

## RNS ANNOUNCEMENT



**Embargoed for 07.00 hours**

**18 March 2008**

### **PRELIMINARY RESULTS 2007**

Chieftain Group plc ("Chieftain" or the "Group"), the industrial and engineering support services Group, announces its preliminary results for the year ended 31 December 2007.

#### **Highlights**

- Turnover rose by 39% to £46 million (2006: £33 million)
- Pre-tax profits increased by 40% to £2.1 million (2006: £1.5 million)
- Basic earnings per share up 47% at 17.16p (2006: 11.66p)
- Biggest ever order book totalling £69 million
- Strong cash position - £5.3 million at year end
- Final dividend per share of 4.5p (2006: 3.0p) - up 50%

Bill Taylor, Chief Executive of Chieftain, said: "This has been an outstanding year for Chieftain with the Group achieving record results. The Board's strategy to develop the business through its core skills is proving very successful and we are continuing to win high quality long term contracts. Having already secured clear visibility of the order book, I believe that the Group is in great shape to capitalise further on the excellent opportunities which are presenting themselves."

...Ends...

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## CHAIRMAN'S STATEMENT

At the beginning of 2005 we decided to target work in the engineering services sector, a natural extension of our engineering fabrication business. What a wise decision this has proved to be. In the past three years our turnover has tripled, our pre tax profit has tripled and our order book has quadrupled. That momentum has carried forward into 2008.

Our results for the reporting year of 2007 can be summarised as follows:

- Turnover £46 million (2006 - £33 million)
- Pre tax profit £2.1 million (2006 - £1.5 million)
- Cash at year end £5.3 million (2006 - £3.8 million)
- Basic earnings per share 17.16p (2006 - 11.66p)
- Recommended total dividend per share 7p (2006 - 5p)
- Order book £69 million (2006 - £68 million)

### 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 4.5p per share (2006 – 3.0p). This brings the total dividend for 2007 to 7.0p per share which represents an increase of 40% over the 2006 comparative of 5.0p. The dividend cover is 2.3 x compared with 2.4 x in 2006.

### Financial Overview

Our activities generated a cash inflow of £1.6 million during the year which, after the outlay of £0.23 million for the purchase of Kevin Lloyd Limited, a capital expenditure of £0.47 million, and paid dividends of £0.48 million, served to further enhance our very healthy cash position to a net balance of £5.3 million against £3.8 million the year previous. It was not necessary to make use of any of our bank overdraft facility at any time during the reporting year.

### Operating Review

In 2007, our core businesses continued to be Engineering and Outfitting, both of which have exceeded our expectations since the interim results announced in August 2007.

The Engineering division provides asset maintenance in the process and energy sectors on long term contracts; supplies general and pipework fabrication to the offshore oil and gas, process and energy industry; and provides skilled manpower to clients engaged in engineering projects around the world.

The Outfitting division is one of the UK's leaders in the supply of insulation, scaffolding, painting and architectural services to sea-going vessels for merchant and warship fleets and oil and gas offshore platforms.

The Group retains a small environmental management business, principally for local authorities in Northern Ireland.

### Engineering

This sector of the Group's business has been highly successful during the year and a major contributor to Group profits. The term maintenance contracts were very efficiently managed and we were successful in securing one additional contract increasing our portfolio to seven. We are also tendering for defined project work and are very hopeful of securing some major work in the near future.

Shop fabrication work was a somewhat mixed bag with our general fabrication business experiencing an extremely busy year and pipework fabrication unable to secure sufficient work to fill its facilities to full capacity. We do however see the general fabrication department continuing at its present level of output and that we will succeed in increasing the utilisation of the pipework facility capacity.

There has been a strong demand for our manpower supply services. A significant proportion of this was for the supply of British skilled tradesmen to Norway. We have recently joined an engineering cluster which will serve to promote the Group's services in the Scandinavian oil and gas sector. To further strengthen our position we have appointed a resident Norwegian agent.

We acquired the assets of Bringover Limited in the latter part of 2006. This wholly owned subsidiary is a turbine, compressor, valve and generator maintenance provider. We moved this operation into larger premises on Teesside which now also provides the operational centre for all our Teesside activities. This relocation has been much appreciated by our international clients based in the area.

We acquired Kevin Lloyd Limited this year primarily as a vehicle to promote our services in the steelworks on Teesside. Unfortunately the steelworks owner decided to take their maintenance services 'in-house' and the majority of the Kevin Lloyd Limited employees were transferred into the employment of the steelworks. We therefore decided to cease further trading under the Kevin Lloyd Limited banner. Whilst Kevin Lloyd Limited shows a small operating loss for the year, this is more than offset by a substantial exceptional profit on the acquisition.

