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27 February, 2007

Announcement of the Un-audited Preliminary Results of Oakhill Group plc
for the year ended 31 December 2006

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PRELIMINARY STATEMENT

Oakhill Group plc announces its un-audited preliminary results for the year ended 31 December 2006.

Financial summary

	2006 €'000	**2005 €'000**	**Change %**
Revenue			
Managed services			
Cards	21,761	17,808	+22
Print	3,471	4,821	
	25,232	22,629	
Books & journals	10,745	10,218	+5
	35,977	32,847	+10
Operating profit from continuing activities (1)			
Managed services			
Cards	1,714	1,945	-12
Print (2)	(989)	(560)	
	725	1,385	
Books & journals	1,299	1,376	-6
Centre costs	(1,257)	(1,394)	-10
	767	1,367	-44
Goodwill impairment	-	(7,455)	
Profit/(loss) after tax	139	(6,873)	
Earnings/(loss) per share (cent)	0.25	(12.18)	
Adjusted earnings per share (cent) (3)	0.84	1.03	-18
Net debt	3,826	4,649	
Equity	8,381	7,933	
Debt / equity ratio	46%	59%	

(1) before goodwill impairment provision
(2) includes closure related costs
(3) before goodwill impairment provision and print closure related costs

Chairman's Statement

Introduction

The preliminary results for the Group for 2006 show revenue of €35.977 million, an increase of 10% on 2005. Operating profit (excluding impairment provision) is down €0.600 million, of which €0.450 million is in respect of the trading result and closure related costs of the general commercial print activities which ceased at the end of September 2006. Adjusted earnings per share of 0.84 cent are 18% lower than the 1.03 cent reported in 2005.

Operating cash flow increased by €1.085 million and year-end net debt reduced by €0.823 million. Shareholder funds increased by €0.448 million and the debt / equity ratio at December 2006 has reduced to 46%.

Operating review

Managed Services

This division offers a comprehensive portfolio of card, and until September 2006 general commercial print, based products and services. Card services has three main market areas: Telco, Membership and Retail.

Financial information			2006			2005
	Cards	Print	MSD	Cards	Print	MSD
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	14,837	2,367	17,204	12,179	3,297	15,476
Operating profit	1,168	(674)	494	1,330	(383)	947
EBITDA (1)	1,994	(596)	1,398	2,093	(308)	1,785
Net interest			(373)			(369)
Capital expenditure			(1,064)			(956)
Net operating assets (2)			4,469			4,717
Net debt			(3,568)			(3,933)

(1) earnings before interest, tax, depreciation and intangible assets impairment provision
(2) net operating assets includes property, plant and equipment, inventories, trade and other receivables and payables and excludes corporate tax, net debt and goodwill

Revenue for the year has increased by 11%, with a 22% increase in card revenue offset by a reduction in print revenue, which is due to the closure of the general commercial print activities in September 2006. In print, revenue in the digital print business Top Copy increased marginally to £1.04 million. In the third quarter a review of the general commercial print activities and associated cost base was carried out and it was decided to refocus the print activities and concentrate on card related customers and products.

Volumes in the first quarter of 2006 were weak across the division and a substantial loss was incurred. An improvement started in the second quarter with increased higher margin sales in cards and this recovery in volumes continued in the second half of the year with strong gift card and other raw card sales.

A major challenge for the division has been to replace revenue in the declining sector of plastic card based electronic top-up for the UK Telco market. The division has targeted the emerging gift card market and in 2006 achieved a significant share of the market, with a number of major retailers. Other growth areas are in large scale card based membership services including data management and interactive direct mail.

The operating profit result of £0.494 million includes losses and closure costs related to the print activities which closed in September 2006 and also costs related to the problem with a specialised card product previously reported on. This matter was satisfactorily resolved and the group continues to be a supplier to the customer. The direct cost incurred was £83,000.

The losses in the general commercial print activity were £0.627 million including £161,000 of redundancy costs and £164,000 of asset write-downs and losses during the closure period. Top Copy made a loss of £47,000 which was a small improvement on 2005. In the fourth quarter the remodelled print business which is now focussed on card customers made a small profit contribution which is included in the results of the cards business.

