

**3 NOVEMBER 2003**

**ARC RISK MANAGEMENT GROUP PLC**

**INTERIM RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2003**

ARC Risk Management Group Plc (“ARC” or the “Group”), the AIM-listed provider of worldwide security risk management services, announces today its results for the six months to 30 September 2003.

**SUMMARY**

- Significant new contracts for red24 with HSBC Bank plc and Hiscox plc
- Training division performing well
- Consultancy division ahead of budget
- Maldwyn Worsley-Tonks, MBE appointed to the Board
- £370,000 raised in September 2003
- Loss before tax more than halved from previous half year ended 31 March 2003
- Loss per share: 0.26p (2002: loss 0.33p)
- No dividend recommended.

**Commenting on today’s announcement, Simon Richards, Chairman of ARC, stated:**

“The time taken in getting innovative new products from concept to revenue production has been greater than originally envisaged. However, following the signing of significant new contracts and reduced pre-tax losses, the outlook remains encouraging and your Board believes we can look forward to further growth and improved revenues.”

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## **CHAIRMAN'S STATEMENT**

### **Introduction**

I am pleased to enclose our interim report to shareholders for the six months to 30 September 2003.

Since my report to you in July, I am pleased to say that your Board has successfully raised additional capital of £370,000 to support the continued development of the Group's products during the current financial year. Interim finance was provided by the Director's and their associates whilst the fund raising was finalised.

### **Financials**

Loss before tax amounted to £328,000 (2002: £189,000). However, as the acquisition of ARC was only completed on 29 July 2002, last year's figures only included two months trading. The loss per share is 0.26p (30 September 2002: (0.33p)) and no dividend is recommended. We continue to explore non-equity alternative financing arrangements, in order to further support the roll-out of red24<sup>TM</sup>.

### **Current Trading**

Although turnover has only increased marginally over the previous half year, pre-tax losses have been more than halved. The Board expects that margins will continue to improve in the second half of this financial year and that the Group will become cash flow positive in the new financial year, as the income from red24<sup>TM</sup> is expected to increase. As part of our strategy, we continue to keep a tight reign on costs.

In September, we were pleased to announce that HSBC Bank plc had signed a formal three year agreement with ARC. This is the culmination of a number of years spent building a good working relationship with them. Under the terms of the agreement HSBC, which currently provides the red24<sup>TM</sup> cover within its Platinum Plus home insurance policies, will enhance its policies to include the upgraded red24<sup>TM</sup> Alert cover, which provides an active response in a crisis. In addition, they have agreed to introduce this same red24<sup>TM</sup> Alert service to a new section of their international customer base. As HSBC have already had the red24<sup>TM</sup> service for twelve months, the Board considers this to be a significant endorsement of ARC's ability to both develop and deliver value-added products and services to customers.

We were also pleased to announce that Hiscox plc would be including the red24™ service in their UK based individual insurance product, which is expected to be launched in January 2004 as a mandatory part of their product offering to a minimum of 30,000 customers. Not only does this provide further credibility, but also diversifies our revenue source. We are confident that together these developments will raise the level of red24™ income, although the full benefits are not expected to be felt until the new financial year.

Our training division continues to attract favourable comment on the quality of its courses, its client service levels and its innovative ways of attracting new delegates. It has further consolidated its position as the pre-eminent international security training operation in the UK and had a modestly profitable half year.

Consultancy business has continued to grow in the half year and is ahead of budget for the period. This business is now profitable and has reached the stage where its operations have made it necessary to establish a base in London to be closer to the insurance market and its corporate customers. The modest new offices, based in the heart of the City, are now open and the Board feels confident that increased levels of business will result.

ARC recently had the pleasure of announcing that it has appointed Maldwyn Worsley-Tonks as a Director to the Board. His appointment, which follows the recently won significant contracts for the provision of red24™ and red24™ Alert security services, highlights the Group's focus on the importance of operational support for its brand. Mr Worsley-Tonks is a former Lieutenant Colonel in the British Army, and has been awarded an MBE. Since retiring from the army, he has built up over seven years of active experience in the Security industry. He heads up the Group's Insurance market and Operations Division, and is responsible for quality control on all ARC projects with an increased focus on the security and response aspects of the red24™ services.

