



**British Columbia  
Securities Commission**

QUARTERLY REPORT

BC FORM 51-901F

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INCORPORATED AS PART OF:

\_\_\_\_\_ Schedule A

  X   Schedule B & C  
(place X in appropriate category)

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
<b>VRX WORLDWIDE INC.</b>	<b>June 30, 2003</b>	<b>03/07/23</b>

ISSUER'S ADDRESS **580 Hornby Street, Suite 900**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
<b>Vancouver</b>	<b>BC</b>	<b>V6C 3B6</b>	<b>604-684-0642</b>	<b>604-688-2321</b>
CONTACT PERSON	CONTACT'S POSITION		CONTACT TELEPHONE NO.	
<b>Robert G. McMorran</b>	<b>Director</b>		<b>604-688-2321</b>	
CONTACT E-MAIL ADDRESS			WEB SITE ADDRESS	
<a href="mailto:rgm@vrxworldwide.com">rgm@vrxworldwide.com</a>			<a href="http://www.vrxworldwide.com">http://www.vrxworldwide.com</a>	

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

<b>"Robert G. McMorran"</b>	<b>Robert G. McMorran</b>	<b>03/07/23</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
<b>"David S. MacLaren"</b>	<b>David S. MacLaren</b>	<b>03/07/23</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

## VRX WORLDWIDE INC.

### Schedule B: SUPPLEMENTARY INFORMATION

#### 1) Analysis of expenses and deferred costs:

The financial statements prepared by management provide a breakdown by major category of expenditures. Details of select expense items are as follows:

<b>Expenses</b>	<b>Amount \$</b>
Office Operations and Sundry:	
- Rent	31,155
- Office supplies	9,977
- Bank and interest charges	987
- Miscellaneous	5,869
- Courier, Postage and Duty	5,662
- Insurance	1,191
- Fees and licenses	1,392
	<u>56,233</u>
Professional fees:	
- Legal	12,086
- Audit	10,500
	<u>22,586</u>

#### 2) Related party transactions:

During the period ended June 30, 2003, the Company paid \$45,000 in management fees to a company controlled by a director for administrative services.

#### 3) Summary of securities issued and options granted for the year-to-date period:

##### a. Summary of securities issued during the period ended June 30, 2003:

<b>Date of Issue</b>	<b>Type of Security</b>	<b>Type of Issue</b>	<b>Number of Securities Issued</b>	<b>Price</b>	<b>Total Proceeds</b>	<b>Type of Consideration</b>	<b>Commission Paid</b>
Nil	Nil	Nil	Nil		Nil	Nil	N/A
Totals							

**b. Summary of Options granted during the period ended June 30, 2003:**

Date	Number of Options	Name of Optionee	Exercise Price	Expiry Date
Nil	Nil		N/A	N/A
Total				

**4) Summary of securities as at June 30, 2003:**

**a. Authorized Share Capital:**

Unlimited number of common shares without par value.  
 Unlimited number of first preferred shares without par value.  
 Unlimited number of second preferred shares without par value.  
 Unlimited number of third preferred shares without par value.  
 Unlimited number of fourth preferred shares without par value.

**b. Issued and outstanding:**

Number	Recorded Value
29,884,685	\$ 6,080,889

**c. Description of options, warrants and convertible securities outstanding  
 Options outstanding:**

Number	Exercise Price	Expiry Date	Recorded Value
165,000	\$0.10	February 8, 2005	N/A
10,000	\$0.10	February 22, 2005	N/A
65,000	\$0.10	September 19, 2005	N/A
105,000	\$0.20	September 19, 2005	N/A
100,000	\$0.20	October 20, 2005	N/A
260,400	\$0.10	January 8, 2006	N/A
100,000	\$0.15	May 31, 2006	N/A
955,000	\$0.10	December 21, 2006	N/A
50,000	\$0.10	March 20, 2007	N/A
100,000	\$0.16	March 20, 2007	N/A
150,000	\$0.10	July 4, 2007	N/A
665,000	\$0.10	November 6, 2007	N/A
50,000	\$0.16	November 6, 2007	N/A
2,775,400			

**Warrants outstanding:**

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Recorded Value</b>
598,333	\$0.20	August 31, 2003	N/A
598,333			

**Convertible securities:**

N/A

**d. Number of shares in each class of shares subject to escrow or pooling agreements:**

<b>Release Date</b>	<b>Percentage of Total escrowed Securities to be Released</b>	<b>Total of Escrowed Securities to be Released</b>
January 8, 2001 <sup>(1)</sup>	10%	960,000
July 8, 2001 <sup>(1)</sup>	15%	1,440,000
January 8, 2002 <sup>(1)</sup>	15%	1,440,000
July 8, 2002 <sup>(1)</sup>	15%	1,440,000
January 8, 2003 <sup>(1)</sup>	15%	1,440,000
July 8, 2003	15%	1,440,000
January 8, 2004	15%	1,440,000
<b>Total</b>	<b>100%</b>	<b>9,600,000</b>

