

CHIEFTAIN GROUP plc
Annual Report and Accounts 2006

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>Laurence George Adams</p> <p>Anthony William Cutchie</p> <p>Raymond Johnson</p> <p>Malcolm William Oliver</p> <p>Christopher John Fleetwood (Senior Independent Non-executive)</p> <p>John Frederic Dawson (Non-executive)</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
Independent Auditors	PricewaterhouseCoopers LLP 89 Sandyford Road Newcastle upon Tyne NE1 8HW
Solicitors	Dickinson Dees LLP 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 Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Financial Public Relations Consultants	Buchanan Communications Ltd 3 The Courtyard Thorpe Lane Guiseley Leeds LS20 8LG

Notice of Meeting

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF Chieftain Group plc will be held in the Newcastle Gateshead Hilton, Bottle Bank, Newcastle upon Tyne NE8 2AR on 18 May 2007 at 12 Noon for the following purposes:

1. To receive the Report and Accounts for the year ended 31 December 2006.
2. To approve the Remuneration Committee report for the year ended 31 December 2006.
3. To declare a final dividend of 3.00p per ordinary share.
4. To re-elect as a Director Mr W P Taylor who retires by rotation. Mr Taylor joined the Company as a Director in 1984 having spent the previous ten years with Cape Contracts Limited where he progressed to the position of Northern Operations Director. Mr Taylor is a member of the Remuneration committee and has a service contract which can be determined within one year.
5. To re-elect as a Director Mr L G Adams who retires by rotation. 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 Adams has a service contract which can be determined within one year.
6. To re-elect as a Director Mr A W Cutchie who retires by rotation. Mr Cutchie joined the Company in July 1995 having spent 25 years in design and estimating in the marine industry latterly with Swan Hunter Shipbuilders Limited. Mr Cutchie has a service contract which can be determined within one year.
7. 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 and Audit Committees and does not have a service contract. He is also a Director of BMM Weston Holdings Ltd.
8. To re-appoint PricewaterhouseCoopers LLP as the independent auditors of the Company.
9. To authorise the Directors to fix the remuneration of the auditors.

As special business to consider and, if thought fit, pass the following Resolution as a Special Resolution:

10. THAT 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 the Ordinary Resolution of the Company passed on 28 May 2004 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 £21,896

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.

11. 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

5 April 2007

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 16 May 2007.

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.

I am delighted to report that our results for 2006 exceeded our most optimistic expectations. As reported in our 2005 year-end statement, we commenced 2006 with a high degree of confidence that we would achieve substantial growth in our sales, order book, cash resources and profits, and we are very pleased to have done this.

Turnover, profit before tax and earnings per share have all more than doubled from the previous year. Turnover has increased to £33 million from £15 million, profit before tax to £1.5 million from £729,000 and basic earnings per share to 11.91p from 5.73p. It is pleasing to note that all parts of the Group were profitable in 2006.

The expansion of the business accelerated through the year and the momentum created has continued into 2007 where we have already experienced a further increase in our workload and workforce.

In September, we succeeded in acquiring the name, assets and work in progress of Bringover Limited, a turbine, compressor, valve and generator workshop maintenance provider. Whilst this did not contribute to Group results in 2006, we are expecting a healthy contribution to the results in 2007. In addition, post the period end, we acquired the entire share capital of Kevin Lloyd Limited, a steel fabrication and engineering services business based in Middlesbrough. We continue to look at further similar bolt-on acquisitions within our core areas of expertise.

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 3.0p per share. This brings the total dividend for 2006 to 5.0p per share which represents an increase of 43% over the 2005 comparative of 3.5p. Even allowing for this substantial increase, dividend cover has increased further to 2.4x (2005: 1.6x).

FINANCIAL OVERVIEW

Our operating activities generated a cash inflow of £2.6 million during the year which, after the significant outlay of £210,000 for the assets of Bringover Limited, a further £206,000 capital expenditure and £372,000 dividends paid, served to further strengthen our very healthy cash position to a net cash balance of £3.8 million as at 31 December as against £2.1 million a year earlier. This was particularly pleasing given the need to finance a 119% increase in turnover and the relocation of our Teesside operation into larger premises.

OPERATING REVIEW

Engineering Services

Our decision to enter into the field of engineering services in 2005 providing mechanical services to a wide range of blue chip process and power plant operators has proved to be a major success.

Since my statement on 21 March 2006 when I advised that we had secured three major term maintenance contracts valued at £38 million, we have secured three further major term maintenance contracts valued at £23 million. We are now in discussions with other operators, not only on Teesside but further afield, with a view to securing additional contracts for this business.

To service this work we have relocated to a 2.25 acre site on Teesside with some 70,000 square feet of offices and workshops. The newly acquired Bringover business has also been relocated into this facility.

Fabrication

The pipe fabrication facility of our wholly-owned subsidiary, R. Blackett Charlton Limited, had one of its busiest and most profitable years since its acquisition in 1994. This company is a major provider of industrial pipe fabrication to the oil and gas sector not only in the UK but also in Northern Europe.

Having completed a number of large contracts in 2006, we now have capacity available which we are able to offer to potential clients to meet their current project requirements. We anticipate securing new contracts in the near future for this business.

