

# CHIEFTAIN GROUP PLC

## PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

### CHAIRMAN'S STATEMENT

I am pleased to report that the Group enjoyed a very successful year in 2004, indicated by a return to full financial health following a disappointing 2003. On a turnover of £11.8 million, slightly ahead of the 2003 figure of £11.1 million, pre-tax profit for 2004 was £902,000 compared with a pre-tax loss of £458,000 in 2003. Basic earnings per share in 2004 were 8.75p compared with a basic loss per share of 3.96p in 2003.

#### Dividend

The Board is demonstrating its confidence in the future profitable expansion of the Group by recommending an increased final dividend of 2.0p per share. This brings the total dividend for 2004 to 3.0p per share compared with 2.5p in 2003. The Board's recommendation, together with a payment date of 20 May 2005, will be proposed at the forthcoming AGM on 6 May 2005.

#### Trading Outlook

During 2003 and 2004, we focused on the completion of a number of major contracts and the agreement of associated final accounts. The success of this exercise can be demonstrated by the transformation to a net cash position with funds in the bank of some £2 million. In addition, we have repaid loans to the founding directors in full.

The challenge now is to put the funds available to good use by building up new profitable business and so expanding the Group's turnover and profits in 2005 and future years.

This process has already started with particular emphasis on our Environmental business and Mechanical Services business. The Board considers that these two sectors offer strong growth opportunities as well as improved margins.

Services provided by the Environmental division include building surveys, encapsulation and removal of hazardous materials including all grades of asbestos. This is a highly regulated activity and has seen an increase in demand following legislation which came into force in May 2004. Until recently, the Group's activities were largely confined to the North East of England but they have now been rolled out to all parts of the United Kingdom and the Province of Northern Ireland.

Over the past two years the Group has expanded the services offered by its wholly owned subsidiary R. Blakett Charlton Limited from the fabrication and fitting of industrial pipework to the complete mechanical services package. This is a very large market and is in one which we see good opportunities for 2005 and beyond.

The Group continues to trade on its long established business of outfitting of sea-going vessels for the merchant and warship fleets together with oil and gas offshore platforms for the North Sea and elsewhere. The marine business is underpinned by long term contracts for outfitting of the Astute class of submarine. As reported previously the opportunities in the offshore market are very limited at the present time but the Group maintains its presence in this market.

### **Cash**

Our cash position has been transformed over the past eighteen months. Net cash inflow from operating activities was £2.5 million, up from £1.8 million in 2003.

At the end of 2003, net cash stood at £600,000 with loans to the founder Directors still outstanding. As at the end of 2004, net cash stood at £2,025,000 with all founder Directors' loans having been re-paid. We are now in the best cash position for several years to take advantage of the opportunities facing the Group.

### **Developments**

We have strengthened the Board with the appointment of two additional Directors. Mr Chris Fleetwood joined us in January 2005 in a non-executive capacity. Mr Fleetwood, aged 53, is a qualified accountant with strong general management experience. He was Chief Executive of Whessoe plc, one of the North East's major engineering companies which was acquired by a Swiss led consortium in 1997.

Mr Malcolm Oliver, aged 47, joined us in February 2005 as an Executive Director. Mr Oliver's career has been in the mechanical and electrical services field, primarily in the process industry. Until recently, he was Managing Director of Aker Kvaerner Engineering Services Limited, responsible for its engineering business in the United Kingdom and Benelux. He will be responsible for the Group's mechanical services activities based in a new facility we have established on Teesside.

The Directors are confident that these appointments, which substantially strengthen the Board, have been made at an opportune time as the Group expands its mechanical services activities.

### **Outlook and transfer to AIM**

Despite a slow start to 2005, we look forward with confidence to another successful year and the laying down of a solid foundation for significant growth in the next few years.

In addition the board has decided to make arrangements for the transfer of trading in the Company's shares from the Official List to AIM. AIM is a market designed for smaller growing companies and we believe is better suited to Chieftain's size and ambitions. We hope to complete the transfer during the first half of the year and will make further announcements in due course.

P Wardle  
Chairman  
8 March 2005

### **For further information please contact :**

#### **Chieftain Group plc**

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Stan Elliott, Finance Director	0191 2635544

#### **Buchanan Communications**

Eric Burns	01943 883990
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## Consolidated Profit and loss account For the year ended 31 December 2004

	Unaudited 2004 £'000	Audited 2003 £'000
TURNOVER	11,759	11,071
Cost of sales	(8,374)	(8,704)
<b>GROSS PROFIT</b>	<b>3,385</b>	<b>2,367</b>
Administrative expenses	(2,444)	(2,714)
<b>OPERATING PROFIT/(LOSS)</b>	<b>941</b>	<b>(347)</b>
Interest receivable	16	1
Interest payable	(55)	(112)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>902</b>	<b>(458)</b>
<b>TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>(140)</b>	<b>113</b>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>762</b>	<b>(345)</b>
Dividends paid and proposed	(261)	(218)
<b>TRANSFER TO/(FROM)RESERVES</b>	<b>501</b>	<b>(563)</b>
<b>BASIC EARNINGS/(LOSS) PER SHARE</b>	<b>8.75p</b>	<b>(3.96)p</b>
<b>DILUTED EARNINGS/(LOSS) PER SHARE</b>	<b>8.72p</b>	<b>(3.96)p</b>
<b>Statement of Group total recognised gains and losses</b>		
Profit/(loss) for the financial year	762	(345)
Exchange rate adjustments offset in reserves	-	96
Tax on exchange rate adjustments	-	(75)
<b>Total recognised gain/(loss) for the year</b>	<b>762</b>	<b>(324)</b>

**Consolidated Balance Sheets  
as at 31 December  
2004**

	GROUP		COMPANY	
	Unaudited 2004 £'000	Audited 2003 £'000	Unaudited 2004 £'000	Audited 2003 £'000
<b>FIXED ASSETS</b>				
Tangible assets	662	738	-	-
Investments	-	-	40	40
	<u>662</u>	<u>738</u>	<u>40</u>	<u>40</u>
<b>CURRENT ASSETS</b>				
Stocks and work in progress	206	1,237	-	-
Debtors	1,887	1,801	9,461	9,781
Cash at bank and in hand	2,025	600	-	68
	<u>4,118</u>	<u>3,638</u>	<u>9,461</u>	<u>9,849</u>
<b>CREDITORS</b>				
Amounts falling due within one year	(2,734)	(2,819)	(8,092)	(8,616)
<b>NET CURRENT ASSETS</b>	<u>1,384</u>	<u>819</u>	<u>1,369</u>	<u>1,233</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	2,046	1,557	1,409	1,273
<b>CREDITORS</b>				
Amounts falling due after more than one year	(48)	(60)	-	-
	<u>1,998</u>	<u>1,497</u>	<u>1,409</u>	<u>1,273</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	436	436	436	436
Share premium account	420	420	420	420
Profit and loss account	1,142	641	553	417
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<u>1,998</u>	<u>1,497</u>	<u>1,409</u>	<u>1,273</u>

## Consolidated Cash Flow Statement For the year ended 31 December 2004

		Unaudited 2004		Audited 2003
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		2,478		1,758
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	16		1	
Interest paid	(47)		(101)	
Interest element of finance lease rental payments	(8)		(11)	
		(39)		(111)
TAXATION				
Corporation tax paid	(177)		(70)	
Corporation tax refund	24		-	
		(153)		(70)
CAPITAL EXPENDITURE				
Purchase of tangible fixed assets	(16)		(25)	
Disposal of tangible fixed assets	55		24	
		39		(1)
EQUITY DIVIDENDS PAID		(218)		(218)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		2,107		1,358
FINANCING				
Capital element of finance lease rental payments	(82)		(118)	
Decrease in loans	(600)		-	
		(682)		(118)
INCREASE IN CASH IN THE YEAR		1,425		1,240

**Notes:****1 Earnings per share**

Basic and diluted earnings per share are based upon the profit/loss on ordinary activities after taxation.

Basic earnings per share is based upon 8,713,000 (2003 - 8,713,000 ) ordinary shares (being the weighted average number of shares in issue during the year.

Diluted earnings per share is based upon 8,736,086 (2003 - 8,713,000) ordinary shares (being the weighted average number of shares in issue during the year plus the weighted average number of dilutive options in issue during the year. Dilutive options are the difference between the number of shares that would have been issued at the option price and the number of shares that would have been issued at fair value.)

**2 Dividend paid and proposed**

	2004 £'000	2003 £'000
Ordinary - interim paid 1.0p (2003 - 1.0p )	87	87
- final proposed 2.0p (2003 - 1.5p )	174	131
	261	218

Record date 18 March 2005

Payment date 20 May 2005

- 3** The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2004 and 2003 within the meaning of section 240 of the Companies Act 1985. The figures in the preliminary announcement have been taken from the Group's draft financial statements for the year ended 31 December 2004 which will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement. Statutory accounts for the year ended 31 December 2003 have been delivered to the Registrar of Companies and the independent auditors' report on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2004 will be delivered to The Registrar of Companies in due course.
- 4** The annual report and accounts will be posted to shareholders shortly and thereafter copies of the report and accounts will be available from the Secretary , Chieftain Group plc, Chieftain House, Walker, Newcastle upon Tyne, NE6 3PJ.