



CHIEFTAIN GROUP plc



INTERIM STATEMENT 2006

Profit and Loss Account

	Unaudited 6 months ended 30 June 2006	Unaudited 6 months ended 30 June 2005	Audited 12 months ended 31 Dec 2005
	£'000	£'000	£'000
Turnover:			
Continuing operations	16,858	4,731	15,016
Operating profit/(loss):			
Continuing operations	682	(20)	693
Net interest receivable	50	21	36
Profit on ordinary activities before taxation	732	1	729
Taxation	(229)	–	(230)
Profit on ordinary activities after taxation	503	1	499
Earnings per share			
– basic	5.76p	0.01p	5.73p
– diluted	5.75p	0.01p	5.71p
Dividend per share	2.00p	1.25p	3.25p

Notes:

- The interim dividend is payable on 6 October 2006 to those shareholders on the Company's register on 15 September 2006.
- The total cost of the interim dividend is £175,170 (2005 - £108,913) based on 8,758,500 ordinary shares in issue (2005 - 8,713,000).
- Basic earnings per share is based upon the profit on ordinary activities after taxation and 8,737,750 (2005 - 8,713,000) ordinary shares (the weighted average number of shares in issue during the period).
- Diluted earnings per share is based upon the profit on ordinary activities after taxation and 8,753,299 (2005 - 8,740,657) ordinary shares (the weighted average number of shares in issue during the period plus the weighted average number of dilutive options in issue during the period. Dilutive options are the difference between the number of shares that would have been issued at the option price and the number of shares that would have been issued at fair value).
- These financial statements have been presented using accounting policies consistent with those applied in the Audited Financial Statements for the financial year ended 31 December 2005.
- The Company's full accounts for the year to 31 December 2005 received an unqualified auditors' report and have been filed with the Registrar of Companies. Copies can be obtained from the Company's Registered Office at Chieftain House, White Street, Walker, Newcastle upon Tyne, NE6 3PJ.

Consolidated Balance Sheet

	Unaudited as at 30 June 2006	Unaudited as at 30 June 2005	Audited as at 31 Dec 2005
	£'000	£'000	£'000
Fixed Assets:			
Tangible assets	753	702	698
Current Assets:			
Stocks and work in progress	88	53	305
Debtors	5,002	2,510	4,576
Cash at bank and in hand	3,666	1,187	2,145
	8,756	3,750	7,026
Creditors			
Amounts falling due within one year	(6,779)	(2,389)	(5,285)
Net Current Assets	1,977	1,361	1,741
Total Assets Less Current Liabilities	2,730	2,063	2,439
Creditors			
Amounts falling due after more than one year	(24)	(64)	(51)
Net Assets	2,706	1,999	2,388
Capital and Reserves			
Called up equity share capital	438	436	436
Share premium account	429	420	420
Profit and loss account	1,839	1,143	1,532
Equity Shareholders' Funds	2,706	1,999	2,388

Consolidated Cash Flow Statement

	Unaudited 6 months ended 30 June 2006		Unaudited 6 months ended 30 June 2005		Audited 12 months ended 31 Dec 2005	
	£'000	£'000	£'000	£'000	£'000	£'000
Net Cash Inflow/(Outflow) from Operating Activities		1,833		(610)		832
Returns on Investments and Servicing of Finance						
Interest received	63		31		49	
Interest paid	–		(5)		(1)	
Interest element of finance lease rental payments	(13)		(5)		(12)	
		50		21		36
Taxation						
Corporation tax paid		(30)		–		(334)
Capital Expenditure						
Purchase of tangible fixed assets	(114)		(40)		(73)	
Disposal of tangible fixed assets	3		9		29	
		(111)		(31)		(44)
Equity Dividends Paid		(196)		(174)		(283)
Net Cash Inflow/(Outflow) before Financing Activities		1,546		(794)		207
Financing						
Issue of ordinary share capital	11		–		–	
Capital element of finance lease rental payments	(36)		(44)		(87)	
		(25)		(44)		(87)
Increase/(Decrease) in Cash in the Period		<u>1,521</u>		<u>(838)</u>		<u>120</u>

Chairman's Statement

INTRODUCTION

I am pleased to report that the increase in trading volume referred to in my statement in March has been maintained into the first half of 2006. This is reflected in the results for the first half of 2006 which show a pre-tax profit of £732,000 compared with just £1,000 in the corresponding period in 2005 and £729,000 for the whole of last year. Turnover rose very substantially over the period, reflecting a first-time contribution from our Engineering Services operation on Teesside together with satisfactory performances across all Chieftain's areas of operation. In particular, our Manpower Supply business experienced excellent growth in the period, underpinned by high levels of demand.

