

PRESS ANNOUNCEMENT



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13 August 2007

INTERIM RESULTS 2007

Chieftain Group plc ("Chieftain" or the "Group"), the engineering services group, is pleased to announce its interim results for the six months to 30 June 2007.

Highlights

- Turnover increased at £21.6 million (2006: £16.9 million) – up 28%
- Pre-tax profits improved to 1.05 million (2006: £732,000) – up 43%
 - Exceptional non-cash gain arising from acquisition of Kevin Lloyd Ltd £237,000
 - Profit before tax and exceptional gains £810,000 (2006: £732,000)
- Basic earnings per share of 8.25p (2006: 5.76p) – up 43%
- Interim dividend per share raised to 2.5p (2006: 2.0p) – up 25%
- Order book increased to £60 million (2006: £55 million)
- Significant cash balances, despite ongoing investment and internal acquisition funding

Engineering

- Solid overall performance, supported by strong growth in Manpower Services
- Well positioned for further growth

Outfitting

- Marine business underpinned by long term Astute submarine contracts
- Potential growth opportunities arising from Government's new M.O.D spend commitment

/More...

Bill Taylor, Chief Executive of Chieftain, said: “Notwithstanding the considerable progress we have already made, this is an exciting time for Chieftain. The engineering business has moved into the second phase of its strategic development and we are tendering for large non-term projects. We are also expanding the scope of manpower services in both the Engineering and Marine Outfitting sectors. There is clear visibility in the order book for marine outfitting with the Astute programme and other opportunities in the defence sector are also being pursued.

“The Board believes that the Group is now well positioned to deliver solid results year on year with the potential for considerable upside from other opportunities, based on our core skills and sectors”.

...Ends...

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CHAIRMAN'S STATEMENT

It gives me great pleasure to report another impressive result for Chieftain and one which demonstrates the ongoing success of our strategy to expand both organically and by suitable acquisition.

RESULTS

Turnover in six months to 30 June 2007 rose to £21.6 million (2006: £16.9m) – an increase of over 28%. Profit before tax and exceptional items exceeded budget rising to £810,000 compared with £732,000 in the corresponding period last year. In addition, an exceptional non-cash gain of £237,000 resulting from the acquisition of Kevin Lloyd Ltd improved profits further, giving a pre-tax profit of £1,047,000 (2006: £732,000).

This increase in profits was particularly pleasing as it was achieved during a challenging period of rapid sales growth with the integration of our recent acquisitions Kevin Lloyd Ltd and Bringover.

The Group continued to enjoy a robust cash position with a £3 million positive balance at the end of the reporting period. This is a notable achievement, considering such a rapid increase in turnover combined with the internal funding of the recent acquisitions. The Group's bank overdraft facility of £1.5 million was not used at any time during the period under review.

Earnings in the first half of 2007 were 8.25p per share compared with 5.76p per share in 2006.

DIVIDEND

The Board is again demonstrating its confidence in the continued and increasing profitability of the Group by maintaining its progressive dividend policy and declaring an interim dividend of 2.5p per ordinary share (2006: 2.0p). This represents a 25% increase on the corresponding interim dividend in 2006.

OPERATING REVIEW

The Group operates in three main business sectors – Engineering, Marine Outfitting and Environmental Services. The order book value at the end of June 2007 increased to £60 million from £55 million at the same time last year.

Engineering

The Engineering sector of the business has seen major expansion following our decision in 2005 to enter into engineering services providing a range of services to 'blue chip' process and power plant operators. We continued to service a range of long term maintenance contracts during 2007 which underpins this division of the Company. In addition to the regular work we are benefiting this year from additional work occasioned from major overhauls during process plant 'shut-downs'.

The two Tyneside fabrication facilities operated by R. Blackett Charlton Ltd, a wholly owned subsidiary of the Group, are performing well. The pipe fabrication facility level of activity has increased from the beginning of the year following receipt of new contracts but still has some surplus capacity. The general fabrication shops are currently working at full capacity following receipt of orders for large scale industrial dampers for power plants which is now being developed as one of our specialist products.

The Manpower Supply business has expanded significantly in the past three years fuelled by client preference to outsource their labour requirements both in the UK and in Northern Europe. We anticipate this trend to continue and have strengthened our management team to expand further within this sector of our business.

We have now consolidated into this sector of the Group the two recent acquisitions of Bringover and Kevin Lloyd Ltd. Whilst it is early days we are very pleased with the integration of these two businesses into the Group and the cooperation of the employees we have inherited. We are confident of a net contribution from each company to the bottom line in this their first full year of trading.

Environmental Services

This is now a relatively small division of the Group operating from bases in Newcastle and Belfast. As previously reported we have experienced a reduction in demand for the services we offer and have consequently reduced our cost base. We do however wish to maintain this division providing it contributes positively to Group results.