Manpower Supply

Another of R. Blackett Charlton's main activities is the provision of skilled manpower for major engineering projects in the UK and Northern Europe. The demand for these services continues to grow, particularly in the marine and oil and gas sectors. We are able to offer workers with appropriate skill levels, at the time our clients need them, sometimes in remote locations and often on short-term contracts.

Our manpower business has been successful at securing new contracts in 2006 and providing a degree of visibility on work entering 2007. In the past two years, we have increased our expertise in this sector of the business and we are now endeavouring to expand our operations further by increasing our client base, widening our geographic coverage in the UK and Northern Europe and adding additional skilled trades to our pool of workers.

Environmental Services

Our environmental business, which provides services for the surveying, encapsulation and removal of hazardous material including all grades of asbestos contaminated materials, is now a relatively small contributor to our overall activities.

Demand for this service was unexpectedly reduced in 2006 and as a consequence we have now effected a saving to the fixed costs of this business. However, we have retained our in-house expertise in this field and will continue to offer this service and to capitalise on opportunities as they arise.

Outfitting

The Group continues to trade in its long established business of outfitting of sea-going vessels for the merchant and warship fleets together with oil and gas offshore platforms for the North Sea and elsewhere. The marine business is underpinned by long term contracts for work on the Astute class of submarine. We have recently opened an office in Barrow-in-Furness to further support our activities at the BAE Systems shipyard whilst using this presence as a springboard into other activities in the North West of England. In addition, we have established a branch of our Manpower Supply division in this office to service demand in the wider Cumbria area.

OUTLOOK

The turnover and profit of the Group doubled in 2006 compared to 2005.

The Board has been mindful of the pressures this brings on all the administration and support services of the organisation. We have recruited additional staff to ensure that we do not become over-stretched and we believe the expansion of the operations has been well executed.

One area which needs careful attention at all times is the safety of our people. We are very proud to have secured the coveted Sword of Honour by the British Safety Council in recognition of our safety record. We take this opportunity to congratulate all members of our management team for their sterling work and achieving this magnificent accolade.

We look forward to the future with great confidence. Our order book value has increased to £68 million as at the end of 2006 and we have maintained our momentum into 2007. We are actively tendering for new contracts and foresee some material opportunities ahead to substantially expand business further.

I believe all our Directors and staff should be congratulated on a tremendous performance and out-turn in 2006. There is no doubt that success breeds success and we look forward to further profitable expansion of the company in 2007 and beyond.

P. Wardle
Chairman

14 March 2007

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2006.

Principal Activities

The principal activities of the Chieftain Group include:

- Engineering services to the process, chemical plant and power operators;
- the provision of products and services including insulation, scaffolding, painting, architectural outfit and environmental management to the marine, construction and oil and gas recovery 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, marine and power industries; and
- Workshop maintenance for turbines, compressors, valves and rotating equipment.

Future outlook

A review of the performance of the Group during the year and its comments on future developments are given in the Chairman's Statement on page 4.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategies are subject to a number of risks.

Risks are formally reviewed by the Board and the appropriate processes put in place to monitor and mitigate them.

The key business risks and uncertainties affecting the Company are considered to relate to competition in the business sectors in which it trades, commercial relationships and employee recruitment and retention.

Key performance indicators

The Board monitors progress on the overall Group strategy and the individual strategic elements by reference to three KPI's.

Performance during the year together with historical data are as follows:

	2006	2005
	-----	-----
Turnover growth	+119%	+28%
Manpower employed increase	+187%	+24%
Cash flow	+£1,627,000	+£120,000

Year on year turnover growth and increases in manpower employed are in line with our growth strategy and are due to a broader range of services offered and an improved customer base.

Improved payment terms and continual monitoring of our cash requirements generated the cash inflows disclosed above.

Results and Dividends

The results for the year are shown on page 14. An interim dividend of 2.00p (2005 - 1.25p) has been paid. The Directors recommend the payment of a final dividend of 3.00p (2005 - 2.25p) per ordinary share to be paid on 1 June 2007 to the shareholders on the register on 30 March 2007. Details of dividends are shown in note 5 on page 19.

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:-

	<i>31 December 2006</i>		<i>31 December 2005</i>	
	<i>held directly</i>	<i>held by nominees</i>	<i>held directly</i>	<i>held by nominees</i>
	-----	-----	-----	-----
P Wardle* †	1,923,640	-	1,923,640	-
W P Taylor*	732,264	270,016	732,264	270,016
S Elliott	-	-	-	-
L G Adams	-	-	-	-
A W Cutchie	30,000	-	-	-
R Johnson	100	-	100	-
J F Dawson* †	20,000	-	20,000	-
C J Fleetwood* †	-	-	-	-
M W Oliver	35,099	-	35,099	-

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

† Indicates membership of the Audit Committee of which C J Fleetwood is Chairman.

Directors' Report

Mr W P Taylor retires by rotation and offers himself for re-election. Mr Taylor joined the Company as a Director in 1984 having spent the previous ten years with Cape Contracts Limited where he progressed to the position of Northern Operations Director. Mr Taylor is a member of the Remuneration Committee and has a service contract which can be determined within one year.

Mr L G Adams retires by rotation 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 Adams has a service contract which can be determined within one year.