Our order book remains strong, having risen to £55 million as at 30 June from £23 million at the end of 2005. This has been achieved as a result of winning new contracts and an upward revaluation of some existing contracts.

Financial

Turnover for the first half came in at £16.9 million, compared with £4.7 million in the first half of 2005 and £15.0 million in the whole of 2005. After funding a significant increase in turnover of some 260% our cash position has strengthened considerably, increasing from a positive balance of £2.1 million as at 31 December 2005 to £3.7 million as at 30 June 2006. Our bank facility of £1.5 million remained unutilised during the period. Earnings per share in the first half were 5.76p, compared with 0.01p in the first half of 2005 and 5.73p achieved for the whole of 2005.

Dividend

The Board is again demonstrating its confidence in the continued profitable expansion of the Group by maintaining its progressive dividend policy and declaring an interim dividend of 2p per ordinary share. This represents a 60% increase on the corresponding interim dividend in 2005.

OPERATING REVIEW

Engineering Services

We entered this business activity at the beginning of 2005, providing a natural extension of our pipe fabrication and general steel fabrication business carried out by R. Blackett Charlton, one of our wholly-owned subsidiaries.

Activity levels in this sector increased in the early part of 2006 due to the commencement of three major contracts and have been maintained at a consistent level for most of the period. We now work with three well-known industry names in this sector from our offices on Teesside – BASF, Conoco-Phillips and px limited, operator of the Teesside Power Station. Levels of activity are expected to be maintained in the second half of the year whilst new opportunities in this sector are being pursued.

Fabrication

The Group's fabrication facilities at R. Blackett Charlton in Newcastle upon Tyne operated at near full capacity for most of the period, supporting Chieftain's claim to have one of the largest pipe fabrication facilities in the UK. Tendering for new work is at a high level and negotiations for further contracts are ongoing.

Manpower Supply

R. Blackett Charlton's third mainstream activity is the provision of skilled manpower for major engineering projects in the UK and Northern Europe. There is a growing demand for these services as construction project management companies outsource the recruitment of employees with appropriate skill levels, at the time they are needed.

I am pleased to report that this sector of the business has expanded considerably as we anticipated in our preliminary statement in March.

There is currently very strong demand for skilled labour in the heavy engineering sector in both the UK and Northern Europe. We were awarded several major contracts in the early part of the period and these are now being fulfilled.

Environmental Services

Our Environmental Services division provides services for the surveying, encapsulation and removal of hazardous materials including all grades of asbestos contaminated materials. Despite a slow start to the year, caused principally by our public sector clients experiencing tight budgetary controls, I am pleased to report that activity has now returned to more normal levels and a satisfactory and profitable outcome is expected at the full year.

Marine Outfitting

The Group continues to trade in its long established business of outfitting sea-going vessels for the merchant and warship fleet together with oil and gas offshore platforms for the North Sea and elsewhere. The Marine business is underpinned by a long term contract for work on the Astute class submarine programme which is continuing to perform satisfactorily.

OTHER DEVELOPMENTS

I am particularly pleased to welcome new shareholders to Chieftain, not least those staff members who acquired shares through the exercise of share options granted under our original share option scheme. As a result, there was a small increase in the share capital of the Group of 45,500 shares. A new share option scheme to incentivise senior management was approved at our AGM in May of this year and 260,000 share options have been granted at an option price of 117.5p

Safety remains high on the priority of all companies operating within Chieftain Group. We were particularly proud, therefore, to be awarded the much-coveted Presidents Award from RoSPA following 10 successive years of gold medal achievement.

OUTLOOK

I am pleased to report that the profitable growth of the Group, which commenced in the second half of 2005, has been maintained into 2006. This has been achieved entirely through organic means and without demands on our positive net cash position which has increased yet again.

We now have a first class management team, the financial resources and an established blue-chip client base to underpin further profitable expansion of the Group by both organic and acquisitive means in the second half and beyond.

I am confident that we have more exciting times to look forward to.

P Wardle
Chairman
30 August 2006



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