

CHIEFTAIN GROUP PLC



ANNUAL REPORT AND ACCOUNTS 2002

CHIEFTAIN GROUP PLC

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Directors and Advisers

Directors	<p>Peter Wardle (Non-executive Chairman)</p> <p>William Platt Taylor (Chief Executive)</p> <p>Stanley Elliott (Finance Director and Company Secretary)</p> <p>John Frederic Dawson (Independent Non-executive)</p> <p>Laurence George Adams (Director - appointed 1 March 2003)</p> <p>Anthony William Cutchie (Director - appointed 1 March 2003)</p> <p>Raymond Johnson (Director - appointed 1 March 2003)</p>
Company Secretary	Stanley Elliott FCMA
Registered Office	Chieftain House White Street Walker Newcastle upon Tyne NE6 3PJ
Registered Number	1455149
Sponsors, Financial Advisers and Corporate Stockbrokers	Brewin Dolphin Securities Ltd 34 Lisbon Street Leeds LS1 4LX
Auditors	PricewaterhouseCoopers LLP 89 Sandyford Road Newcastle upon Tyne NE99 1PL
Solicitors	Dickinson Dees St Ann's Wharf 112 Quayside Newcastle upon Tyne NE99 1SB
Bankers	Barclays Bank PLC Dobson House Regent Centre Gosforth Newcastle upon Tyne NE3 3PS
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Notice of Meeting

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF Chieftain Group plc will be held in Chieftain's premises at White Street, Walker, Newcastle upon Tyne NE6 3PJ on 23 May 2003 at 1.00pm for the following purposes:

1. To receive the Report and Accounts for the year ended 31 December 2002.
2. To approve the Remuneration Committee report for the year ended 31 December 2002.
3. To declare a final dividend of 1.5p per ordinary share.
4. To re-elect as a Director Mr S Elliott who retires by rotation. Mr Elliott, joined the Company in 1985, having previously worked for Cape Industries, where he was latterly the Finance Director and Company Secretary of Hunting Painting Contractors Ltd, one of its subsidiaries. He has a service contract with a notice period in his favour of 2 years.
5. To re-elect as a Director Mr J F Dawson who retires by rotation. Mr Dawson joined the Company in 1995 having spent 33 years with Yorkshire Chemicals plc, the final 18 of which were as Group Technical Director. He is a member of the remuneration committee and does not have a service contract. He is also a Director of Yorkshire Chemicals (Pension Trust) Ltd and BMM Weston Holdings Ltd.
6. To re-elect as a Director Mr L G Adams who was appointed by the Directors on 1 March 2003. With ten years experience in the construction industry Mr Adams joined the Company as Quantity Surveyor in 1985 and progressed to Commercial Manager before his appointment as Commercial Director.
7. To re-elect as a Director Mr A W Cutchie who was appointed by the Directors on 1 March 2003. Mr Cutchie joined the Company in July 1985 having spent 25 years in design and estimating in the marine industry latterly with Swan Hunter Shipbuilders Limited.
8. To re-elect as a Director Mr R Johnson who was appointed by the Directors on 1 March 2003. Mr Johnson joined the Company in 1991 and has in excess of 25 years experience of contract and project management.
9. To authorise the Directors to fix the remuneration of the auditors.

Special Business

To consider the following Resolution, special notice having been received of the intention to propose the Resolution as an ordinary resolution:

10. THAT PricewaterhouseCoopers LLP be re-appointed auditors of the Company (having previously been appointed by the Directors on 2 April 2003 to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.

To consider and if thought fit to pass the following resolutions:

11. **Ordinary Resolution**
THAT the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £145,217 provided that this authority shall expire on 22 May 2008 (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or an agreement as if the authority conferred hereby had not expired).

Notice of Meeting

12. **Special Resolution**

THAT subject to the passing of Resolution 11 the Directors are hereby empowered to allot equity securities (as defined in Section 94 of the Companies Act 1985) pursuant to the authority conferred by Resolution 11 as if Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited.

- a) to the allotment of equity securities in connection with an offer of securities in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory); and
- b) to the allotment of equity securities (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal value of £21,782

and shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, the day which is 15 months from the passing of this resolution) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

13. To transact any other ordinary business of an Annual General Meeting.

By Order of the Board

S Elliott, Company Secretary

Chieftain House, White Street
Walker, Newcastle upon Tyne,
NE6 3PJ

24 April 2003

To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 6pm on 21 May 2003.

Any member of the Company entitled to attend and vote may appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be lodged with the Company's Registrars not less than 48 hours before the meeting.

The register of interests of the Directors and of their families in the share capital of the Company will, together with copies of Directors' service contracts, be available for inspection at the Registered Office of the Company from the date of the above notice until the date of the meeting (during normal business hours on any weekday except Saturday) and at the place of the meeting from 15 minutes prior to commencement of the meeting until conclusion of the meeting.

2002 Results

Despite the depressed economic climate in the United Kingdom and a resulting reluctance of many clients to commit to significant capital projects during 2002, the Group has performed well by achieving results close to expectations and a five percent increase in pre-tax profit.

Overall turnover for 2002 was £14.8 million compared with a turnover of £17.3 million in 2001. This reduction was caused not so much by a reduced intake of new orders but more by delayed release of work from orders already on the books and delays in agreeing final contract values. However pre-tax profit for 2002 has increased to £774 thousand compared to £738 thousand in 2001 - an increase of five per cent. Basic earnings per share increased from 5.74p per share in 2001 to 6.35p in 2002.

