan, as described in note 5, is payable to a shareholder and was repaid in 1999.

$5,280,910 of the convertible debentures described in note 7 are held primarily by three major shareholders of the Company.

In 1998, included in accounts payable and accrued liabilities is $350,000 of finance fees incurred and payable to two major shareholders of the Company. These fees have been included in sales and administration expenses.

12. Commitments:

Lease commitments:

Minimum lease payments, excluding property taxes and other costs, are approximately as follows:

2000	$ 183,079
2001	196,781
2002	160,034
2003	192,277
2004 and thereafter	261,824

Years ended December 31, 1999 and 1998

13. Income taxes:

The Company has available non-capital losses carryforward for income tax purposes, the benefit of which has not been recorded, of approximately $25,517,000 (1998 - $19,600,000) to be applied against future years' taxable income. The losses expire as follows:

2001	$ 326,000
2002	1,654,000
2003	2,037,000
2004	6,783,000
2005 and thereafter	14,717,000
	$ 25,517,000

14. Financial instruments:

Interest rate and credit risk:

Interest rates, maturities and security affecting the interest and credit risk of the Company's financial assets and liabilities have been disclosed in notes 4, 5, 6 and 7.

The carrying values of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, term bank loans and convertible debentures approximate their fair values due to the relatively short periods to maturity of the instruments.

15. Subsequent events:

During January 2000, the Company issued Series III convertible debentures with a face value of $1,000,000. These Series III debentures mature on September 20, 2000 and bear interest at a rate of 10% per annum, compounded quarterly. The interest is due on maturity. The Series III debentures are convertible into 2,500,000 common shares of the Company at a price equal to $0.40 per common share, at any time, in whole or in part, at the sole option of the holder. The debentures are secured by a floating charge on all assets of the Company, subordinated to bank indebtedness. The convertible debenture facilities require, among other things, that the Company satisfy certain financial covenants, including the maintenance of certain financial ratios.

Years ended December 31, 1999 and 1998

16. Segmented information:

The Company operates in Canada and the United States in one dominant industry segment (foot orthotics). Sales between Canada and the United States are minimal. Information by geographic segment is as follows:

	1999	1998
	(IN THOUSANDS OF DOLLARS)	
Revenues:		
Canada	$ 5,516	$ 4,414
United States	8,376	5,711
Other foreign countries	235	74
	$ 14,127	$ 10,199

Revenues are attributed to countries based on location of customer.

	1999	1998
	(IN THOUSANDS OF DOLLARS)	
Capital assets and goodwill:		
Canada	$ 2,317	$ 2,569
United States	272	295
	$ 2,589	$ 2,864

Board of Directors

Mr. Michael Decter
Chairman
Lawrence & Company
Toronto, ON

Mr. Lenny Simak
President and CEO
Footmaxx Holdings Inc.

Mr. John R. (Ted) Kennedy
Footmaxx Holdings Inc.

Mr. Grant McCutcheon
Lawrence & Company
Toronto, ON

Mr. Michael Cohen
VenGrowth Capital Management Inc.
Toronto, ON

Mr. Michael Kehoe
Innova Technologies Corporation
Toronto, ON

Ms. Debra Granatstein
Working Ventures Canadian Fund Inc.
Toronto, ON

Mr. Bob Simmons
RJS Health Care Inc.
Illinois, USA

Ms. Connie Curran
Currancare
Illinois, USA

Executive Team

Mr. Lenny Simak
President and CEO

Mr. John D. Fowler
CFO and Vice President Operations

Dr. Alan Lustig, DPM
Senior Medical Advisor

Mr. Martin Ellis
Vice President Product Research

Mr. J. Michael Drake
Vice President U.S. Sales and Marketing

Mr. Kerry Richards
Vice President Canadian and International Sales and Marketing

USA Medical Advisory Board

Dr. Anthony Gatti, DPM
Atlanta, GA

Dr. Lawrence Harklass, DPM
San Antonio, TX

Dr. Harry Hlavac, DPM
Mill Valley, CA

Dr. Ronald Lepow, DPM
Houston, TX

Dr. Stanley Newell, DPM
Seattle, WA

Dr. Kerry Zang,DPM
Phoenix, AZ


COMPAQ

Placement and acceptance of diagnostic systems is strong with podiatrists, chiropractors, and orthopedic surgeons.

1175 diagnostic system placements: an increase of 36% over 1998

Footmaxx Holdings Inc.

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Toronto, ON M5A 1T7
Toll Free: 800.779.3668

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8615 Freeport Parkway, Suite 270
Irving, TX 75063

Manufacturing - New Hampshire
11 Lance Lane
Goffstown, NH 03045

Internet
www.footmaxx.com

Annual General Meeting
The Holiday Inn
Oak Room
370 King St. West
Toronto, ON M5V 1J9
416.599.2000
June 6th, 2000, 10:00a.m. – 12:00pm

Investor Information

To access complete Footmaxx financial reports and other financial news releases electronically, visit the Footmaxx web site at www.footmaxx.com.

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Auditors
KPMG
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Toronto, ON M5L 1B2

Stock Information:
FTMX (Canadian Dealing Network)

Stock Certificate CUSIP Number:
344910 20 3

Province of Incorporation:
Footmaxx Holdings Inc., Ontario (1995)

State of Incorporation:
Footmaxx Inc. Delaware, USA (1996)

Registrar and Transfer Agent:
Equity Transfer Service Inc.
120 Adelaide Street West,
Suite 420
Toronto, ON M5H 4C3