Mr A W Cutchie retires by rotation and offers himself for re-election. Mr Cutchie joined the Company in July 1995 having spent 25 years in design and estimating in the marine industry latterly with Swan Hunter Shipbuilders Limited. Mr Cutchie has a service contract which can be determined within one year.

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 and Audit Committees and does not have a service contract. He is also a Director of BMM Weston Holdings Ltd.

During the period from the end of the financial year to 9 March 2007 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 ordinary shares in Chieftain Group plc. The interests of those Directors at 31 December 2006 and 31 December 2005 are shown on page 12.

Substantial Shareholdings

On 9 March 2007, 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>
Mr A Fairlamb	- held directly	108,480	1.2
	- held by nominees	492,624	5.7

Corporate Governance and Compliance

The Board sets out below its current stance regarding the 2003 FRC Combined Code (the "Code") - Principles of Good Governance and Code of Best Practice.

The Board recognises that the Combined Code represents best practice for AIM listed companies and regulates its activities with regard to the principles and provisions contained therein.

The Company is led and controlled by a Board which has established and set out in writing a clear division of responsibilities between the Non-executive Chairman and the Chief Executive.

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.

The Audit Committee which comprises the Non-executive Directors meets to consider the scope and key issues in planning the external audit. The external auditors report their findings and any recommendations to the Audit Committee prior to approval of the financial statements.

Directors' attendance at meetings during the year was as follows:

	Board Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
	Attendance	Possible	Attended	Possible	Attended	Possible
P Wardle	9	9	3	3	2	2
W P Taylor	9	9	3	3	-	-
S Elliott	8	9	-	-	-	-
L G Adams	9	9	-	-	-	-
A W Cutchie	9	9	-	-	-	-
R Johnson	9	9	-	-	-	-
J F Dawson	9	9	3	3	2	2
C J Fleetwood	9	9	3	3	2	2
M W Oliver	9	9	-	-	-	-

There are three Non-executive Directors. C J Fleetwood is the Senior Independent Non-executive Director. Both P Wardle, who was previously Executive Chairman of the Group, and J F Dawson, who has served more than 9 years, cannot be considered to be independent under the Code.

External recruitment consultants are used for new appointments, all of which are subject to the decision of the Board as a whole. All Directors are required to submit themselves for re-election at least every three years.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Corporate Governance and Compliance (continued)

The Group is centralised in its management, decision making and financial control. The Board, at its meetings, reviews the financial results of all Group Companies. A detailed annual budget and business plan is prepared for each operation in conjunction with senior management. These are then compared in full detail with the monthly management accounts. Executive Directors are required to comment on all areas where performance departs from current expectations.

All Directors have access to the advice and services of the Company Secretary and there is an established procedure for all Directors to take independent legal advice in furtherance of their duties, if necessary, at the Company's expense.

A procedure for evaluating the performance of the Executive Directors has been established based on individual appraisal meetings with the Chief Executive. The Board is considering extending the procedure to include the Chief Executive and the Non-executive Directors. Consideration is also being given to establishing a formal procedure regarding the performance evaluation of the Board as a whole, Remuneration and Audit Committees.

The Company's Executive Remuneration policy is described in the Directors' Remuneration Report on page 10. No Director is involved in deciding his own remuneration.

The statement of Directors' responsibilities in respect of preparation of the financial statements is shown on page 9.

Based on the review of the Group cash flow forecast 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 the financial statements.

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.

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 Group does not have a separate internal audit function although the Board has recently reviewed 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 results of which are reported to the Board.

The Company reports to shareholders twice a year and Directors make presentations to explain the interim and final results when requested. 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 Company has complied with the Code provisions set out in Section 1 of the 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 three Non-executive Directors are adequate. Furthermore we have not established a Nomination Committee and the requirement for the Remuneration Committee to consist exclusively of Non-executive Directors is not met. The Audit Committee comprises Mr P Wardle, Mr C J Fleetwood and Mr J F Dawson. The Board recognises that two of the Non-executive Directors, Mr P Wardle and Mr J F Dawson, are not classified as independent under the Code.
2. A procedure for evaluating the performance of the Chief Executive is still being considered by the Board.
3. Mr. Elliott has a service contract with a notice period in his favour of 2 years.

Treasury Report

Set out below are the narrative disclosures required by FRS 13 "Derivatives and other financial instruments". The numerical disclosures are set out in notes 27 and 28 to the financial statements. The Group has taken advantage of the exemption not to include short term debtors and creditors.

The Group's financial instruments, comprise borrowings, some cash and liquid resources, and various items such as trade debtors, trade creditors etc., that arise directly from its operations. The main purpose of these financial instruments is to manage the finance for the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies from managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year.

Interest rate

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

Given the Group'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.

Funding and liquidity

The Group maintains adequate undrawn committed borrowing facilities to provide flexibility in the management of the Group's liquidity. The Group ensures that any net cash at the close of business each day is placed on deposit at the best interest rates available given the forecast cash requirements.

Currency risk

The Group's currency exposures comprise 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 Krone comprise the monetary assets and liabilities of the Group that are not denominated in the operating ("or functional") currency of the operating unit involved.

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

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 2006 the Company had no trade creditors (2005 – Nil).

Directors' Responsibilities

Company law requires the Directors 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 and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company website as well as legislation in the UK concerning preparation and dissemination of financial statements which may differ from legislation in other jurisdictions.