(1) Have been released

**5) List of Directors and Officers as at July 23, 2003**

<b>Name</b>	<b>Title</b>
David S. MacLaren	C.E.O, President & Director
Robert G. McMorrان	Executive V. P., C.F.O, Secretary & Director
W. Barry Girling	Director
Jeffrey G. Lawson	Director

## **SCHEDULE C**

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### **VRX WorldWide Inc.**

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#### **Form 51-901F Quarter End Report June 30, 2003**

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### **Management Discussion**

#### ***Description of Business***

The Company's principal business, carried out through its wholly owned subsidiary, VRX Studios Inc., is the provision of dynamic visual content solutions to assist companies market their products and services over the World Wide Web. VRX has three core business offerings: Interactive Content Licensing, Custom Content Solutions and High Bandwidth Content Management. The primary target markets for the Company's business offerings are online travel and tourism companies.

VRX commenced commercial operations in January 2001 with the launch of its Interactive Content Licensing offering. At start-up this was the Company's primary revenue model. The model entails the syndication of 360-degree panoramic images of leading travel destinations throughout Canada, the United States, Mexico and the Caribbean. Clients pay from US\$9.95 to in excess of US\$3,000 per month in licensing fees for use of the visual content. The monthly fees vary depending on the number of images and interactive maps subscribed for and after taking into account the client's web site traffic and the associated demands on VRX's resources.

Common infrastructure is shared between the Interactive Content Licensing business offerings and the Company's Content Hosting offering. Higher profile companies that currently subscribe to VRX's Content Licensing offering include Air Jamaica, and through an agreement with Trisept Solutions, AeroMexico Vacations, MexSeaSun, United Vacations, USAirways Vacations and others as well as a number of tourist bureaus including those representing New York, Hawaii, Vancouver, and several Caribbean nations.

Shortly after the Company initiated its Interactive Content Licensing offering, it became apparent there was demand for specialized content solutions. This led to the creation of VRX's Custom Content Solutions offering. Custom Content Solutions are comprised of visual content designed to satisfy the specific sales and marketing objectives of a client. All customised content is for the exclusive use of each client, however, in many cases clients pay a marketing fee to have their customised content added to VRX's syndicated archive of destination content. The hospitality sector of the online travel industry has been the first industry to extensively utilize VRX's Custom Content Solutions. Through 2002 and continuing into 2003, VRX has provided hundreds of Custom Content Solutions to hotels, destination resorts, and cruise ships throughout Hawaii, Mexico, the Caribbean, and the continental United States. VRX Custom Content Solutions clients include Expedia, Inc., Virgin Holidays, Intrawest Resort Ownership Corporation, Carnival Cruise Lines, and Princess Cruises. Interactive Content Licensing offerings and Custom Content solutions are not mutually exclusive offerings. Often a client will subscribe for VRX's Interactive Content Licensing offerings to complement a Custom Content Solution.

#### ***Results of Operations***

In the six-month period ended June 30, 2003, the Company continued its trend of profitability recording net income of \$729,553 (2002 - \$65,720), a 1010% increase over the same period in 2002. The net income for the second quarter of 2003 (\$514,736) represents a 240% increase over the 2003 first quarter's net income (\$214,817).

Revenue for the six-month period ending June 30, 2003 amounted to \$1,588,203 (2002 - \$457,692) and was largely comprised of \$258,790 in Content Licensing and Hosting fees (2002 - \$87,538) and \$1,331,092 in Custom Content service revenue (2002 - \$372,188). It is important to note that VRX's revenue recognition policy records licensing fees in the period they are earned. Prepaid licensing fees are deferred and recorded in equal monthly

amounts to the statement of operations over the term of the licensing period. In addition, results for the period reflect revenue generated from content that had been acquired by the Company's photographers during the first quarter of 2003, but was not processed by the studio for delivery to clients until the second quarter of 2003. As such, revenue from this work was not recognized until the second quarter of 2003. Similarly, revenue from content acquired in the second quarter of 2003 but not processed until the third quarter will be recognised during the third quarter of 2003.

Cash operating expenses for the six-month period ending June 30, 2003 were \$854,762 (2002 - \$385,836) resulting in a cash operating margin of 50.7% (2002 - 28.9%). While revenue is expected to increase in subsequent quarters, cash operating margin levels are not expected to increase beyond those achieved in the first six months of the year and may in fact decrease somewhat.

In comparing the operating expenses for the first six months of 2003 with the same period in 2002, increases in production related expenses were far less significant than the corresponding increase in revenue. Salaries and benefits increased to \$225,303 from \$142,130, a 58.5% increase. As part of the increased production requirements, the Company also engaged production contractors whose fees totaled \$71,164, an increase from \$8,890. Taken together, the salaries and benefits and production contractors fees totaled \$296,467, a 96.3% increase in production fees when compared with the same period in 2002. Photographer fees increased to \$187,577 from \$77,714, a 141.4% increase; telecommunications increased to \$31,897 from \$20,969, a 52.1% increase; and marketing and product promotion increased to \$13,800 from \$10,133, a 36.2% increase.