Dividend

The Board recommends a final dividend of 1.5p per share bringing the total for the year 2002 to 2.5p per share - unchanged from 2001.

Trading and Outlook

2002 is the third year of a planned three year transitional period of diversification and expansion of the Group's contracting and manufacturing activities. This period has seen the Group move from a loss making position in the first year to increasing profits in the second and third years. It has also established and consolidated its position in new markets and over the three year period increased its order book value from £13.0 million at the end of 1999 to £29 million at the end of 2002. The current order book includes several long term contracts.

The Company has a long history of marine outfitting and has benefitted greatly from a resurgence of warship building for the Ministry of Defence in the recent years. The Company is tendering for new work in this sector to major shipbuilders in the UK which was initially expected to be awarded in 2002 but is now anticipated to be in 2003.

The Company is still involved with work for the oil and gas industry although as previously reported, activity levels are much reduced in this sector at the present time.

The pipework fabrication and erection business of R Blckett Charlton Ltd, a wholly owned subsidiary of the Group, has experienced a very busy year and has contributed significantly to the overall Group result. The company has one of the largest capacity pipe fabrication facilities in the UK and continues to supply a high quality product to a range of blue chip UK companies.

The Group has acquired useful experience in the provision and erection of equipment to the power station industry over the past three years. Due to an over-supply in the UK and a low level of return the utilities are reluctant to invest in new plant at the present time. This has had a negative influence in this sector for the Group. However we continue to monitor the position and will tender for new work in this sector when the corner is turned.

We established a new branch in the Republic of Ireland in 2000. This has had its teething problems but we experienced an improvement in the second half of 2002 which we expect to continue through 2003.

The Group's Northern Ireland operation again produced excellent results from what is now a very well established business with a highly flexible management team. Whilst it has seen a decline in the traditional ship building industry it has been able to diversify into other industrial sectors in the Province.

The Company's Environmental Services division which operates throughout the UK from a base in Newcastle upon Tyne has expanded its operations during 2002 giving a satisfactory contribution to the Group's results. Further expansion of the capacity of this division is currently under review.

Cash

As previously announced and as a result of moving into a trading sector with a higher proportion of our turnover from a smaller number of major contracts the demand on our cash resources is more variable. These demands are currently greater than previously experienced and in order to allow the Company to take full advantage of trading opportunities and avoid restricting turnover, additional cash has been made available to the Company by way of unsecured loans. These loans, which total £600,000, were made in August 2002 by the three founding Directors; Anthony Fairlamb, William Taylor (Chief Executive) and myself on normal commercial terms. (Interest will be payable at the same rate as that currently charged to the Company by Barclays Bank). With the continued support we enjoy from our bank we are adequately funded to meet our present requirements.

It is anticipated that the Group's working capital requirements could reduce in 2003 as a result of commercial settlements being agreed on several current contracts. Depending upon the timing of these settlements the financing costs could be substantially reduced.

Development

As previously announced in January we have promoted three of our subsidiary board Directors onto the Group board. They are Mr Laurence Adams, Mr Anthony Cutchie and Mr Raymond Johnson. We believe this will strengthen the board by bringing a wider range of knowledge and experience commensurate with the diversification of the Group activities in the past three years. I look forward to their input in steering the Group to bigger and better things, and wish each of them every success in their enhanced roles.

The Board is confident of making further progress in 2003 and would like to thank all employees for their efforts in achieving the 2002 results in very challenging times.

P Wardle
Chairman

2 April 2003

The Directors present their report together with the audited accounts for the year ended 31 December 2002.

Principal Activities

The principal activities of the Chieftain Group include:

- the provision of products and services including insulation, fireproofing and architectural outfitting to the process plant, offshore oil and gas, and marine industries
- the fabrication and erection of specialist pipework and ductwork for the process plant, offshore oil and gas, and marine industries
- the provision of multi-disciplined human resources to manufacturing and construction groups in the process plant, offshore oil and gas, and marine industries
- support services to the power plant new construction, outage management and maintenance industries.

A review of the performance of the Group during the year and its future developments is given in the Chairman's Statement.

Results and Dividends

The results for the year and the appropriation thereof are shown in the Group profit and loss account on page 14. An interim dividend of 1.0p (2001 - 1.0p) has been paid. The Directors recommend the payment of a final dividend of 1.5p (2001 - 1.5p) per ordinary share to be paid on 27 June 2003.

Directors and Their Interests

The Directors who served during the year and their respective interests in the ordinary shares of the Company were as follows:-

	31December 2002		31December 2001	
	<i>held directly</i>	<i>held by nominees</i>	<i>held directly</i>	<i>held by nominees</i>
P. Wardle*	1,933,640	–	1,933,640	–
W. P. Taylor*	732,264	270,016	732,264	270,016
S. Elliott	–	–	–	–
K. Shippen (Resigned 25 January 2002)	–	–	15,000	–
J. F. Dawson*	20,000	–	20,000	–

*Indicates membership of the Remuneration Committee of which P Wardle is Chairman.

Mr S Elliott retires by rotation and offers himself for re-election. Mr Elliott joined the Company in 1985, having previously worked for Cape Industries, where he was latterly the Finance Director and Company Secretary of Hunting Painting Contractors Ltd, one of its subsidiaries. He has a service contract with a notice period in his favour of 2 years.