Charitable and Political Donations

Charitable contributions during the year totalled £730 (2005 – £Nil).

There were no political donations in either year.

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.

Employee consultation and communication is maintained by means of regular circulars and biannual employee evenings.

Safety and Environmental Awareness

During the year the Company secured the RoSPA President's Award for outstanding performance in occupational Health and Safety over a period of 10 years and was awarded the prestigious British Safety Council Sword of Honour.

Post Balance Sheet Event

On 5 March 2007 the Group announced it had acquired 100% of the ordinary share capital of Kevin Lloyd Limited for a consideration of £200,000.

Statement of disclosure of information to Auditors

Each of the persons who is a Director at the time of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Independent Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and resolutions as to their re-appointment and remuneration will be proposed at the Annual General Meeting.

By Order of the Board
S. Elliott, Company Secretary

14 March 2007

Directors' Remuneration Report

The Directors' Remuneration Report is unaudited.

Remuneration Committee

The Remuneration Committee comprises:

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

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

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

During 2006 each Executive Director was awarded a discretionary bonus of £2,000 which was not pensionable.

- 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.

On 19 May 2006 the Company implemented an Executive Share Incentive Scheme by which the Executive Directors are able to subscribe for shares in Chieftain Group plc (Note 16).

- Pension arrangements

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

Executive Directors' 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
L G Adams	11 July 2003	12 months
A W Cutchie	11 July 2003	12 months
R Johnson	11 July 2003	12 months
M W Oliver	14 February 2005	12 months

In the event of an early termination the Directors' 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 earned in the notice period.

Directors' Remuneration Report

Non-executive Directors

There are currently 3 Non-executive Directors.

Mr P Wardle was appointed Non-executive Chairman on 6 April 2000 and is entitled to 12 months notice of termination.

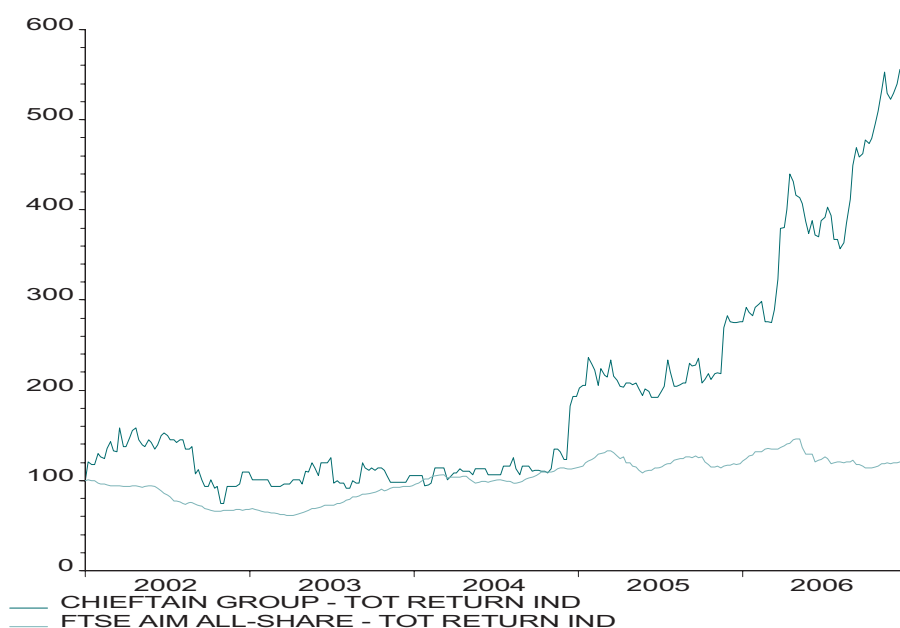
Mr C J Fleetwood was appointed on 1 January 2005 and is Senior Independent Non-executive Director. He is entitled to 3 months notice of termination.

Mr J F Dawson was appointed Non-executive Director on 19 January 1995 and is entitled to 3 months notice of termination.

Performance Graph

During 2006 the company continued to out perform the FTSE all share index total return.

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.



Source: DATASTREAM

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

Aggregate Directors' Remuneration

The total amount of Directors' remuneration was as follows:

	2006	2005
	£'000	£'000
Emoluments	580	544
Money purchase pension contributions	42	39
	<u>622</u>	<u>583</u>

Directors' Remuneration Report

Directors' Emoluments and Compensation

	<i>Salary</i>	<i>Bonus</i>	<i>Benefits</i>	<i>2006 Total</i>	<i>2005 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
* P Wardle	17	–	4	21	19
W P Taylor	111	2	18	131	124
S Elliott	89	2	11	102	99
L G Adams	60	2	8	70	66
A W Cutchie	60	2	8	70	70
R Johnson	60	2	9	71	70
M W Oliver	76	2	11	89	72
* J F Dawson	13	–	–	13	12
* C J Fleetwood	13	–	–	13	12
Aggregate emoluments	499	12	69	580	544

* Non-executive

Directors' Pension Contributions

7 Directors (2005 - 7) are members of the Company's defined contribution pension scheme. Contributions paid by the Company in respect of such Directors were as follows:

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
* P Wardle	1	1
W P Taylor	10	9
S Elliott	8	8
L G Adams	5	5
A W Cutchie	5	5
R Johnson	5	5
M W Oliver	8	6
Total Company contributions	42	39