### **Future prospects**

The time taken in getting innovative new products from concept to revenue production has been greater than originally envisaged. However, following the signing of significant new contracts and reduced pre-tax losses, the outlook remains encouraging and your Board believes we can look forward to further growth and improved revenues.

**Simon Richards**  
**Chairman**

**3 November 2003**

**Interim Report for the six months to 30th September 2003**  
**Consolidated Profit & Loss Account**

	(Unaudited) 6 Months ended 30 September 2003 £'000	(Unaudited) 6 Months ended 30 September 2002 £'000	(Audited) 12 Months Ended 31 March 2003 £'000
<i>Turnover</i>			
<i>Continuing operations</i>	507	132	621
	<u>507</u>	<u>132</u>	<u>621</u>
<i>Operating (loss)</i>			
<i>Continuing operations</i>	(324)	(194)	(905)
Net interest (payable)/receivable	(4)	5	2
	<u>(328)</u>	<u>(189)</u>	<u>(903)</u>
<i>Loss on ordinary activities before taxation</i>			
Taxation on loss on Ordinary activities	0	0	0
	<u>(328)</u>	<u>(189)</u>	<u>(903)</u>
Loss for the period	(328)	(189)	(903)
Dividends	0	0	0
	<u>(328)</u>	<u>(189)</u>	<u>(903)</u>
Retained loss for the period	(328)	(189)	(903)
	<u>(328)</u>	<u>(189)</u>	<u>(903)</u>
Loss per share	<u>(0.26p)</u>	<u>(0.33p)</u>	<u>(1.09p)</u>

**Interim Report for the six months to 30th September 2003**  
**Consolidated Balance Sheet**

	<b>(Unaudited)</b> <b>30 September</b> <b>2003</b>		<b>(Unaudited)</b> <b>30 September</b> <b>2002</b>		<b>(Audited)</b> <b>31 March</b> <b>2003</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Fixed Assets:</i>						
Intangible assets		639		1,000		684
Tangible assets		63		31		47
		<u>702</u>		<u>1,031</u>		<u>731</u>
<i>Current Assets:</i>						
Debtors	568		354		217	
Cash at bank and in hand	<u>53</u>		<u>173</u>		<u>43</u>	
	621		527		260	
<i>Creditors:</i>						
Amounts falling due within one year	<u>621</u>		<u>466</u>		<u>561</u>	
<i>Net</i>						
<i>Current Assets/(Liabilities):</i>		0		61		(301)
Total Assets less Current Liabilities		<u>702</u>		<u>1,092</u>		<u>430</u>
<i>Creditors:</i>						
Amounts falling due after more than one year		76		86		81
		<u>626</u>		<u>1,006</u>		<u>349</u>
<i>Capital and Reserves:</i>						
Called up share capital						
		3,048		2,413		2,444
Share premium account						
		216		189		215
Profit and loss account		(2,638)		(1,596)		(2,310)
Shareholders' Funds - Equity		<u>626</u>		<u>1,006</u>		<u>349</u>

**Notes:**

1. The interim financial statements for the six months ended 30 September 2003 have been prepared using accounting policies consistent with those set out in the annual report and accounts of Arc Risk Management Group Plc for the year ended 31 March 2003. The interim financial statements for the six months ended 30 September 2003 are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.
2. The figures for the year ended 31 March 2003 are extracted from the Company's statutory accounts for that year, which have been filed with the Registrar of Companies and contain a report from the auditors that is unqualified save as to matters of emphasis. Copies of the statutory accounts may be obtained from the Company or Seymour Pierce.
3. The loss per share for the six months ended 30 September has been calculated on the weighted average number of shares in issue during the period.
4. Copies of this interim financial statement will be available for at least one month from Seymour Pierce Limited., Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL.