

**Chieftain Group Plc (“Chieftain” or “the Group”)
Preliminary results for the year ended 31 December 2005**

Chieftain Group is an engineering services business, encompassing Engineering, Fabrication, Manpower Supply, Environmental Services and Outfitting. It is based in Newcastle-upon-Tyne with principal operations on Tyneside, Teesside and in Belfast.

Financial Highlights

- Turnover increased by 28% to £15.0 million (2004: £11.8 million)
- Pre-tax profit of £729,000 (2004: £902,000) despite slow start to year
- Second half pre-tax profit up 21% at £728,000 (2004 H2: £600,000)
- Full-year dividend up 17% at 3.5p (2004: 3.0p)
- Strong net cash position maintained at £2.1 million (2004: £2.0 million)

Operational Highlights

- Successful Engineering Services operation established on Teesside
- Prestigious maintenance contracts secured with BASF and px limited
- Current order book up 194% at £53 million (2004: £18 million)

Commenting on the results, Chief Executive, Bill Taylor, said:

“I am pleased to report that Chieftain made very strong progress in the second half of 2005 culminating in a 21% increase in second half pre-tax profit. Our successful engineering services business on Teesside has made excellent progress since it opened in February 2005 and has already secured contracts with several blue-chip clients.

Our current order book stands at £53 million, some 194% higher than as at the start of 2005, and current trading underpins our confidence in the future”.

Enquiries:

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Chairman's Statement

The Group has made substantial progress in the course of 2005 in its business development, activity levels, order book, cash resources and, in the second half of the year, profitability.

On a turnover of £15.0 million, compared with a turnover of £11.8 million in 2004, pre tax-profit for 2005 was £729,000, compared with a pre-tax profit in 2004 of £902,000. Basic earnings per share in 2005 were 5.73p compared with 8.75p in 2004.

As reported in our 2004 year end statement, we experienced a slow start to 2005. However, the depressed first half trading was more than compensated for by an outstanding second half. Turnover in first half was £4.7 million with a pre tax profit of only £1,000, whilst, in the second half, both turnover and pre-tax profit increased markedly, to £10.3 million and £728,000 respectively.

As an indication of the progress made during 2005, our workforce increased by some 300% from 75 to 300 as at the year end. This has increased yet further to in excess of 500 at the present time, helped by the securing of substantial business at our Teesside operation.

Dividend

The Board is again demonstrating its confidence in the future profitable expansion of the Group by maintaining its progressive dividend policy and recommending an increased final dividend of 2.25p per share. This brings the total dividend for 2005 to 3.50p per share compared with 3.00p per share in 2004, representing an increase of 17%.

Financial Overview

The Group continues to enjoy a very healthy cash position. As reported in our 2004 year end statement, we successfully completed a number of major contracts in 2003 and 2004 which resulted in a transformation of our net cash position to a positive balance of £2 million. We ended 2005 with a positive balance of £2.1 million and, despite a doubling of our turnover run-rate since the beginning of 2005, had no requirement to call upon our overdraft facility at any time during the year. Furthermore, we do not anticipate a need to call upon our overdraft facility during 2006.

Operating Review

Engineering

At the beginning of 2005, we set ourselves challenging targets to use our cash resources in the best interests of shareholders. We decided to target work in the Engineering Services sector, a natural extension of our pipe fabrication and general metal fabrication business carried out by R. Blackett Charlton, our wholly owned subsidiary.

During the year, we recruited a team of experienced personnel in this field led by Malcolm Oliver who joined the Chieftain Board in February 2005. To date, this team has secured three major term maintenance contracts with three blue chip companies with a total value of £38 million. Our aim is to develop long term relationships with these companies by providing a first class service and securing extensions to these contracts.

In addition, we are targeting other potential clients in the engineering services sector to provide growth in this business and to improve our visibility and quality of earnings.

Fabrication

The pipe fabrication facilities, the second mainstream activity of R. Blackett Charlton, are presently running at full capacity. We are now tendering to secure further work to maintain our levels of output in the second half of the year.

Manpower Supply

R. Blackett Charlton's third mainstream activity is the provision of skilled manpower for major engineering projects in the UK and Northern Europe. There is a growing demand for these services as construction companies find it increasingly difficult to source employees with appropriate skill levels, at the time they need them, sometimes in remote locations and often on short-term contracts. In these circumstances, R. Blackett Charlton has been successful in providing the level of service required and is presently in discussion with several other companies which we hope will lead to further contracts in 2006.

Environmental Services

Our Environmental division which provides services for the surveying, encapsulation and removal of hazardous materials including all grades of asbestos contaminated materials continues to grow. This market has been expanding following legislation which came into force in May 2004.

Outfitting

The Group continues to trade in 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 work on the Astute class of submarine.

Outlook

The establishment of an Engineering Services division and recruitment of a well-regarded specialist team has led to a significant upturn in the Group's prospects and much better earnings visibility going forward. We are now positioning Chieftain as a mainstream player in the industrial services field, supplemented by its existing operations which continue to trade satisfactorily.