Mr J F Dawson retires by rotation and offers himself for re-election. Mr Dawson joined the Company in 1995 having spent 33 years with Yorkshire Chemicals plc, the final 18 of which were as Group Technical Director. He is a member of the remuneration committee and does not have a service contract. He is also a Director of Yorkshire Chemicals (Pension Trust) Ltd and BMM Weston Holdings Ltd.

Mr Adams, appointed by the Directors on 1 March 2003, retires in accordance with the Company's Articles of Association and offers himself for re-election. With ten years experience in the construction industry Mr Adams joined the Company as Quantity Surveyor in 1985 and progressed to Commercial Manager before his appointment as Commercial Director.

Mr Cutchie, appointed by the Directors on 1 March 2003, retires in accordance with the Company's Articles of Association and offers himself for re-election. Mr Cutchie joined the Company in 1985 having spent 25 years in design and estimating in the marine industry latterly with Swan Hunter Shipbuilders Limited.

Mr Johnson, appointed by the Directors on 1 March 2003, retires in accordance with the Company's Articles of Association and offers himself for re-election. Mr Johnson joined the Company in 1991 and has in excess of 25 years experience of contract and project management.

During the period from the end of the financial year to 28 March 2003 there were no changes in the interests of the Directors in the ordinary shares of the Company.

The Company has a share option scheme by which certain Directors are able to subscribe for shares in Chieftain Group plc. The interests of those Directors at 31 December 2002 and 31 December 2001 are shown on page 12.

Substantial Shareholdings

On 28 March 2003, in addition to the Directors' holdings shown above, the following were registered as being interested in 3% or more of the Company's ordinary share capital:

		<i>No of shares</i>	<i>%</i>
M. A. Fairlamb	– held directly	108,480	1.2
	– held by nominees	492,624	5.7
M. I. Horrocks		350,000	4.0

Annual General Meeting - Special Business

Two resolutions will be proposed as special business at this year's Annual General Meeting. The effect of these resolutions is as follows:

(i) Resolution 11: Allotment of shares

Under the Companies Act 1985, the Directors of a Company may only allot unissued shares if authorised to do so by the shareholders in general meeting. The Directors will be seeking that authority at the Annual General Meeting in respect of unissued shares of the Company. This is dealt with in Resolution 11. The aggregate nominal value of unissued shares which can be allotted under authority is limited to £145,217 which is one third of the Company's current issued capital. The authority will last for five years, the maximum period allowed under the Companies Act 1985 and will replace the authority given on 24 April 1998 which has now expired.

(ii) Resolution 12: Disapplication of pre-emption rights

This resolution renews the existing authority to the Directors under Section 95 of the Companies Act 1985 to allot shares by way of rights to shareholders and to allot shares for cash up to a nominal value of £21,782 (5% of the issued share capital) without first offering such shares pro rata to existing shareholders, as would otherwise be required under Section 89 of that Act. This will allow the Directors some flexibility when considering how best to finance new business opportunities. In accordance with the requirements of the London Stock Exchange this resolution will come up for renewal at the next Annual General Meeting.

Corporate Governance and Compliance

The Board is committed to the principles of good corporate governance and supports the recommendations of "The Combined Code - Principles of Good Governance and Code of Best Practice."

The Company is led and controlled by a Board which provides a clear division of responsibilities between the Non-executive Chairman and the Chief Executive.

The Board considers that the balance of Executive and Non-executive Directors is adequate and that no individuals can dominate its decision taking, with the exception of P Wardle, who was previously Executive Chairman of the Group.

The Board is responsible for overall Group strategy, for approving acquisitions and disposals, for approving budgets, and for determining significant financing matters and treasury policy. It has a formal schedule of matters for its regular consideration and a schedule of matters specifically reserved for it for decision so as to ensure that the direction and control of the Group is firmly in its hands. All Directors have access to independent professional advice and the services of the Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

New appointments are subject to the decision of the Board as a whole and all Directors are required to submit themselves for re-election every three years.

The Company's Executive Remuneration policy is described in the Directors' Remuneration Report on page 11. No Director is involved in deciding his own remuneration.

The Company reports to shareholders twice a year and Directors make presentations to explain the interim and final results. The Company despatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 20 working days before the meeting. All shareholders have the opportunity to put questions at the Company's Annual General Meeting. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting.

The Directors are responsible for the Group's system of internal control which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance that financial information is relevant, reliable and accurate and that the Group's assets are correctly accounted for and adequately safeguarded.

Corporate Governance and Compliance (continued)

The Group does not have a separate internal audit function although the Board periodically reviews the need for one. An informal internal audit role is carried out by head office professionals who monitor business performance and carry out reviews of key business and financial systems and controls throughout the Group. The external auditors report to the board on aspects of the internal financial controls and remedial action, if any is needed, is agreed by the full Board.

Risk management remains an ongoing process within the Group and is formally considered at regular operational reviews which are undertaken by the Group Chief Executive and the Group Finance Director.

The Directors have reviewed the effectiveness of the system of internal control taking into account areas highlighted by auditors during the undertaking of their normal audit procedures. The Directors believe the system of internal control is appropriate for the Group.

The Directors have a reasonable expectation that both the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing accounts.

The Company has complied with the Code provisions set out in Section 1 of the Combined Code throughout the accounting period apart from the matters set out below.