Operating profit in cards for the year was £1.168 million (after the product problem related costs of £83,000) compared to an operating profit of £1.33 million in 2005. The operating result was negatively impacted by across the board decreases in prices, lower margins in newer business areas and start up costs with some new projects. The combined effect of these decreases more than offset the effect of increased sales.

The division has invested in new capability to both reduce production costs through improved efficiency and productivity and to develop new products and services to increase revenue and replace declining products. In 2006 major items of capital expenditure included an Oce highlight colour digital press and a PFE fulfilment platform used for card based mailing contracts and various attaching, card printing and security enhancing equipment.

Books & Journals

This business comprises the printing of academic books and journals in the United Kingdom.

Financial information	2006	2005
	£'000	£'000
Revenue	7,326	6,988
Operating profit	886	941
EBITDA (1)	1,568	1,374
Net interest	(212)	(196)
Capital expenditure	(158)	(2,478)
Net operating assets (2)	5,099	5,712
Net debt	(2,537)	(3,578)

(1) earnings before interest, tax, depreciation and intangible assets impairment provision
(2) net operating assets includes property, plant and equipment, inventories, trade and other receivables and payables and excludes corporate tax, net debt and goodwill

Revenue is 5% ahead of last year and operating profit has decreased by 6%. Increased revenues from litho print books and journals contributed 2.5% of the revenue growth and digital print made a similar contribution. The litho print revenue increase was mainly in lower margin paper sales. Book and journal volumes continued to increase but margins were reduced by the ongoing price decreases. The growth in revenue is mainly organic growth with existing customers. In 2006 the top 25 customers accounted for 84.5% of sales (2005: 83%).

The decrease in operating profit reflects the competitiveness of the market and the increasing price sensitivity of customers. The upgrading of capability in recent years gives the business the ability to introduce new products to its portfolio and increase its sales volumes in an increasingly competitive environment and to react to downward pricing pressures.

Goodwill impairment provision in 2005

A review of the carrying value of the two business divisions was carried out during 2005 in accordance with international financial reporting standards and was reported in the group's interim report as at 30 June 2005. This review took account of the prevailing market conditions and trading performance and the outlook for the markets in which the businesses operate. Arising from this review the Board considered it appropriate to make an impairment provision of €7.455 million in respect of goodwill, which wrote the carrying value of goodwill down to zero in the 2005 group accounts.

Net interest expense

Net interest expense for 2006 is higher than in 2005 mainly as a result of higher average net debt during 2006 related to capital expenditure in 2006 and the latter part of 2005.

Earnings per share

The adjusted earnings per share for 2006 was 0.84 cent, an 18% decrease on 2005. Adjusted earnings per share excludes goodwill impairment and commercial print closure related costs.

Cash flow and net debt

The table below summarises the cash flow for the period.

	2006 €'000	**2005 €'000**
Operating profit (1)	767	1,367
Exceptional operating costs	-	(291)
Depreciation	2,340	1,885
Net working capital including pension	287	(654)
Operating cash flow	3,394	2,307
Net interest	(666)	(561)
Tax paid	(17)	(91)
Capital expenditure net (including leased assets)	(1,792)	(4,977)
	919	(3,322)
Opening net debt	(4,649)	(1,278)
Currency	(96)	(49)
Closing net debt	(3,826)	(4,649)

(1) Operating profit before impairment provision

Capital expenditure in the year was €1.79 million of which €1.56 million is in Managed Services and €0.23 million is in Books & Journals. €0.95 million of this capital investment was funded through asset based financing.

At 31 December 2006 the net debt was as follows:

	Centre €'000	Managed Services €'000	Books & Journals €'000	Group €'000
Cash	5,239	407	15	5,661
Cash flow finance	-	(149)	(821)	(970)
Term debt	-	(3,271)	(563)	(3,834)
Asset finance	-	(2,285)	(2,398)	(4,683)
	5,239	(5,298)	(3,767)	(3,826)

The average month end net debt during 2006 was €5.387 million (2005: €3.968 million). Debt levels fluctuated in line with trading trends and capital expenditure.