### **Environmental Services**

This is now a relatively small part of the overall business of the Group. We explained in a previous statement that it is now a very mature activity in the UK. We have however retained the expertise in the Group and continue to service this market primarily in Northern Ireland.

### **Outfitting**

The Group continues to trade in one of the longest established sectors of its business, the outfitting of sea going vessels for both the merchant and warship fleets and oil and gas offshore platforms for the North Sea and elsewhere. The warship business is underpinned by a long term contract for work on the Astute class submarines being built by BAE in Barrow-in-Furness. We have been advised by BAE of its intention to extend its alliance contract with us to include Astute Boat 4. We continue to cooperate with the lead yards by providing tenders for sections of the work on the two aircraft carriers being built for the Royal Navy. These contracts will be placed during 2008.

Due to the increase in the value of oil and gas we are now witnessing an increase in activity for equipment to be built for exploration and production in this sector which could benefit the Group during 2008.

### **Outlook**

We look forward to the immediate future and the medium to long term future with great confidence. We believe we are in the right markets at the right time and with the financial and management resources to take advantage of opportunities which will come our way.

Our key end markets are marine, power, oil and gas and process plant; all of which have provided proven opportunity for growth in 2007 and continue to do so in 2008. Our strategy is based around the delivery of a core group of skills to long-term clients in our established markets. We have built an excellent reputation for delivering these vital engineering and industrial services, and this is backed up by the results.

We entered 2008 with an order book at a record £69 million, giving us a strong view of prospects for 2008 and well into 2009, and in some cases well beyond that. In addition, we are presently involved with a series of major projects, which if successful would boost forward order value and visibility even further.

I would like thank all our staff and the executive board for their hard work and achievements in 2007.

**P Wardle**  
Chairman

18 March 2008

## Consolidated Income Statement For the year ended 31 December 2007

	Note	Continuing operations 2007 £'000	Acquisitions 2007 £'000	Total 2007 £'000	Total 2006 £'000
Revenue		44,268	1,559	45,827	32,902
Cost of sales		(37,568)	(1,327)	(38,895)	(27,271)
<b>Gross profit</b>		<b>6,700</b>	<b>232</b>	<b>6,932</b>	<b>5,631</b>
Administrative expenses		(4,961)	(237)	(5,198)	(4,236)
<b>Operating profit/(loss) before exceptional items</b>		<b>1,739</b>	<b>(5)</b>	<b>1,734</b>	<b>1,395</b>
Exceptional items	1			237	-
<b>Operating profit</b>				<b>1,971</b>	<b>1,395</b>
Finance income				111	95
Finance costs				(5)	(16)
<b>Profit before income tax</b>				<b>2,077</b>	<b>1,474</b>
<b>Income tax expense</b>				<b>(574)</b>	<b>(454)</b>
<b>Profit for the year attributable to equity holders</b>				<b>1,503</b>	<b>1,020</b>
<b>Earnings per share for profit attributable to the equity holders of the company during the year</b>					
-basic	2			<b>17.16p</b>	11.66p
-diluted	2			<b>16.99p</b>	11.63p
<b>Dividends per share</b>	3			<b>5.50p</b>	4.25p

## Consolidated Statement of Recognised Income and Expense for the year ended 31 December 2007

	<b><u>2007</u></b> <b><u>£'000</u></b>	2006 <u>£'000</u>
Revaluation of property plant and equipment	410	-
Impact of revaluation on deferred tax	(115)	-
	<hr/>	<hr/>
<b>Net income recognised directly in equity</b>	<b>295</b>	-
Profit for the year attributable to equity holders	<b>1,503</b>	1,020
	<hr/>	<hr/>
<b>Total recognised income for the year</b>	<b>1,798</b> <b>=====</b>	1,020 <b>=====</b>