1. The Board considers that having regard to the size of the Company two Non-executive Directors are adequate. As a consequence we have not established an Audit Committee or a Nomination Committee and the requirement for the Remuneration Committee to consist exclusively of Non-executive Directors is not met. The Board recognises that one of the Non-executive Directors, Mr P Wardle, is not classified as independent in the sense referred to in the Code of Best Practice.
2. Mr Elliott has a service contract with a notice period in his favour of 2 years.
3. The Board has carefully considered the proposal that a senior independent Director should be identified in the annual report and concluded that this would be inappropriate given that the Chairman of the Company and the Chairman of the Remuneration Committee are already identified.

Treasury Report

The Group's treasury policies and risks are outlined below and are supplemented by the numerical disclosures in notes 24 and 25 to the accounts.

Its key policies are:-

- i) to maintain adequate undrawn committed borrowing facilities
- ii) to ensure that any net cash at the close of business each day is placed on deposit at the best interest rates available given the Company's forecasted cash requirements.

Information on the Group's significant treasury risks is as follows:

- Funding and Liquidity

At the end of the year the Group had £213,000 (2001-£171,000) cash.

The Group has an overdraft facility of £2,000,000, reducing to £1,900,000 in April 2003, at an interest rate of 1.875% per annum above Barclays Bank base rate for the first £1,500,000 and 2.75% per annum above thereafter.

- Interest Rate

The Group's borrowing facility is exposed to fluctuation in interest rates.

Given the Company's current borrowing requirements, the Directors do not consider it necessary to secure fixed interest funding for its bank borrowings but do, on occasions, take out fixed interest finance leases to fund tangible fixed asset additions. This is reviewed on a regular basis.

- Currency Risk

The Group's currency exposures comprise only those exposures that give rise to net currency gains and losses to be recognised in the profit and loss account. Such exposures predominantly from the Euro and the Norwegian Kroner, comprise the monetary assets and liabilities of the Group that are not denominated in the operating ('or functional') currency of the operating unit involved.

Directors' Report

Treasury Report (continued)

When necessary the Group enters into forward contracts to reduce the currency exposure that arises on sales and purchases in foreign currencies.

At 31 December 2002 and 31 December 2001 these exposures are immaterial to the Group.

- Suppliers' Payment Policy

The Group has agreed terms of payment with those suppliers who provide goods or services on a regular basis and it abides by those terms of payment.

For all other suppliers terms of payment are contained in the terms of each transaction and the Group abides by those terms of payment.

At 31 December 2002 the Company had no trade creditors (2001 – NIL).

Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for the period to that date.

The Directors are responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements referred to above comply with the requirements of the Companies Act 1985 and applicable accounting standards, for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

The Directors confirm that the above requirements and responsibilities have been satisfied and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements have been used in the preparation of the financial statements on a going concern basis.

Charitable and Political Donations

Charitable contributions during the year totalled £596 (2001 – £175). There were no political donations.

Disabled Employees and Employee Consultation

The Company continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The Company policy includes, where practical, the continued employment of those who may become disabled during their employment. Communication is maintained by means of regular circulars.

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned as auditors and the Directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy created by the resignation. Resolutions to re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual general meeting.

By Order of the Board
S. Elliott, Company Secretary

2 April 2003

Directors' Remuneration Report

Remuneration Committee

The remuneration committee comprises:

P Wardle	-Non-executive Chairman
J F Dawson	-Independent Non-executive Director
W P Taylor	-Executive Director

There were no changes in the composition of the committee during the year.

The committee makes recommendations to the Board and no Director plays a part in any discussions about his own remuneration.

Directors' Remuneration Report

Remuneration Policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the highest calibre. There are four main elements of the remuneration package for Executive Directors:-

- Basic annual salary

An Executive Director's basic salary is determined on an annual basis and when an individual changes position or responsibility.

In deciding appropriate levels the committee considers the individual's performance and ability and the group's overall short and medium term strategies.

In addition to basic salary the executive directors receive certain benefits-in-kind, principally a car and private medical insurance.

- Annual bonus payments

The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The committee believes that any incentive should be tied to the overall profitability of the group. No bonus payments were made for the year ended 31 December 2002.

- Share options

The Company has an Inland Revenue approved Executive share option scheme by which certain Directors are able to subscribe for shares in Chieftain Group plc. With effect from 29 June 1998 no new share options may be issued.

The Company currently has no plans to introduce any other long term incentive schemes.

- Pension arrangements

Executive Directors are members of the Company's defined contribution pension scheme. The Company's contribution to the scheme is 9% of salary for all members.

Director's Contracts

It is the Company's policy that Executive Directors should have contracts providing for a maximum of one year's notice.

The service contract of Mr Elliott provides for a notice period of twenty four months and, in the event of a change in control, a bonus payment of a sum equal to his annual salary. It is considered that this will motivate Mr Elliott to stay with the Company and commit himself to the Company's business.

Details of the directors contracts are summarised in the table below:

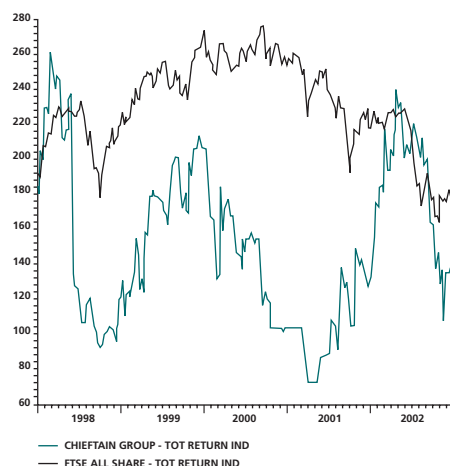
	Date of Contract	Notice Period
W P Taylor	1 December 1997	12 months
S Elliott	1 December 1997	24 months
LG Adams	1 March 2003	1 month
AW Cutchie	1 March 2003	1 month
R Johnson	1 March 2003	1 month

In the event of an early termination the Director's contracts provide for compensation comprising basic salary and a value of benefits as quoted in the last audited accounts. In the case of Mr Taylor and Mr Elliott they also provide for a payment into the pension scheme equivalent to that which would have been made had early termination not occurred.