The value of our order book has increased from £18 million at the end of 2004 to a present value of £53 million. Our rate of turnover has more than doubled from January 2005 to December 2005 and is continuing to increase in the early part of 2006. This expansion has been achieved entirely by organic means without any acquisitions and without the need for any additional financing.

Although we will continue to take advantage of any opportunities that may arise in our present business streams, we are also committed to exploring related activities elsewhere in the UK and in Northern Europe.

We have a professional and motivated team of directors and staff who are to be congratulated on the successes they have achieved in 2005. I believe they are the best people to take Chieftain into its next stage of development and have every confidence in their ability to deliver.

P Wardle
Chairman

21 March 2006

Consolidated Profit and loss account For the year ended 31 December 2005

	Unaudited 2005 £'000	2004 £'000
TURNOVER	15,016	11,759
Cost of sales	(11,343)	(8,374)
GROSS PROFIT	3,673	3,385
Administrative expenses	(2,980)	(2,444)
OPERATING PROFIT	693	941
Interest receivable	49	16
Interest payable	(13)	(55)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	729	902
TAX ON PROFIT ON ORDINARY ACTIVITIES	(230)	(140)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	499	762
BASIC EARNINGS PER SHARE	5.73p	8.75p
DILUTED EARNINGS PER SHARE	5.71p	8.72p
DIVIDEND PER SHARE	3.25p	2.50p

Balance Sheets

As at 31 December 2005

	GROUP		COMPANY	
	Unaudited 2005 £'000	Restated 2004 £'000	Unaudited 2005 £'000	Restated 2004 £'000
FIXED ASSETS				
Tangible assets	698	662	-	-
Investments	-	-	40	40
	<u>698</u>	<u>662</u>	<u>40</u>	<u>40</u>
CURRENT ASSETS				
Stocks and work in progress	305	206	-	-
Debtors	4,576	1,887	9,124	9,461
Cash at bank and in hand	2,145	2,025	-	-
	<u>7,026</u>	<u>4,118</u>	<u>9,124</u>	<u>9,461</u>
CREDITORS				
Amounts falling due within one year	(5,285)	(2,560)	(7,510)	(7,918)
NET CURRENT ASSETS	<u>1,741</u>	<u>1,558</u>	<u>1,614</u>	<u>1,543</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	2,439	2,220	1,654	1,583
CREDITORS				
Amounts falling due after more than one year	(51)	(48)	-	-
NET ASSETS	<u>2,388</u>	<u>2,172</u>	<u>1,654</u>	<u>1,583</u>
CAPITAL AND RESERVES				
Called up share capital	436	436	436	436
Share premium account	420	420	420	420
Profit and loss account	1,532	1,316	798	727
EQUITY SHAREHOLDERS' FUNDS	<u>2,388</u>	<u>2,172</u>	<u>1,654</u>	<u>1,583</u>

Consolidated Cash Flow Statement

For the year ended 31 December 2005

		Unaudited		
	£'000	2005	2004	£'000
		£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		832		2,478
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	49		16	
Interest paid	(1)		(47)	
Interest element of finance lease rental payments	(12)		(8)	
		36		(39)
TAXATION				
Corporation tax paid	(334)		(177)	
Corporation tax refund	-		24	
		(334)		(153)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of tangible fixed assets	(73)		(16)	
Disposal of tangible fixed assets	29		55	
		(44)		39
EQUITY DIVIDENDS PAID		(283)		(218)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		207		2,107
FINANCING				
Capital element of finance lease rental payments	(87)		(82)	
Decrease in loans	-		(600)	
		(87)		(682)
INCREASE IN CASH		120		1,425

Notes:

1 Earnings per share

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

Basic earnings per share is based upon 8,713,000 (2004 - 8,713,000) ordinary shares (being the weighted average number of shares in issue during the year).

Diluted earnings per share is based upon 8,743,384 (2004 - 8,736,086) 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

	2005 £'000	Restated 2004 £'000
Ordinary - interim paid 1.25p (2004 - 1.0p)	109	87
- final paid 2.0p (2004 - 1.5p)	<u>174</u>	<u>131</u>
	<u>283</u>	<u>218</u>

In addition the Directors are proposing a final dividend in respect of the financial year ending 31 December 2005 of 2.25p per ordinary share which will absorb an estimated £196,000 of shareholders funds. If approved at the Annual General Meeting it will be paid on 2 June 2006 to those shareholders on the Company`s register on 31 March 2006.

3 Prior year adjustment

The prior year adjustment relates to the implimentation of FRS 21, "Events after the balance sheet date".

This has resulted in an increase in shareholders` funds of £174,000 at 1January 2005 (2004 -£131,000) after the write back of the dividend proposed at 31 December 2004.

- 4 The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2005 and 2004 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 2005 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 2004 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 2005 will be delivered to The Registrar of Companies in due course.
- 5 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.