## Consolidated Balance Sheet As at 31 December 2007

	2007		2006
	£'000	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,627		982
Intangible assets	25		25
Deferred tax assets	117		70
		<b>1,769</b>	<b>1,077</b>
<b>Current assets</b>			
Inventories	968		708
Trade and other receivables	4,444		3,312
Cash and cash equivalents	5,335		3,772
		<b>10,747</b>	<b>7,792</b>
<b>Total assets</b>		<b>12,516</b>	<b>8,869</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	(1)		(5)
Deferred tax liabilities	(115)		-
		<b>(116)</b>	<b>(5)</b>
<b>Current liabilities</b>			
Trade and other payables	(7,463)		(5,337)
Current tax liabilities	(511)		(421)
Borrowings	(7)		(46)
		<b>(7,981)</b>	<b>(5,804)</b>
<b>Total liabilities</b>		<b>(8,097)</b>	<b>(5,809)</b>
<b>Net assets</b>		<b>4,419</b>	<b>3,060</b>
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		438	438
Share premium		429	429
Other reserves		293	-
Retained earnings		3,259	2,193
<b>Total equity</b>		<b>4,419</b>	<b>3,060</b>

## Consolidated Cash Flow Statement For the year ended 31 December 2007

	<b>2007</b> <b>£'000</b>	2006 <b>£'000</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>3,076</b>	2,593
Interest paid	<b>(2)</b>	(8)
Interest received	<b>111</b>	95
Interest element of finance lease rental payments	<b>(3)</b>	(8)
Income tax paid	<b>(533)</b>	(160)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>2,649</b>	2,512
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary net of cash acquired	<b>(123)</b>	(211)
Purchases of property, plant and equipment (PPE)	<b>(471)</b>	(252)
Proceeds from sale of PPE	<b>38</b>	3
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(556)</b>	(460)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares (net)	<b>-</b>	11
Repayments of borrowings	<b>(48)</b>	(64)
Dividends paid to company's shareholders	<b>(482)</b>	(372)
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<b>Net cash used in financing activities</b>	<b>(530)</b>	(425)
<b>Net increase in cash, cash equivalents</b>	<b>1,563</b>	1,627
Cash and cash equivalents At 1 January	<b>3,722</b>	2,145
	<hr/>	<hr/>
<b>Cash and cash equivalents At 31 December</b>	<b>5,335</b>	3,772
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## Notes

### 1 Exceptional Items

On 2 March 2007 the Group acquired 100% of the share capital of Kevin Lloyd Limited, an engineering business based on Teesside.

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

	<u>£'000</u>
Cash paid	200
Direct costs relating to the acquisition	29
Total purchase consideration	229
Fair value of net assets acquired	466
Excess recognised in profit and loss	<u>237</u>

### 2 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighed average number of ordinary shares during the year.

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Profit attributable to equity holders of the company	<u>1,503</u>	<u>1,020</u>
Weighted average number of ordinary shares in issue (thousands)	<u>8,759</u>	<u>8,748</u>
<b>Basic earnings per share (p per share)</b>	<u><b>17.16</b></u>	<u>11.66</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares : share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Profit attributable to equity holders of the company	<u>1,503</u>	<u>1,020</u>
Weighted average number of ordinary shares in issue (thousands)	<u>8,759</u>	<u>8,748</u>
Adjustments for:		
- share options (thousands)	<u>89</u>	<u>20</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u><b>8,848</b></u>	<u>8,768</u>
<b>Diluted earnings per share (p per share)</b>	<u><b>16.99</b></u>	<u>11.63</u>

**3 Dividends paid**

	<b>2007</b>	2006
	<b><u>£'000</u></b>	<u>£'000</u>
Ordinary – interim paid 2.5p (2006 – 2.00p)	<b>219</b>	175
– final paid 3.00p (2006 – 2.25p)	<b><u>263</u></b>	<u>197</u>
	<b><u>482</u></b>	<u>372</u>

In addition the Directors are proposing a final dividend in respect of the financial year ending 31 December 2007 of 4.5p per ordinary share which will absorb an estimated £394,000 of equity holders' funds. If approved at the Annual General Meeting it will be paid on 30 May 2008 to those shareholders on the Company's register on 28 March 2008.

- 4 The financial information set out above does not constitute the Group's statutory accounts for the year ended 31 December 2007. While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards, this announcement itself does not contain sufficient information to comply with International Financial Reporting Standards. The Group expect to publish full financial statements that comply with International Financial Reporting Standards in April 2008.

The financial information for the year ended 31 December 2006 is derived (after adjustments for International Financial Reporting Standards) from the latest statutory accounts, which have been delivered to the Registrar of Companies. The Report of the auditors on those filed accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The results for the year ended 31 December 2007 have been prepared on the basis of the accounting policies under International Financial Reporting Standards applicable at 31 December 2007.

The statutory accounts for the year ended 31 December 2007 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, White Street, Walker, Newcastle upon Tyne, NE6 3PJ.