Non-executive Directors

All Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board.

Performance Graph



Between late 1998 and early 2001 the Company underperformed against the FTSE all share index. However, as referred to in the Chairman's Statement, the recent transition has resulted in a re-alignment during the last 2 years.

The Directors have selected the FTSE all share index as the most appropriate comparative measure of the Company's total shareholder return as it contains all UK listed companies.

Directors' Remuneration Report

The remaining sections of the Directors' Remuneration Report have been audited.

Aggregate Directors Remuneration

The total amount of Directors remuneration were as follows:

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Emoluments	231	320
Payment in lieu of notice	3	9
Money purchase pension contributions	16	22
	<u>250</u>	<u>351</u>

Directors' Emoluments and Compensation

	<u>Salary</u>	<u>Benefits</u>	<u>Compensation</u>	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Total</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
W P Taylor	94	21	-	115	114
S Elliott	72	12	-	84	83
K Shippen	5	-	3	8	70
S R Martindale	-	-	-	-	44
* P Wardle	18	2	-	20	12
* J F Dawson	7	-	-	7	6
Aggregate emoluments	<u>196</u>	<u>35</u>	<u>3</u>	<u>234</u>	<u>329</u>

* Non-executive

Directors' Pension Contributions

3 Directors (2001 - 5) are members of the Company's money purchase scheme. Contributions paid by the Company in respect of such Directors were as follows:

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
W P Taylor	8	8
S Elliott	7	6
K Shippen	-	4
S R Martindale	-	3
* P Wardle	1	1
Total Company contributions	<u>16</u>	<u>22</u>

* Non-executive

Directors' Share Options

Aggregate emoluments disclosed above do not include any amounts for the value of options held by Directors to acquire ordinary shares in the company.

At 1 January 2002 and 31 December 2002 the interests of those Directors who served during the year were as follows:

	<u>Number</u>	<u>Issue Date</u>	<u>Price</u>	<u>Period</u>
S Elliott	35000	20.8.93	51p	20.8.96 to 19.8.03
S Elliott	8500	20.8.96	25p	20.8.99 to 19.8.06

During the period from the end of the financial year and 28 March 2003 there were no changes in the interests of the Directors in these share options.

The mid-market price of the ordinary shares at 31 December 2002 was 40.5p and the range during the year was 26.5p to 64p.

The interests of the Directors in the ordinary shares of the Company are shown on page 7.

Remuneration Report approval

An ordinary resolution to consider, and if thought fit approve, this remuneration report will be proposed at the AGM.

W P Taylor
Director

2 April 2003

Independent auditors' report to the members of Chieftain Group plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' remuneration report in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the Directors' remuneration report, the Chairman's statement and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2002 and of the profit and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

2 April 2003

**Consolidated
Profit and
Loss Account**

Chieftain Group plc and Subsidiaries
for the year ended 31 December 2002

	<u>Notes</u>	<u>2002</u> £'000	<u>2001</u> £'000
TURNOVER	2	14,778	17,312
Cost of sales		(11,288)	(13,776)
GROSS PROFIT		3,490	3,536
Administration expenses		(2,583)	(2,712)
OPERATING PROFIT		907	824
Interest receivable and similar income		1	3
Interest payable and similar charges		(134)	(89)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	774	738
TAX ON PROFIT ON ORDINARY ACTIVITIES	4	(221)	(238)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		553	500
Dividends paid and proposed	5	(218)	(218)
TRANSFER TO RESERVES	16	335	282
BASIC EARNINGS PER SHARE	6	6.35	5.74
DILUTED EARNINGS PER SHARE	6	6.33	5.73

Statement of Total Recognised Gains and Losses

Profit for the financial year	553	500
Exchange rate adjustments offset in reserves	159	(8)
Total recognised gain for the year	712	492

A statement of the movement in reserves can be found in Note 16.

There is no material difference between the reported profits and the historical cost profits for 2002 and 2001.

All amounts above relate to continuing operations.

Balance Sheets

Chieftain Group plc and Subsidiaries
as at 31 December 2002

	<i>Notes</i>	<i>Group</i>		<i>Company</i>	
		<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
FIXED ASSETS					
Tangible assets	7	816	960	-	-
Investments	8	-	-	40	40
		<u>816</u>	<u>960</u>	<u>40</u>	<u>40</u>
CURRENT ASSETS					
Stocks and work in progress	9	3,847	2,891	-	-
Debtors (including £312,000 due after more than one year, 2001 - £428,000)	10	2,926	3,100	7,288	5,601
Cash at bank and in hand		213	171	-	-
		<u>6,986</u>	<u>6,162</u>	<u>7,288</u>	<u>5,601</u>
CREDITORS					
Amounts falling due within one year	11	(5,702)	(5,471)	(5,929)	(4,361)
NET CURRENT ASSETS		<u>1,284</u>	<u>691</u>	<u>1,359</u>	<u>1,240</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,100</u>	<u>1,651</u>	<u>1,399</u>	<u>1,280</u>
CREDITORS					
Amounts falling due after more than one year	12	(61)	(106)	-	-
		<u>2,039</u>	<u>1,545</u>	<u>1,399</u>	<u>1,280</u>
CAPITAL AND RESERVES					
Called up equity share capital	14	436	436	436	436
Share premium account	15	420	420	420	420
Profit and loss account	16	1,183	689	543	424
EQUITY SHAREHOLDERS' FUNDS	17	<u>2,039</u>	<u>1,545</u>	<u>1,399</u>	<u>1,280</u>