The overall increase in revenues and operating expenses is a direct result of the increased operating activities of the Company, in particular at this time with respect to the provision of custom visual content to the hospitality industry.

During the first quarter of 2003, management fees were reinstated that had been waived for 2002 and 2001. These fees relate to compilation of all accounting records and generation of financial statements, corporate governance matters and some shareholder communication activities. For the six-month period ended June 30, 2003, management fees amounted to \$45,495 (2002 - nil) and were paid to a non-arm's length company controlled by a director of VRX. Also in the period, investor relations activities increased to \$37,210 (2002 - nil) with fees totaling \$27,000 being paid to Encompass Communications Inc., an arm's length third party, to provide investor relations services and other costs associated with the compilation and distribution of corporate information with the balance related to costs associated with a press relations agency and the distribution of press releases.

Included in the statement of operations for the period is a non-cash charge of \$4,015 (2002 - \$7,778) relating to stock-based compensation expense associated with the grant during 2002 of certain incentive stock options to consultants to the Company.

### ***Financing Activities and Capital Expenditures***

During the six-month period ended June 30, 2003, no shares were issued as compared to the same period in 2002 when 50,000 shares were issued pursuant to the exercise of warrants generating proceeds of \$11,000.

### ***Liquidity and Capital Resources***

The Company generated cash from operations of \$805,540 during the six-month period ended June 30, 2003 (2002 - \$132,193) which was used for general working capital purposes as to \$250,911; for the acquisition of property, plant and equipment as to \$99,828; with the residual balance (\$455,949) representing an increase in cash on hand. As at June 30, 2003 the Company had working capital of \$779,669 as compared to working capital of \$287,998 at March 31, 2003 and \$72,809 at December 31, 2002. The improvement in working capital is a direct result of the Company generating positive cash flow from operations.

## ***Investor Relations***

During the first six months of 2003 the Company incurred \$37,210 in investor relations' expense. Investor relations included the hiring of Encompass Communications Inc. on November 1, 2002. Encompass is paid \$4,500 per month to help communicate VRX's success in achieving profitability and the Company's future growth potential to the investment community. Additional charges relate to fees associated with the compilation of investor relations print collateral, engagement of a press relations agency for a one-time service contract and costs associated with the distribution of the Company's press releases. In house investor relations' activities consisted primarily of providing corporate information packages to interested parties and updating current shareholders as to corporate developments. Senior management understands the importance of proactive ongoing investor relations activities and will endeavor to support such programs.

## ***Outlook***

During the six-month period ended June 30, 2003, the Company's revenue stream maintained its strong growth trend as the Company's product and services offerings continued to gain acceptance within its target markets. New licensing clients and services contracts are being secured every month. The custom content agreement signed with Expedia, Inc. in the fourth quarter of 2001 continues to generate a significant and growing revenue stream to VRX. Having the Company's content solutions used on the most successful online travel website in the world is viewed by management as an endorsement of the Company's product offerings. Custom service work such as that being provided to Virgin and Expedia's hospitality partners along with related licensing and hosting services is expected to continue to propel the Company's revenue stream and profitability while VRX expands its licensing business in the broad travel and tourism industry.

As evidenced by the Company's operations to date, there is growing demand for the Company's product offerings. To date the Company's focus has been on meeting the demands of groups that serve the American online travel consumer. Based upon the steadily increasing demand for the Company's products and services, management now expects revenues for fiscal 2003 to approach \$4.0 million while maintaining profit margins of about 40%.

VRX generates the majority of its revenue from the travel and hospitality industries. The online travel industry is one of the few profitable online sectors and it is predicted to experience pronounced growth over the coming years by leading research firms such as Jupiter and Forrester Research. A number of events have occurred subsequent to these predictions that are having an adverse effect on travel volumes throughout the world – 9/11, the Iraq war, SARS, high fuel prices and the economic viability of a number of international airlines. Available statistics demonstrate travel patterns have been affected by these events and the number of individuals travelling is markedly lower. This decline in the number of people traveling has resulted in increased competition to sell travel products to those consumers still traveling. This increased competition will result in increased marketing efforts which in turn VRX expects will result in increased demand for its product and service offerings. It is important to note VRX's clients are leaders in each market segment and tend to increase their marketing efforts in response to downturns in the market.

Beyond the basic growth of the online travel industry, the utilization of the Company's interactive visual content on high profile, high traffic websites such as Expedia.com and Virginholidays.com has created much greater awareness of the Company and its business offerings. The Company's profitability and improved balance sheet create additional client confidence in VRX and its ability to service their ongoing demands for the foreseeable future. Future expansion plans for the Company include geographic diversification of the Company's destination archive to include European destinations, new hosting and content services, and the expansion of Company's marketing efforts to include Europe. Acquisition of European content is scheduled to begin in the third quarter of 2003.

*July 24, 2003*