

ARC RISK MANAGEMENT GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR TO 31 MARCH 2004

ARC Risk Management Plc (“ARC” or “the Company”), the AIM-listed security and risk management consultants, announces today its preliminary results for the year to 31 March 2004.

HIGHLIGHTS

- £750,000 successfully raised in January 2004
- Loss before tax: £925,246 (2003: loss £903,015)
- Reduced loss per share: 0.60p (2003: loss 1.09p)
- Shareholders’ funds at £779,167 (2003: £348,758)
- November 2003, Maldwyn Worsley-Tonks, MBE, joined the Board
- Substantial progress being made in the development and acceptance of red²⁴™ and red²⁴™*alert*.

Commenting on today’s announcement, Simon Richards, Chairman of ARC, stated: **“In excess of 30,000 people now enjoy red²⁴™ membership. This growth has only really started to happen from February 2004 and over 3,000 new members are joining each month. ARC has consistently targeted blue-chip clients and we are now seeing the benefits of this approach. With the increasing number of insurance and banking product books that now contain red²⁴™ the Board expects this growth to accelerate in the coming year.**

“I remain cautiously optimistic that the products and services that we have developed will produce the income and profitability to justify the investment that shareholders have made in them and in the Company.”

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Tel: 020 7107 8000**ARC Risk Management Group Plc****CHAIRMAN'S STATEMENT****Introduction**

The results cover the year to 31 March 2004 and incorporate the first full year's trading since the acquisition of ARC Risk Management Limited ("ARC"), which was completed on 29 July 2002.

Results and Dividend

The losses on ordinary activities for the 12 months to 31 March 2004 amounted to £925,246 (2003: loss £903,015). This loss includes a provision of £169,974 (2003: £250,079) in respect of the impairment of the book value of certain intangible fixed assets. The loss per share is 0.60p (2003: loss 1.09p) and no dividend is recommended. As a result of this loss, shareholders funds at 31 March 2004 amounted to £779,167.

Business review

The year just ended has been a much more difficult one than the Board envisaged twelve months ago. Delays in getting our innovative products from concept to revenue production, as a result of the need to clear the due diligence hurdles put up by our major clients, have been considerable and significant additional costs have been incurred in providing a service level and maintaining an infrastructure suited to over 250,000 potential users. This is now beginning to produce positive results.

In excess of 30,000 people now enjoy red²⁴™ membership. This growth has only really started to happen from February 2004 and over 3,000 new members are joining each month. ARC has consistently targeted blue-chip clients and we are now seeing the benefits of this approach. With the increasing number of insurance and banking product books that now contain red²⁴™ the Board expects this growth to accelerate in the coming year.

HSBC Bank plc has been taking red²⁴™ since October 2002, and have included it in their Platinum insurance product. They have now decided to upgrade their Platinum customers to the red²⁴™ *alert* service and to introduce

this product to their International book this autumn. Hiscox plc have included red²⁴™ as an integral part of their private client and Connect books since February 2004. Take-up numbers are ahead of budget and initial feedback from those customers, who have activated their cards and used the service, has been positive.

Overseas agreements have been reached with World Access, Inc. in the US to supply security data and, since the start of the new financial year, we have entered into an agency agreement with Clayton Consultants Inc. to sell the red²⁴™ and red²⁴™ *alert* membership services in the Americas. In addition, a major US insurer has also added red²⁴™ *alert* to its offering for the Japanese market. The Board regards these as significant endorsements of the value of the red²⁴™ offering, which bode well for the continued growth of the business.

With the successful development of the red²⁴™ and red²⁴™ *alert* products, and the resultant increase in the demands on the time and resources of the Consultancy Division, the Board has decided to review its commitment to the ongoing business of the Training Division, which may result in the disposal of that business.

Financial position

I am pleased to report that, further to my letter of 29 December 2003, shareholders approved the increase in share capital and that the full authority was used to raise a further £750,000 in capital - a fund raising that, for the first time, attracted institutional shareholders. This has strengthened the Balance Sheet and enabled us to take the whole of the sales and marketing function in house.

Applications for shares in the January placing amounted to some £1,250,000 but we lacked sufficient shareholder authority to accept all the applications. In the Board's view, it would have been desirable to have raised the additional money as experience has shown that delays to revenue can occur at any stage. We are, therefore, again seeking your authority to raise additional capital should the opportunity arise. Your Board continues to be of the view that the costs of a formal rights issue outweigh the disadvantage to shareholders arising from any dilution.

The Board

Mr Maldwyn Worsley-Tonks, MBE, Operations Director, joined the Board in November 2003. Mr Worsley-Tonks, is a former Lieutenant Colonel in the British Army, having commanded a Parachute Battalion. Since retiring from the army he has gained over seven years active experience in the Security industry, having worked extensively in Africa to complement his previous experience in Asia, Central America and various other security hotspots of the world. He is a specialist in corporate contingency planning and disaster recovery.

The Board will continue to review its structure as the business grows but, at this stage of the Company's development, it cannot see that there would be any benefit to the Company from the appointment of an additional non-executive director.