The accounts on pages 14 to 24 were approved by the Board of Directors on 2 April 2003 and signed on their behalf by

W. P. Taylor
Director

**Consolidated
Cash Flow
Statement**

Chieftain Group plc and Subsidiaries
for the year ended 31 December 2002

	<u>Notes</u>	<u>2002</u>		<u>2001</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	18		659		(868)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		1		3	
Interest paid		(120)		(73)	
Interest element of finance lease rental payments		(14)		(16)	
			<u>(133)</u>		<u>(86)</u>
TAXATION					
Corporation tax paid		(171)		–	
Corporation tax refund		10		55	
			<u>(161)</u>		<u>55</u>
CAPITAL EXPENDITURE					
Purchase of tangible fixed assets		(24)		(51)	
Disposal of tangible fixed assets		15		19	
			<u>(9)</u>		<u>(32)</u>
EQUITY DIVIDENDS PAID			(218)		(174)
			<u>138</u>		<u>(1,105)</u>
MANAGEMENT OF LIQUID RESOURCES					
Decrease in short term cash deposits			–		86
FINANCING					
Capital element of finance lease rental payments	19	(139)		(137)	
Increase in Loans	19	600		–	
			<u>461</u>		<u>(137)</u>
Net cash inflow/(outflow) from financing			<u>461</u>		<u>(137)</u>
INCREASE/(DECREASE) IN CASH	19, 20		<u>599</u>		<u>(1,156)</u>

1. Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements comprise those of the Company and its subsidiaries made up to 31 December each year. Turnover and profits of subsidiaries and businesses acquired during the year are consolidated from their effective dates of acquisition.

Turnover and recognition of profit and losses

Turnover represents the value of work invoiced to customers, excluding value added tax, plus the value of work done but not invoiced on long-term contracts. Profits on contracts are only recognised after the final account has been agreed with the client or, in the case of long-term contracts, an interim account has been agreed and the outcome of the contract can be assessed with reasonable certainty. Provision is made in full for anticipated future losses on uncompleted contracts.

Depreciation

Depreciation is calculated to write off the costs of tangible fixed assets which are owned or held under finance lease or hire purchase contracts, by equal installments over their estimated useful lives as follows:-

Leasehold premises	– the duration of the lease
Plant and machinery	– 2-10 years
Motor vehicles	– 2-4 years
Fixtures and fittings	– 7 years

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost, including an appropriate proportion of attributable overheads, and net realisable value less amounts received and receivable. Long term contracts are included at net cost after deducting foreseeable losses and payments on account. Where turnover on work in progress differs from payments on account the balance is included in debtors or creditors as appropriate.

Deferred taxation

With effect from 1 January 2002, the company changed its accounting policy on deferred tax in line with FRS 19 "Deferred Taxation". FRS 19 introduces a form of full provision for accounting for deferred tax, called the incremental liability approach.

Deferred tax is now provided on timing differences where the Company has an obligation to pay more or less tax in the future as a result of the reversal of those timing differences.

The change in accounting policy has not had a material impact upon the results of the Group for this or the prior year.

The Company does not discount deferred tax assets and liabilities.

Finance leases and hire purchase contracts

Assets acquired under finance leases or hire purchase contracts are capitalised at the inception of the leases or contracts at the present value of the minimum lease payments payable during the lease term, with the corresponding obligation to the lessor shown as a liability. The finance element of the respective payments is accounted for as it falls due. Operating lease charges are charged to the profit and loss account as they fall due.

Investments

In the balance sheet of the Company, investments in subsidiaries are shown at cost less any provision for impairment.

Pension costs

The Group's contributions to its money purchase pension scheme are charged to the profit and loss account as incurred.

Foreign currency translation

Foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at the year end. Trading results are translated at the average rate prevailing during the relevant period. Differences arising on the re-translation of the net investments and the results for the year are taken directly to reserves together with differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises. All other exchange differences are dealt with in the profit and loss account.

2. Turnover and Segmental Information

In the opinion of the Directors the disclosure of segmental information relating to the business categories and geographical markets of turnover, results and net assets would be seriously prejudicial to the interests of the Group, and has not therefore been provided.

3. Profit on Ordinary Activities before Taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs (including Directors' emoluments):		
Wages and salaries	8,415	11,523
Social security costs	790	1,061
Other pension costs	75	61
Depreciation	215	220
Other operating lease rentals - land and buildings	77	116
Auditors' remuneration:		
Audit work (including £3,000 in respect of the Company (2001 – £3,000))	23	23
Non-audit work	24	7
Interest payable:		
Bank overdraft	104	73
Finance leases and hire purchase contracts	14	16
Short term loans	16	–
Profit on sale of tangible fixed assets	(4)	(12)

4. Taxation

a) Analysis of tax charge in the year.

