

14 March 2007

For immediate release

**Chieftain Group Plc (“Chieftain” or “the Group”)
Preliminary unaudited results for the year ended 31 December 2006**

Chieftain Group is an engineering services business, encompassing Engineering, Fabrication, Manpower Supply, Environmental Services and Outfitting. It is based in Newcastle upon Tyne with principal operations on Tyneside, Teesside and in Belfast and Barrow-in-Furness.

Financial Highlights

- Turnover increased by 120% to £33.0 million (2005: £15.0 million)
- Pre-tax profit up 107% at £1,506,000 (2005: £729,000)
- Basic Earnings per share up by 108% at 11.91p (2005: 5.73p)
- Full-year dividend up 43% at 5.0p (2005: 3.5p)
- Net Cash position improved to £3.8 million (2005: £2.1 million) despite investment in expansion

Operational Highlights

- Significant new client wins in Engineering Services business
- Outfitting business underpinned by long-term Astute contract
- Current order book up 28% at £68 million

Commenting on the results, Chief Executive, Bill Taylor, said:

“I am pleased to report that 2006 was a very strong year for Chieftain with turnover, profit before tax and earnings per share all more than double 2005 comparatives. The Group is set to continue its expansion on all fronts in the current year and I am pleased to report that, as at 31 December, our order book stood at £68 million, a record for the company and some 28% ahead of our statement of 21 March 2006”.

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CHAIRMAN'S STATEMENT

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. Blckett 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. Blckett 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 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 the 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

Consolidated Profit and Loss Account For the year ended 31 December 2006

	Unaudited			Continuing operations 2005 £'000
	Continuing operations 2006	Acquisitions 2006	Total 2006	
	£'000	£'000	£'000	
TURNOVER	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			95	49
Interest payable and similar charges			(16)	(13)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,506	729
TAX ON PROFIT ON ORDINARY ACTIVITIES			(464)	(230)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			1,042 =====	499 =====
BASIC EARNINGS PER SHARE			11.91p =====	5.73p =====
DILUTED EARNINGS PER SHARE			11.88p =====	5.71p =====
DIVIDENDS PER SHARE			4.25p =====	3.25p =====

Balance Sheets

As at 31 December 2006

	GROUP		COMPANY	
	Unaudited 2006 £'000	2005 £'000	Unaudited 2006 £'000	2005 £'000
FIXED ASSETS				
Intangible assets	25	-	-	-
Tangible assets	982	698	-	-
Investments	-	-	40	40
	<u>1,007</u>	<u>698</u>	<u>40</u>	<u>40</u>
CURRENT ASSETS				
Stocks and work in progress	708	305	-	-
Debtors	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	(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	(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 share capital	438	436	438	436
Share premium account	429	420	429	420
Profit and loss account	2,215	1,532	1,425	798
EQUITY SHAREHOLDERS' FUNDS	<u>3,082</u>	<u>2,388</u>	<u>2,292</u>	<u>1,654</u>

Consolidated Cash Flow Statement For the year ended 31 December 2006

	Unaudited		2005
	2006		2005
	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		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)
	-----	79	-----
			36
TAXATION			
Corporation tax paid		(160)	(334)
ACQUISITIONS		(211)	-
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets	(252)		(73)
Disposal of tangible fixed assets	3		29
	-----	(249)	-----
			(44)
EQUITY DIVIDENDS PAID		(372)	(283)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		-----	-----
		1,680	207
FINANCING			
Issue of ordinary share capital	11		-
Capital elements of finance lease rental payments	(64)		(87)
	-----		-----
Net cash outflow from financing		(53)	(87)
INCREASE IN CASH		-----	-----
		1,627	120
		=====	=====

Notes:

1 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 (being 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 (being 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).

2 Dividends paid

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

- 3** The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2006 and 2005 within the meaning of section 240 of the Companies Act 1985. The figures in the unaudited preliminary announcement have been taken from the Group's draft financial statements for the year ended 31 December 2006 which will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary announcement. Statutory accounts for the year ended 31 December 2005 have been delivered to the Registrar of Companies and the independent auditors' report on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The statutory accounts for the year ended 31 December 2006 will be delivered to The Registrar of Companies in due course.

- 4** The annual report and accounts will be posted to shareholders shortly and thereafter copies of the report and accounts will be available from the Secretary, Chieftain Group plc, Chieftain House, Walker, Newcastle upon Tyne, NE6 3PJ.