* Non-executive

Directors' Share Options

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

During the year the following options were exercised by Directors reducing options held under the executive share option scheme to nil (2005 - 38,500):

	<i>Type</i>	<i>Number</i>	<i>Date</i>	<i>Price</i>
S Elliott	Ordinary	8,500	24.3.2006	25p
A W Cutchie	Ordinary	30,000	24.3.2006	25p

During the year the following options were granted to Directors under the executive share option scheme implemented on 19 May 2006:

	<i>Type</i>	<i>Number</i>	<i>Date</i>	<i>Price</i>
W P Taylor	Ordinary	60,000	19.5.2009 - 18.5.2016	117.5p
S Elliott	Ordinary	40,000	19.5.2009 - 18.5.2016	117.5p
L Adams	Ordinary	40,000	19.5.2009 - 18.5.2016	117.5p
A W Cutchie	Ordinary	40,000	19.5.2009 - 18.5.2016	117.5p
R Johnson	Ordinary	40,000	19.5.2009 - 18.5.2016	117.5p
M W Oliver	Ordinary	40,000	19.5.2009 - 18.5.2016	117.5p

During the period from the end of the financial year and 9 March 2007 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 2006 was 167.5p and the range during the year was 85p to 167.5p.

The interests of the Directors in the ordinary shares of the Company are shown on page 5.

Remuneration Report approval

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

P Wardle
Chairman of the Remuneration Committee

14 March 2007

Independent auditors' report to the members of Chieftain Group plc

We have audited the group and parent company financial statements (the "financial statements") of Chieftain Group plc for the year ended 31 December 2006 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' report includes that specific information given in the Chairman's Statement that is cross referenced from the Directors' Report.

In addition we report to you, if in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit and cash flows for the year then ended.
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

14 March 2007

Consolidated Profit and Loss Account

Chieftain Group plc and Subsidiaries
for the year ended 31 December 2006

	<i>Notes</i>	<i>Continuing operations 2006</i>	<i>Acquisitions 2006</i>	<i>Total 2006</i>	<i>Continuing operations 2005</i>
		£'000	£'000	£'000	£'000
TURNOVER	2	32,813	89	32,902	15,016
Cost of sales		(27,174)	(65)	(27,239)	(11,343)
GROSS PROFIT		5,639	24	5,663	3,673
Administrative expenses		(4,144)	(92)	(4,236)	(2,980)
OPERATING PROFIT / (LOSS)		1,495	(68)	1,427	693
Interest receivable and similar income	3			95	49
Interest payable and similar charges	3			(16)	(13)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3			1,506	729
TAX ON PROFIT ON ORDINARY ACTIVITIES	4			(464)	(230)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				1,042	499
BASIC EARNINGS PER SHARE	6			11.91p	5.73p
DILUTED EARNINGS PER SHARE	6			11.88p	5.71p
DIVIDENDS PER SHARE	5			4.25p	3.25p

There is no difference between the reported profits and the historical cost profits for 2006 and 2005.

The Group has no recognised gains or losses which are not included in the Consolidated Profit and Loss Account.

Balance Sheets

Chieftain Group plc and Subsidiaries
as at 31 December 2006

	Notes	Group		Company	
		2006	2005	2006	2005
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	7	25	–	–	–
Tangible assets	8	982	698	–	–
Investments	9	–	–	40	40
		<u>1,007</u>	<u>698</u>	<u>40</u>	<u>40</u>
CURRENT ASSETS					
Stocks and work in progress	10	708	305	–	–
Debtors	11	3,372	4,576	9,497	9,124
Cash at bank and in hand		3,772	2,145	10	–
		<u>7,852</u>	<u>7,026</u>	<u>9,507</u>	<u>9,124</u>
CREDITORS					
Amounts falling due within one year	12	(5,772)	(5,285)	(7,255)	(7,510)
NET CURRENT ASSETS		<u>2,080</u>	<u>1,741</u>	<u>2,252</u>	<u>1,614</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>3,087</u>	<u>2,439</u>	<u>2,292</u>	<u>1,654</u>
CREDITORS					
Amounts falling due after more than one year	13	(5)	(51)	–	–
NET ASSETS		<u>3,082</u>	<u>2,388</u>	<u>2,292</u>	<u>1,654</u>
CAPITAL AND RESERVES					
Called up equity share capital	15	438	436	438	436
Share premium account	17	429	420	429	420
Profit and loss account	18	2,215	1,532	1,425	798
EQUITY SHAREHOLDERS' FUNDS	19	<u>3,082</u>	<u>2,388</u>	<u>2,292</u>	<u>1,654</u>

The financial statements on pages 14 to 24 were approved by the Board of Directors on 20 March 2007 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 2006

	<u>Notes</u>	<u>2006</u>		<u>2005</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	20		2,593		832
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		95		49	
Interest paid		(8)		(1)	
Interest element of finance lease rental payments		(8)		(12)	
			<u>79</u>		<u>36</u>
TAXATION					
Corporation tax paid			(160)		(334)
ACQUISITIONS			(211)		-
CAPITAL EXPENDITURE					
Purchase of tangible fixed assets		(252)		(73)	
Disposal of tangible fixed assets		3		29	
			<u>(249)</u>		<u>(44)</u>
EQUITY DIVIDENDS PAID			(372)		(283)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES			<u>1,680</u>		<u>207</u>
FINANCING					
Issue of ordinary share capital	19	11		-	
Capital element of finance lease rental payments	22	(64)		(87)	
Net cash outflow from financing			<u>(53)</u>		<u>(87)</u>
INCREASE IN CASH	21, 22		<u>1,627</u>		<u>120</u>

1. Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies is set out below.