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
UK corporation tax at 30% (2001 – 30%)	226	238
Adjustment of current taxation in respect of prior years	(5)	–
	<u>221</u>	<u>238</u>

b) Factors affecting tax charge for the year.

The tax assessed for the period is lower/higher than the standard rate of corporation tax in the UK (30%) (2001 - 30%)
The differences are explained below:

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Profit on ordinary tax activities before tax	774	738
UK Corporation tax at standard rate of 30% (2001 - 30%)	232	221
Expenses not deductible for tax purposes	36	19
Group relief not paid	–	4
Other short term timing difference	(2)	(1)
Tax rate adjustment	(43)	(17)
Adjustments in respect of previous periods	(5)	–
Deferred tax asset not recognised	3	12
Total current tax	<u>221</u>	<u>238</u>

c) Factors that may affect future tax charges.

There are no factors that are expected to significantly affect the taxation charge in future years.

5. Dividends Paid and Proposed

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Ordinary – interim paid 1.0p (2001 – 1.0p)	87	87
– final proposed 1.5p (2001 – 1.5p)	131	131
	<u>218</u>	<u>218</u>

6. 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 (2001 – 8,713,000) ordinary shares (the weighted average number of ordinary shares in issue during the year).

Diluted earnings per share is based upon 8,733,813 (2001 – 8,726,000) ordinary share (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).

7. Tangible Fixed Assets

Group	<i>Land and buildings (long leasehold)</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost					
At 31 December 2001	533	1,058	461	143	2,195
Exchange rate adjustment	–	4	2	–	6
Additions	–	66	33	8	107
Disposals	–	(20)	(95)	(10)	(125)
At 31 December 2002	<u>533</u>	<u>1,108</u>	<u>401</u>	<u>141</u>	<u>2,183</u>
Depreciation					
At 31 December 2001	73	819	222	121	1,235
Exchange rate adjustment	–	2	–	–	2
Charge for the year	10	95	104	6	215
Disposals	–	(16)	(67)	(2)	(85)
At 31 December 2002	<u>83</u>	<u>900</u>	<u>259</u>	<u>125</u>	<u>1,367</u>
Net book amount					
At 31 December 2002	<u>450</u>	<u>208</u>	<u>142</u>	<u>16</u>	<u>816</u>
At 31 December 2001	<u>460</u>	<u>239</u>	<u>239</u>	<u>22</u>	<u>960</u>

Included in land and buildings, plant and machinery and motor vehicles above are assets acquired under hire purchase agreements or finance leases with net book amounts at 31 December 2002 of £49,000, £69,000 and £125,000 (2001 – £50,000, £52,000 and £197,000) respectively. The 2002 depreciation charges relating to these assets were £1,000, £18,000 and £79,000 (2001 – £1,000 £22,000 and £81,000) respectively.

Capital Commitments

At 31 December 2002 one of the Company's subsidiary undertakings had capital commitments contracted for of £17,890 (2001 – £nil).

8. Fixed Asset Investments

At 31 December 2002 Chieftain Group plc was the ultimate holding company of the following subsidiary undertakings all of which are wholly owned:

	<i>Principal activity</i>	<i>Country of registration and operation</i>
Chieftain Insulation Ltd	Industrial insulation	England
Chieftain Fabrications Ltd	Metal fabrication	England
Chieftain Insulation (NI) Ltd	Industrial insulation	N. Ireland
R Blackett Charlton Ltd	Pipe fabrication	England
Chieftain Environmental Services Ltd	Industrial insulation and Support services	Ireland
Chieftain Scaffolding Services Ltd	Scaffolding	England
Chieftain Power Services Ltd	Support services	England

All subsidiary undertakings have been included in the consolidation.

9. Stocks and Work in Progress

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	4	10	–	–
Work in progress	30,384	21,961	–	–
Less: Amounts received and receivable	(26,541)	(19,080)	–	–
	<u>3,847</u>	<u>2,891</u>	<u>–</u>	<u>–</u>

10. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	2,503	2,778	110	25
Corporation Tax	–	10	–	–
Other debtors	16	15	–	–
Amounts owed by subsidiary undertakings	–	–	7,164	5,564
Prepayments	407	297	14	12
	<u>2,926</u>	<u>3,100</u>	<u>7,288</u>	<u>5,601</u>

Included within Group trade debtors is £312,000 (2001 – £428,000) in respect of amounts receivable after more than one year. The amounts owed to the Company by subsidiary undertakings have no fixed repayment terms.

11. Creditors – Amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank overdraft	853	1,410	2	7
Progress claims in advance	463	548	–	–
Trade creditors	1,826	2,082	–	–
Hire purchase creditors and obligations under finance leases (Note 24)	92	131	–	–
Corporation tax	288	238	8	32
Other taxation and social security	1,191	566	–	–
Proposed dividends	131	131	131	131
Accruals and deferred income	258	365	3	3
Amounts owed to subsidiary undertakings	–	–	5,185	4,188
Other loans	600	–	600	–
	<u>5,702</u>	<u>5,471</u>	<u>5,929</u>	<u>4,361</u>

The Group's overdraft facility is secured by a fixed and floating charge over the assets of the Group. The other loans are described in the Chairman's statement.

12. Creditors – Amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Hire purchase creditors and obligations under finance leases (Note 24)	61	106	–	–
	<u>61</u>	<u>106</u>	<u>–</u>	<u>–</u>

13. Deferred Taxation

There are no unprovided deferred tax liabilities (2001 - nil).