Outlook

To many, progress may appear to be slow. However, as we have come to realise, the negotiation and completion of contracts and agreements with major blue-chip multi-national companies, both in the UK and internationally, takes time. This has now been achieved and I remain cautiously optimistic that the products and services that we have developed will produce the income and profitability to justify the investment that shareholders have made in them and in the Company. To maximise the benefits and to minimise the delays further investment may be required, but this will now be based on much more solid ground than twelve months ago and we remain ahead of the competition both in terms of a consumer orientated security advice and of a response offering.

Simon Richards
Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2004

| | Year ended 31 March 2004 | 15 months ended 31 March 2003 |
|---|--------------------------------|--|
| | £ | £ |
| Turnover | 971,427 | 620,857 |
| Cost of sales | <u>(368,897)</u> | <u>(276,180)</u> |
| Gross profit | 602,530 | 344,677 |
| Administrative expenses | (1,354,516) | (998,855) |
| Administrative expenses – impairment of intangible fixed assets | (169,974) | (250,579) |
| Other operating income | <u>1,938</u> | <u>-</u> |

| | | |
|--|--------------------|--------------------|
| Operating loss | (920,022) | (904,757) |
| Interest receivable | 1,522 | 7,255 |
| Interest payable | <u>(6,746)</u> | <u>(5,513)</u> |
| Loss on ordinary activities before taxation | (925,246) | (903,015) |
| Taxation | — | — |
| Loss for the year | (925,246) | (903,015) |
| Accumulated losses brought forward | <u>(2,310,118)</u> | <u>(1,407,103)</u> |
| Accumulated losses carried forward | <u>(3,235,364)</u> | <u>2,310,118</u> |
| Loss per share (pence) | <u>(0. 60p)</u> | <u>(1.09p)</u> |

All turnover and results arose from continuing operations

Total recognised gains and losses

The group had no recognised gains or losses other than those shown in the profits and loss account.

CONSOLIDATED BALANCE SHEET

for the year ended 31 March 2004

| | Year ended 31 March 2004 | 15 months ended 31 March 2003 | | |
|--|--------------------------------|---|---------------|---|
| | £ | £ | £ | £ |
| Fixed assets | | | | |
| Intangible assets | 401,340 | | 684,000 | |
| Tangible assets | <u>55,456</u> | | <u>47,444</u> | |
| | 456,796 | | 731,444 | |
| Current assets | | | | |
| Debtors: amounts falling due within one year | 242,619 | 217,332 | | |
| Cash at bank and in hand | <u>544,150</u> | <u>42,539</u> | | |
| | 786,769 | 259,871 | | |

| | | |
|--|-----------------------|-----------------------|
| Creditors: amount falling due within one year | (391,701) | (561,739) |
| Net current assets (liabilities) | <u>395,068</u> | <u>(301,868)</u> |
| Total assets less current liabilities | 851,764 | 429,576 |
| Creditors: amounts falling due after more than one year | <u>(72,697)</u> | <u>(80,818)</u> |
| Net assets | <u><u>779,167</u></u> | <u><u>348,758</u></u> |
| Capital and reserves | | |
| Called up share capital | 3,568,108 | 2,443,675 |
| Share premium account | 446,423 | 215,201 |
| Profit and loss account | <u>(3,235,364)</u> | <u>(2,310,118)</u> |
| Equity shareholders' funds | <u><u>779,167</u></u> | <u><u>348,758</u></u> |

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2004

| | Year ended 31 March 2004 | 15 months ended 31 March 2003 |
|---|--------------------------------|--|
| | £ | £ |
| Net cash outflow from operating activities | (749,394) | (684,249) |
| Returns on investments and servicing of finance | | |
| Interest received | 1,522 | 7,255 |
| Interest paid | <u>(6,746)</u> | <u>(5,513)</u> |
| Net cash (outflow) inflow from returns on investments and servicing of finance | (5,224) | 1,742 |

| | | | |
|---|------------------|-----------------|------------------|
| Capital expenditure | | | |
| Proceeds of sale of tangible fixed assets | - | 50,000 | |
| Payments to acquire tangible fixed assets | <u>(25,817)</u> | <u>(28,899)</u> | |
| Net cash (outflow) inflow from capital expenditure | (25,817) | | 21,101 |
| Acquisitions | | | |
| Purchase of subsidiary undertakings | - | (137,436) | |
| Net cash acquired with subsidiary undertakings | <u>-</u> | <u>42,737</u> | |
| Net cash outflow from acquisitions | <u>-</u> | | <u>(94,699)</u> |
| Net cash outflow before financing | (780,435) | | (756,105) |
| Financing | | | |
| New hire purchase loans | 2,867 | - | |
| Repayment of hire purchase loans | (468) | - | |
| Issue of ordinary share capital (net of expenses) | 1,293,155 | 219,831 | |
| Repayment of bank loans | (10,008) | (6,672) | |
| Other loans | <u>(3,500)</u> | <u>60,000</u> | |
| Net cash inflow from financing | <u>1,282,046</u> | | <u>273,159</u> |
| Increase (decrease in cash) | <u>501,611</u> | | <u>(482,946)</u> |