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. Results of subsidiaries and businesses acquired or disposed of during the year are consolidated from or to the date on which control passes.

Turnover and recognition of profit and losses

Turnover represents the value of work done and 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.

Purchased goodwill

Purchased goodwill has been capitalised and is amortised on a straight line basis over its estimated useful economic life of 5 years.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated to write off the cost of acquisition of tangible fixed assets which are owned or held under finance lease or hire purchase contracts, by equal instalments over their estimated useful lives or lease period whichever is the shorter 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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax, or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits against which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Leased assets

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 defined contribution pension scheme are charged to the profit and loss account as incurred.

Shared-based incentives

The Group has adopted Financial Reporting Standard 20 'Share-based Payment' (FRS 20). No restatement of the prior period is necessary as the scheme was approved in the current financial year. In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by an appropriate option-pricing model. Further details are set out in note 16.

Dividends

Dividends are only recognised when the liability is irrevocable such that final dividends are recognised as a liability when approved by the shareholders at the AGM and interim dividends are recognised when paid.

Financial instruments

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

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. 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):

	2006	2005
	£'000	£'000
Staff costs (including Directors' emoluments):		
Wages and salaries	17,522	5,473
Social security costs	1,884	570
Other pension costs	87	61
Employee share scheme costs	13	-
	-----	-----
	19,506	6,104
Depreciation	131	122
Amortisation of goodwill	1	-
Other operating lease rentals - land and buildings	92	61
Bank interest received	(95)	(49)
Interest payable:		
Bank overdraft	8	1
Finance leases and hire purchase contracts	8	12
	-----	-----
	16	13
Profit on sale of tangible fixed assets	(2)	(22)
The analysis of auditors' remuneration is as follows.		
Audit services		
Fees payable for the audit of Parent Company and consolidated accounts	4	4
Non-audit services		
Fees payable for the audit of Company's subsidiaries pursuant to legislation	31	34
Fees payable for tax services	12	11
	-----	-----
	47	49
	=====	=====

Detailed information regarding Directors' emoluments is shown in the part of the Directors' Remuneration Report which are shown as subject to audit on pages 11 to 12 which form part of the Annual Report.

4. Taxation

a) Analysis of tax charge in the year.

	2006	2005
	£'000	£'000
UK Corporation tax at 30% (2005 - 30%)	459	207
Deferred tax		
Origination and reversal of timing differences	5	23
	-----	-----
	464	230
	=====	=====

b) Factors affecting tax charge for the year.

The tax charge assessed for the year is higher/lower than the standard rate of corporation tax in the UK (30%) (2005 - 30%)

The differences are explained below:

	2006	2005
	£'000	£'000
Profit on ordinary tax activities before tax	1,506	729
UK Corporation tax at standard rate of 30% (2005 - 30%)	452	219
Expenses not deductible for tax purposes	9	18
Capital allowances for year in excess of depreciation	(5)	(23)
Tax losses unutilised in the year	-	1
Imputed tax adjustment for interest	14	-
Tax at marginal rates	(11)	(8)
	-----	-----
Total current tax	459	207
	=====	=====

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

	<u>2006</u>	<u>2005</u>
	<u>£'000</u>	<u>£'000</u>
Ordinary – interim paid 2.00p (2005 – 1.25p)	175	109
– final paid 2.25p (2005 – 2.00p)	197	174
	<u>372</u>	<u>283</u>
	=====	=====

In addition the Directors are proposing a final dividend in respect of the financial year ending 31 December 2006 of 3.00p per ordinary share which will absorb an estimated £263,000 of shareholders funds. If approved at the Annual General Meeting it will be paid on 1 June 2007 to those shareholders on the Company's register on 30 March 2007.

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 8,748,153 (2005 - 8,713,000) ordinary shares (the weighted average number of shares in issue during the year).

Diluted earnings per share is based upon 8,767,959 (2005 - 8,743,384) ordinary shares (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. Intangible Fixed Assets

On 25 September 2006 the Group acquired the business of Bringover Ltd for £306,000 which included purchased goodwill of £26,000. This is being amortised on a straight line basis over its estimated useful life of 5 years. The charge for 2006 was £1,000 leaving a net book value of £25,000.

8. 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 1 January 2006	544	1,328	28	146	2,046
Additions	40	158	17	37	252
Acquisitions	–	152	12	–	164
Disposals	–	(31)	(14)	(29)	(74)
At 31 December 2006	<u>584</u>	<u>1,607</u>	<u>43</u>	<u>154</u>	<u>2,388</u>
Depreciation					
At 1 January 2006	113	1,079	19	137	1,348
Charge for the year	9	96	14	12	131
Disposals	–	(31)	(13)	(29)	(73)
At 31 December 2006	<u>122</u>	<u>1,144</u>	<u>20</u>	<u>120</u>	<u>1,406</u>
Net book amount					
At 31 December 2006	<u>462</u>	<u>463</u>	<u>23</u>	<u>34</u>	<u>982</u>
At 31 December 2005	<u>431</u>	<u>249</u>	<u>9</u>	<u>9</u>	<u>698</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 2006 of £46,000, £95,000 and £3,000 (2005 – £47,000, £157,000 and £12,000) respectively. The 2006 depreciation charges relating to these assets were £1,000, £62,000 and £9,000 (2005 – £1,000, £60,000 and £24,000) respectively.