At 31 December 2002 there are £132,000 (2001 - £135,000) of unrecognised deferred tax assets.

The Directors propose to recognise deferred tax assets only when they consider them to be recoverable.

14. Called Up Equity Share Capital

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Authorised 12,000,000 (2001 – 12,000,000) ordinary shares of 5p each	600	600
Allotted and fully paid 8,713,000 (2001 – 8,713,000) ordinary shares of 5p each	436	436

During the year no employees exercised options under the Chieftain Group plc Executive Share Option Scheme.

Under the Chieftain Group plc Executive Share Option Scheme, options were outstanding at 31 December 2002 in respect of the following:

<u>Type</u>	<u>Number of shares subject to option</u>	<u>Period of option</u>	<u>Price per share</u>
Ordinary	43,000	20.8.96 to 19.8.2003	51p
Ordinary	45,500	19.4.99 to 18.4.2006	25p
Ordinary	10,000	20.8.99 to 19.4.2006	38p

15. Share Premium Account

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
At 1 January 2002 and 31 December 2002	420	420

16. Profit and Loss Account

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
At 1 January 2002	689	424
Transfer to reserves	335	119
Currency translation differences	159	–
At 31 December 2002	1,183	543

As permitted by Section 230(1) of the Companies Act 1985 the Parent Company has not presented its own profit and loss account. The profit dealt with in the profit and loss account of the Parent Company amounted to £337,000 (2001 – £457,000).

**17. Reconciliation of Movements
in Consolidated Equity Shareholders' Funds**

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	553	500
Dividends	(218)	(218)
Currency translation differences	159	(8)
Net increase in Equity Shareholders' funds	494	274
Opening Equity Shareholders' funds	1,545	1,271
Closing Equity Shareholders' funds	2,039	1,545

18. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Operating profit	907	824
Depreciation charges	215	220
Profit on sale of tangible fixed assets	(4)	(12)
Increase in stocks and work in progress	(811)	(2,513)
Decrease/(Increase) in debtors	194	(484)
Increase in creditors	147	1,097
Exchange rate movements	11	–
	<u>659</u>	<u>(868)</u>

19. Reconciliation to Net Debt

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Increase/(decrease) in cash in the period	599	(1,156)
Decrease in short term cash deposits	–	(86)
(Increase)/decrease in debt and lease finance	(461)	137
	<u>138</u>	<u>(1,105)</u>
Change in net funds from cash flows		
New finance leases	(55)	(216)
	<u>83</u>	<u>(1,321)</u>
Movement in net funds in the period		
Net debt 1 January	(1,476)	(151)
Exchange rate adjustment	–	(4)
	<u>(1,393)</u>	<u>(1,476)</u>

20. Analysis of Net Debt

	<u>1/1/02</u>	<u>Cash flow</u>	<u>Other non-cash</u>	<u>31/12/02</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cash at bank and in hand	171	42	–	213
Bank overdraft	(1,410)	557	–	(853)
Finance leases	(237)	139	(55)	(153)
Short term loans	–	(600)	–	(600)
	<u>(1,476)</u>	<u>138</u>	<u>(55)</u>	<u>(1,393)</u>

Non-cash movement on finance leases relates to new leases entered into during the course of the year.

21. Pension Commitments

The Group operates a defined contribution scheme for certain employees and Directors.

The regular pension cost is 9% of salary for all members and is charged to the profit and loss account as incurred.

22. Employees

The average numbers employed by the Group during the period was as follows:

	<u>2002</u>	<u>2001</u>
	<u>No.</u>	<u>No.</u>
Contracting	312	367
Management	4	5
	<u>316</u>	<u>372</u>

23. Contingent Liabilities

The Group has contingent liabilities in respect of guarantees entered into in the normal course of business in respect of which no loss is expected.

24. Lease Commitments

The Group leases certain land and buildings on short term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases.

The minimum annual rentals under the foregoing operating leases are as follows:

	<i>Group</i>	
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Lease expiry date:		
– within one year	8	16
– within 2-5 years	12	–
– after 5 years	53	38
	<u>73</u>	<u>54</u>

There were no operating lease commitments relating to plant and machinery at 31 December 2002.

The Group has minimum future finance lease and hire purchase obligations as at 31 December 2002 as follows:

	<i>Group</i>	
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Within 1 year	100	144
Between 1 and 5 years	65	112
	<u>165</u>	<u>256</u>
Less: finance charges allocated to future periods	(12)	(19)
	<u>153</u>	<u>237</u>
Shown as:		
Current obligations	92	131
Non-current obligations	61	106
	<u>153</u>	<u>237</u>

25. Financial instruments

An explanation of the Group's objectives, policies and strategies for the role of financial instruments in creating and changing the risks of the Group can be found on page 9. The disclosures below take advantage of the exemption not to include short term debtors and creditors.

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Cash and deposits - Book and fair value	<u>213</u>	<u>171</u>

The Group has £853,000 (2001 - £1,410,000) of floating rate financial liabilities denominated in sterling.

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Undrawn committed borrowing facilities expiring in more than one year but less than two years	<u>1,147</u>	<u>90</u>

The Group has a Sterling denominated inter-company balance of £2,895,000 (2001 - £2,438,967) which resides in a Euro denominated subsidiary.

As described in Note 10 the Group has £312,000 (2001 - £428,000) in respect of trade debtors receivable after more than one year. The fair value is not materially different to the book value.



HEAD AND REGISTERED OFFICE:

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