Outfitting

Marine Outfitting continues to be a core business for the group. As last year, the focus in the first half has been on the long term contracts for work on the Astute class of submarine. This is a competitive market, but we continue to seek opportunities in the defence and oil and gas sectors. In particular, we are working very closely with BAE Systems on future projects for the M.O.D. and hope to make an announcement about these in the near future. With our office in Barrow-in-Furness as a base, we are also expanding the provision of Manpower Supply into the North West and Marine Outfitting in particular.

OUTLOOK

The industrial market place in which we operate offers opportunities for the Group to expand further by both organic growth and acquisition. Our success in the latter, and given our robust cash position, has encouraged the Board to seek other acquisition opportunities.

Notwithstanding the considerable progress we have already made, this is an exciting time for Chieftain. The Engineering business has moved into the second phase of its strategic development and we are tendering for large non-term projects. We are also expanding the scope of Manpower Supply in both the Engineering and Marine Outfitting sectors. There is clear visibility in the order book for Marine Outfitting with the Astute programme and other opportunities in the defence sector are also being pursued.

The Board believes that the Group is now well positioned to deliver solid results year on year with the potential for considerable upside from other opportunities based on our core skills and sectors.

We have a first class executive board and management team and I am sure all shareholders would join me in congratulating them on their achievements and wish them continued success in the future.

P Wardle
Chairman

13 August 2007

CONSOLIDATED INCOME STATEMENT

| | Unaudited 6 months ended 30 June 2007 £'000 | Unaudited 6 months ended 30 June 2006 £'000 | Audited 12 months ended 31 Dec 2006 £'000 |
|---|---|---|---|
| Turnover | | | |
| Continuing operations | 20,840 | 16,858 | 32,813 |
| Acquisitions | 724 | - | 89 |
| | 21,564 | 16,858 | 32,902 |
| Operating profit / (loss) | | | |
| Continuing operations | 717 | 682 | 1,495 |
| Acquisitions | 43 | - | (68) |
| | 760 | 682 | 1,427 |
| Operating profit before exceptional items | | | |
| Exceptional items | 237 | - | - |
| | 997 | 682 | 1,427 |
| Operating profit | | | |
| Finance income | 58 | 63 | 95 |
| Finance costs | (8) | (13) | (16) |
| | 1,047 | 732 | 1,506 |
| Profit before tax | | | |
| Taxation | (325) | (229) | (464) |
| | 722 | 503 | 1,042 |
| Profit for the period | | | |
| Earnings per share | | | |
| Basic | 8.25p | 5.76p | 11.91p |
| Diluted | 8.16p | 5.75p | 11.88p |
| Dividends per share | 2.5p | 2.0p | 4.25p |
| Consolidated statement of recognised income and expense | £'000 | £'000 | £'000 |
| Issue of ordinary share capital | - | 11 | 11 |
| Adjustment in respect of employee share schemes | 13 | - | 13 |
| | 13 | 11 | 24 |
| Net income recognised directly in equity | | | |
| Profit for the period | 722 | 503 | 1,042 |
| | 735 | 514 | 1,066 |
| Total recognised income for the period attributable to equity shareholders | | | |

CONSOLIDATED BALANCE SHEET

| | Unaudited 6 months ended 30 June 2007 £'000 | Unaudited 6 months ended 30 June 2006 £'000 | Audited 12 months ended 31 Dec 2006 £'000 |
|-----------------------------------|---|---|---|
| Non-current assets | | | |
| Intangible assets | 23 | - | 25 |
| Property, plant and equipment | 1,133 | 753 | 982 |
| Deferred tax asset | 60 | 65 | 60 |
| | <u>1,216</u> | <u>818</u> | <u>1,067</u> |
| Current assets | | | |
| Inventories | 1,816 | 88 | 708 |
| Trade and other receivables | 5,104 | 4,937 | 3,312 |
| Cash and cash equivalents | 3,058 | 3,666 | 3,772 |
| | <u>9,978</u> | <u>8,691</u> | <u>7,792</u> |
| Current liabilities | | | |
| Trade and other payables | (6,908) | (6,458) | (5,351) |
| Corporation tax | (727) | (321) | (421) |
| | <u>(7,635)</u> | <u>(6,779)</u> | <u>(5,772)</u> |
| Non-current liabilities | | | |
| Other creditors | (5) | (24) | (5) |
| | <u>(5)</u> | <u>(24)</u> | <u>(5)</u> |
| Net assets | <u>3,554</u> | <u>2,706</u> | <u>3,082</u> |
| Capital and Reserves | | | |
| Called up equity share capital | 438 | 438 | 438 |
| Share premium account | 429 | 429 | 429 |
| Profit and loss account | 2,687 | 1,839 | 2,215 |
| Equity Shareholders' Funds | <u>3,554</u> | <u>2,706</u> | <u>3,082</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | |
|----------------------------------|--------------|
| Balance at 1 January 2007 | 3,082 |
| Profit for the period | 722 |
| Dividends paid | (263) |
| Employee share option schemes | 13 |
| Balance at 30 June 2007 | <u>3,554</u> |

CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited 6 months ended 30 June 2007 | | Unaudited 6 months ended 30 June 2006 | | Audited 12 months ended 31 Dec 2006 | |
|---|--|--------------|--|--------------|--|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cash flows from operating activities | | | | | | |
| Cash (used in)/generated from operations | (99) | | 1,833 | | 2,593 | |
| Interest and finance charges paid | (8) | | (13) | | (16) | |
| Tax paid | (19) | | (30) | | (160) | |
| | | | | | | |
| Net cash (used in)/generated from operating activities | | (126) | | 1,790 | | 2,417 |
| Cash flows from investing activities | | | | | | |
| Acquisition of businesses | (123) | | | | (211) | |
| Proceeds on disposal of property, plant and equipment | 12 | | 3 | | 3 | |
| Purchase of property, plant and equipment | (245) | | (114) | | (252) | |
| Interest received | 58 | | 63 | | 95 | |
| | | | | | | |
| Net cash used in investing activities | | (298) | | (48) | | (365) |
| Cash flow from financing activities | | | | | | |
| Proceeds from issuing ordinary share capital | - | | 11 | | 11 | |
| Decrease in finance lease obligations | (27) | | (36) | | (64) | |
| Dividends paid to the company's shareholders | (263) | | (196) | | (372) | |
| | | | | | | |
| Net cash used in financing activities | | (290) | | (221) | | (425) |
| | | | | | | |
| Net changes in cash and cash equivalents | | (714) | | 1,521 | | 1,627 |
| | | | | | | |
| Cash and cash equivalents at the beginning of the period | | 3,772 | | 2,145 | | 2,145 |
| | | | | | | |
| Cash and cash equivalents at the end of the period | | 3,058 | | 3,666 | | 3,772 |

NOTES

1. Accounting standards and interpretations

The IFRS financial information presented in this statement has been prepared on the basis of the policies the directors expect to adopt for the Group's first full IFRS financial statements for the year to 31 December 2007. These policies include all prevailing and applicable IFRS including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees up to 13 August 2007. These standards and interpretations are subject to ongoing amendment by the IASB, and the subsequent endorsement by the European Commission and are therefore subject to possible change.

Further standards and interpretations may also be issued that will be applicable for financial years beginning on or after 1 January 2007 or that will be applicable to later accounting periods but may be adopted early. The Group's first IFRS financial statements may, therefore, be prepared in accordance with different accounting policies to those used to prepare the financial information presented in this announcement. In addition there may be changes in the common approaches currently adopted and the final application of IFRS in the financial statements for the year to 31 December 2007 may be subject to change.

2. Transition to IFRS

Set out below, in accordance with the provisions of IFRS1, 'First time adoption of International Financial Reporting Standards' are the identified GAAP differences from UK GAAP to IFRS.

i) Segmental reporting

The Group previously followed Schedule 4 of the Companies Act 1985 and SSAP25 'segmental reporting' each of which contain an exemption from the disclosure requirements where disclosure would be seriously prejudicial to the group's interests. IAS4 'segmental reporting' provides that one basis of segmentation is primary and the other is secondary and should be based on management's approach to organising the business. The change to IAS14 approach is presentational and has no impact on the primary statements.

ii) Long term contracts

The presentation in the balance sheet differs between UK GAAP and IFRS. Under IAS11 'construction contracts', an asset is shown for the gross amount due from customers for contract work. Under SSAP9 'long term contracts' the asset (net of payments on account) is split between debtors ('amounts receivable on contracts') and stocks ('long term contract balances').

iii) Business combinations

Under both IFRS3 'business combinations' and FRS10 'goodwill and intangible assets', goodwill arising on an acquisition is treated as an asset. IFRS3 does not permit the annual amortisation of goodwill but does require an annual impairment review of carrying values. IFRS3 does not use the term 'negative goodwill' and, instead, terms it as 'excess of acquirer's interest in the net for value of acquirers identifiable assets' and requires it to be taken to the income statement in the year of acquisition.

iv) Deferred tax

IAS12 'Income taxes' has a wider scope for recognising deferred tax than FRS19 'deferred taxation' and requires full provision for all taxable temporary differences between the carrying amount of the group's assets and liabilities are their tax bases. The approach to providing deferred tax under IAS12 compared to UK GAAP results in more deferred tax assets and liabilities being recognised on the balance sheet. A principal change in presentation is that deferred tax assets and liabilities included within debtors and creditors respectively under UK GAAP, are separately classified within 'non-current assets' are 'non-current liabilities' under IFRS.

v) Holiday pay accrual

Under IAS19 'employee benefits' an accrual is recognised for employee annual leave accrued, but not taken, at each balance sheet date.