The Company has no fixed assets.

Capital Commitments

At 31 December 2006 there were capital commitments of £67,000 contracted for by the Group. (2005 – ENil).

9. Fixed Asset Investments

Company	£'000
Cost at 1 January and 31 December 2006	40
	=====

At 31 December 2006 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 Limited	Industrial insulation	England
Chieftain Fabrications Limited	Metal fabrication	England
Chieftain Insulation (NI) Limited	Industrial insulation	N. Ireland
R Blackett Charlton Limited	Pipe fabrication	England
R Blackett Charlton (Ireland) Limited	Non-trading	Ireland
Bringover Limited		
(formerly Chieftain Scaffolding Services Limited)	Engineering	England
Chieftain Power Services Limited	Dormant	England

All subsidiary undertakings have been included in the consolidation.

10. Stocks and Work in Progress

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	14	4	-	-
Work in progress	6,400	6,288	-	-
Less: Amounts received and receivable (net of £1,163,000 payments on account of long term contracts (2005 - £828,000))	(5,706)	(5,987)	-	-
	708	305	-	-
	=====	=====	=====	=====

11. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts recoverable on contracts	2,302	1,888	-	-
Trade debtors	592	2,175	24	30
Other debtors	20	31	-	-
Deferred tax assets (Note 14)	60	65	-	-
Amounts owed by subsidiary undertakings	-	-	9,467	9,086
Prepayments	398	417	6	8
	3,372	4,576	9,497	9,124
	=====	=====	=====	=====

The amounts owed to the Company by subsidiary undertakings have no fixed repayment terms.

12. Creditors – Amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Progress claims in advance	384	921	-	-
Trade creditors	2,749	2,592	-	-
Hire purchase creditors and obligations under finance leases (Note 27)	46	64	-	-
Corporation tax	421	122	88	-
Other taxation and social security	1,599	1,249	-	-
Accruals and deferred income	573	337	-	-
Amounts owed to subsidiary undertakings	-	-	7,167	7,510
	5,772	5,285	7,255	7,510
	=====	=====	=====	=====

The Group's overdraft facility is secured by a fixed and floating charge over the assets of the Group. Hire purchase liabilities are secured on the assets to which they relate.

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

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Hire purchase creditors and obligations under finance leases (Note 27)	5	51	-	-
	5	51	-	-

14. Deferred Taxation

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Deferred tax provided at 1 January (Debit)/Credit to the profit and loss account	65 (5)	88 (23)
Deferred tax recognised at 31 December	60	65
Deferred tax has been recognised/(provided) at 30% (2005:30%) in respect of:		
Capital allowances	45	50
Other timing differences	15	15
Deferred tax asset	60	65

15. Called Up Equity Share Capital

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Authorised 12,000,000 (2005 – 12,000,000) ordinary shares of 5p each	600	600
Allotted, called up and fully paid 8,758,500 (2005 – 8,713,000) ordinary shares of 5p each	438	436

During the year 3 employees exercised options under the Chieftain Group plc Executive Share Option Scheme.

Under the Chieftain Group plc Executive Share Incentive Scheme, options were outstanding at 31 December 2006 in respect of the following:

<i>Type</i>	<i>Number of shares subject to option</i>	<i>Exercise Period</i>	<i>Exercise Price</i>
Ordinary	260,000	19.5.2009 to 18.5.2016	117.5p

16. Share-based payments

On 19 May 2006 the Company implemented an Executive Share Incentive Scheme. Details of options granted, vesting period, option life and exercise price are shown on page 12 of the Directors' Remuneration Report.

The fair value per option granted and assumptions used are as follows:

Expected life (years)	10
Expected volatility	42%
Risk-free rate	4.3%
Yield	5%
Fair value per option	34p

The expected volatility is based on historical data over the last year. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the expected life.

The total charge for the year was calculated using an appropriate option-pricing model and totalled £13,000.

17. Share Premium Account

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
At 1 January 2006	420	420
Arising on issue of ordinary shares	9	9
	-----	-----
At 31 December 2006	429	429
	=====	=====

18. Profit and Loss Account

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
At 1 January 2006	1,532	798
Retained profit for the financial year	670	284
Adjustments in respect of employee share schemes	13	-
Currency translation differences	-	343
	-----	-----
At 31 December 2006	2,215	1,425
	=====	=====

Dividends declared out of profits earned are not deducted from equity until they have either been approved by shareholders or have become irrevocable.

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 is shown in note 19 below.