NOTES

2. Transition to IFRS (continued)

vi) Cash flow statement

Under IAS7 'cash flow statements', movements on cash and cash equivalents are reconciled; under FRS1 (revised 1996) 'cash flow statements' the statement reconciles cash only. The change to IAS7 approach makes no difference to the levels of free cash generated by the group.

vii) Share based payment

Share options granted on or before 7 November 2002 and vested before 1 January 2005, do not require restatement in accordance with the election available within IFRS2 'share based payment'.

The net impact of i) to vii) above on opening reserves is, in the opinion of management, deemed immaterial and hence no transition statements have been presented.

3. Exceptional items

Exceptional items are those which, because of their nature and materiality, merit separate presentation to allow a better understanding of the Group's financial performance (See note 7).

4. Business analysis

| | Unaudited 6 months ended 30 June 2007 | Unaudited 6 months ended 30 June 2006 | Unaudited 12 months ended 31 Dec 2006 |
|--|--|--|--|
| | £'000 | £'000 | £'000 |
| Revenue by business segment | | | |
| Engineering | 17,662 | 14,048 | 26,891 |
| Environmental services | 670 | 1,000 | 2,012 |
| Marine outfitting | 3,232 | 1,810 | 3,999 |
| | <u>21,564</u> | <u>16,858</u> | <u>32,902</u> |
| Operating profit/(loss) by business segment | | | |
| Engineering | 677 | 581 | 1,048 |
| Environmental services | (43) | 30 | 129 |
| Marine outfitting | 126 | 71 | 250 |
| | <u>760</u> | <u>682</u> | <u>1,427</u> |
| Revenue by geographic segment | | | |
| United Kingdom | 17,456 | 14,609 | 26,286 |
| Other European countries | 4,108 | 2,249 | 6,616 |
| | <u>21,564</u> | <u>16,858</u> | <u>32,902</u> |
| Operating profit by geographic segment | | | |
| United Kingdom | 412 | 582 | 1,054 |
| Other European countries | 348 | 100 | 373 |
| | <u>760</u> | <u>682</u> | <u>1,427</u> |

NOTES

5. Earnings per share

Basic earnings per share is based upon the profit on ordinary activities after taxation and 8,758,500 (2006: 8,737,750) ordinary shares (the weighted average number of shares in issue during the period).

Diluted earnings per share is based upon the profit on ordinary activities after taxation and 8,852,015 (2006: 8,753,299) ordinary shares (the weighted average number of shares in issue during the period plus the weighted average number of dilutive options in issue during the period).

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).

6. Dividends

The interim dividend is payable on 5th October 2007 to those shareholders on the Company's register on 24th August 2007.

The total cost of the interim dividend is £218,962 (2006: £175,170) based on 8,758,500 ordinary shares in issue (2006: 8,758,500).

7. Acquisition during the period

On 2 March 2007 the Group acquired 100% of the share capital of Kevin Lloyd Ltd, an engineering business based on Teesside. The acquired business contributed revenue of £724,000 and profit before tax of £43,000 to the Group for the period from 2 March to 30 June 2007.

Details of net assets acquired and goodwill are as follows:-

| | | |
|--|-------------------|-----------------------------------|
| | £'000 | |
| Cash paid | 200 | |
| Direct costs relating to the acquisition | <u>29</u> | |
| Total purchase consideration | 229 | |
| Fair value of net assets acquired | <u>466</u> | |
| Excess recognised in profit and loss | <u><u>237</u></u> | |
| | Fair value | Acquiree's carrying amount |
| | £'000 | £'000 |
| Cash and cash equivalents | 106 | 106 |
| Inventories | 40 | 40 |
| Trade and other receivables | 560 | 560 |
| Property, plant and equipment | <u>36</u> | <u>45</u> |
| Total assets | <u>742</u> | <u>751</u> |
| Trade and other payables | <u>(276)</u> | <u>(276)</u> |
| Net assets acquired | <u><u>466</u></u> | <u><u>475</u></u> |
| | 229 | |
| Purchase consideration settled in cash | (106) | |
| Cash and cash equivalents in subsidiary acquired | <u>123</u> | |
| Cash outflow on acquisition | <u><u>123</u></u> | |

The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets.

8. Full accounts for the year to 31 December 2006

The Company's full accounts for the year to 31 December 2006 received an unqualified Auditor's report and have been filed with the Registrar of Companies. Copies can be obtained from the Company's registered office at Chieftain House, White Street, Walker, Newcastle upon Tyne NE6 3PJ.