**19. Reconciliation of Movements
in Equity Shareholders' Funds**

	<u>Group</u>		<u>Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Profit/(loss) for the financial year	1,042	499	(144)	(46)
Issue of ordinary share capital	11	-	11	-
Dividends paid	(372)	(283)	(372)	(283)
Dividends received	-	-	800	400
Adjustment in respect of employee share schemes	13	-	-	-
Currency translation differences	-	-	343	-
	-----	-----	-----	-----
Increase in Equity Shareholders' funds	694	216	638	71
Opening Equity Shareholders' funds	2,388	2,172	1,654	1,583
	-----	-----	-----	-----
Closing Equity Shareholders' funds	3,082	2,388	2,292	1,654
	=====	=====	=====	=====

**20. Reconciliation of operating profit to net
cash inflow from operating activities**

	<u>2006</u>	<u>2005</u>
	<u>£'000</u>	<u>£'000</u>
Operating profit	1,427	693
Depreciation charges	132	122
Profit on sale of tangible fixed assets	(2)	(22)
Increase in stocks and work in progress	(541)	(99)
Increase/(decrease) in debtors	454	(2,712)
Increase in creditors	1,123	2,850
	-----	-----
Net cash inflow from operating activities	2,593	832
	=====	=====

21. Reconciliation to Net Funds

	<u>2006</u>	<u>2005</u>
	<u>£'000</u>	<u>£'000</u>
Increase in cash in the year	1,627	120
Decrease in debt and lease finance	64	87
	-----	-----
Change in net funds from cash flows	1,691	207
Non cash flow movement - new finance leases	-	(92)
	-----	-----
Movement in net funds in the year	1,691	115
Net funds at 1 January	2,030	1,915
	-----	-----
Net funds at 31 December	3,721	2,030
	=====	=====

22. Analysis of Net Funds

	<i>1/1/06</i>	<i>Cash flow</i>	<i>31/12/06</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	2,145	1,627	3,772
Finance leases (Note 27)	(115)	64	(51)
	<u>2,030</u>	<u>1,691</u>	<u>3,721</u>

23. Acquisitions

On 25 September 2006 the Group completed the acquisition of the trade and assets of Bringover Ltd for a cash consideration of £306,000

	<i>£'000</i>
Book value of tangible fixed assets	164
Book value of stocks and work in progress	116
Fair value adjustments	-
Goodwill	26
	<u>306</u>
Consideration (of which £95,000 is deferred for one year)	<u>306</u>

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

24. 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.

25. Employees

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

	<i>2006</i>	<i>2005</i>
	<i>No.</i>	<i>No.</i>
Contracting	522	176
Management	9	9
	<u>531</u>	<u>185</u>

26. 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 (2005-Nil).

27. 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.

	<i>Group</i>	
	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Lease expiry date:		
- within one year	2	23
- within 2-5 years	50	12
- after 5 years	72	38
	<u>124</u>	<u>73</u>

There were no operating lease commitments relating to plant and machinery at 31 December 2006 (2005-£Nil).

	<i>Group</i>	
	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Within 1 year	46	64
Between 1 and 2 years	5	46
Between 2 and 5 years	-	5
	<u>51</u>	<u>115</u>

There is no material difference between book value and fair value of lease commitments.

28. Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial liabilities at 31 December 2006, and should be read in conjunction with the Treasury Report on page 8. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates.

	2006		2005	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Short-term financial liabilities and current portion of long-term borrowings	(46)	(46)	(64)	(64)
Long-term borrowings excluding current portion	(5)	(5)	(51)	(51)
Cash at bank and in hand	3,772	3,772	2,145	2,145
	=====	=====	=====	=====

The book value and fair value of short term financial assets and liabilities are the same due to short maturity of those instruments. The maturity profile of long term financial liabilities is set out in note 27.

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at 31 December 2006 was:

Currency	2006			2005		
	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Sterling	51	-	51	115	-	115
	=====	=====	=====	=====	=====	=====

Fixed rate financial liabilities have a weighted average interest rate of 4.2% (2005- 4.1%) which is fixed for a weighted average period of 1 year (2005- 1 year)

The floating rate financial liability bears interest at 1.875% per annum above Barclays Bank Plc base rate.

Interest rate risk profile of financial assets

	2006	2005
	£'000	£'000
Sterling - cash - floating rate	3,772	2,145
	=====	=====

Borrowing facilities

The Group had various undrawn committed facilities. The facilities available at 31 December 2006, in respect of which all conditions precedent had been met were as follows:

	2006	2005
	Floating rate £'000	Floating rate £'000
Expiring in one year or less	1,500	1,250
	=====	=====

Since the year end this facility has been agreed at £1,500,000 and is subject to review on 12 March 2008. The company has a sterling denominated intercompany balance of £27,837 (2005- £29,060) which resides in a Euro denominated subsidiary.

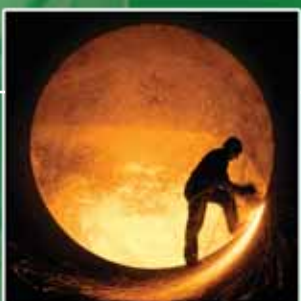
29. Post Balance Sheet Event

On 5 March 2007 the Group announced it had acquired 100% of the ordinary share capital of Kevin Lloyd Limited for a consideration of £200,000.

Head and Registered Office
Chieftain House
White Street
Walker
Newcastle upon Tyne
NE6 3PJ

Telephone: (0191) 263 5544
Fax: (0191) 263 5509

E-mail: customersupport@chieftainplc.co.uk
Website: www.chieftaingroup.co.uk



CHIEFTAIN GROUP plc