At the year end there were committed borrowing facilities available for drawdown of €2.1 million in Managed Services and €0.6 million in Books & Journals. The debt in each division is secured on the assets of the division.

Outlook

Managed Services

Significant progress was made in 2006 to replace the declining E-top up card sales to telecom operators with new and growing sales to gift card customers and key accounts in large scale membership schemes.

As before, this division will continue its focus on product development, improving operational performance and achieving a return on the investments made. In addition there will be a major emphasis on more effective penetration of the gift card market.

The sales model is working well and is evolving to support the current base and grow new volumes. A number of initiatives are being made in product and people development that should support new market and client penetration.

Capital expenditure planned for 2007 will further increase card manufacturing capacity and provide additional personalisation and other relevant capabilities to support increased gift card volumes. This capital expenditure together with investment in people skills will be the key to underpinning performance in 2007. Although an increase in card sales volumes in likely in 2007, the target of matching 2006 operating profit outcome will be a challenging one due to the impact of falling prices.

Top Copy revenue and operating result are expected to show a small improvement on 2006.

Books and Journals

In 2007, while the book market may show some slight growth the journal market is expected to remain static with some increase in further overseas journal migration. This division will feature further significant selling price reductions affecting both Litho and Digital books and journals and significant price reductions have been agreed with major customers for 2007. Digital print is targeted to deliver significant growth in 2007, after a slow start in 2006.

The upgrading of capability in recent years and planned expenditure for 2007 provides increased market opportunities and product offerings.

While book and journal volumes are likely to be up, pricing pressure is likely to make achieving improved revenue and operating profit results difficult.

Dan O’Donohoe
Chairman
27 February, 2007

Consolidated income statement
for the year ended 31 December 2006

	Notes	Pre-exceptional 2006 €'000	Exceptional 2006 €'000	Total 2006 €'000	Pre-exceptional 2005 €'000	Exceptional 2005 €'000	Total 2005 €'000
Continuing operations							
Revenue	3	35,977	-	35,977	32,847	-	32,847
Cost of sales		(28,261)	-	(28,261)	(24,951)	-	(24,951)
Gross profit		7,716	-	7,716	7,896	-	7,896
Selling and distribution costs		(2,348)	-	(2,348)	(2,273)	-	(2,273)
Administration expenses		(4,601)	-	(4,601)	(4,256)	-	(4,256)
Other operating expenses	4	-	-	-	-	(7,455)	(7,455)
Operating profit/(loss)		767	-	767	1,367	(7,455)	(6,088)
Finance costs	5			(921)			(874)
Finance income	5			257			315
Profit/(loss) before tax				103			(6,647)
Income tax credit/(expense)	6			36			(226)
Profit/(loss) for the period attributable to equity shareholders				139			(6,873)
(Earnings)/(loss) per share - continuing operations							
- Basic and diluted (cent)	7			0.25			(12.18)
Adjusted earnings per share (1)							
- Basic and diluted (cent)	7			0.84			1.03

(1) before print closure related costs and goodwill impairment provision

Consolidated balance sheet

	31 Dec 2006 €'000	31 Dec 2005 €'000
Non-current assets		
Goodwill	-	-
Property, plant and equipment	11,707	12,043
	11,707	12,043
Current assets		
Inventories	1,201	1,663
Trade and other receivables	7,915	8,073
Cash and cash equivalents	5,661	7,048
	14,777	16,784
Total assets	26,484	28,827
Current liabilities		
Borrowings	3,696	4,137
Trade and other payables	7,044	7,403
Current tax liabilities	870	743
	11,610	12,283
Non-current liabilities		
Borrowings	5,791	7,560
Deferred tax	563	720
Retirement benefit obligations	139	331
	6,493	8,611
Total liabilities	18,103	20,894
Net assets	8,381	7,933
Equity		
Ordinary share capital	5,644	5,644
Share premium	5,950	5,950
Other reserves	442	312
Accumulated deficit	(3,655)	(3,973)
Total equity	8,381	7,933

Consolidated statement of recognised income and expense
for the year ended 31 December 2006

	2006 €'000	2005 €'000
Actuarial gain/(loss) on defined benefit plan	179	(132)
Deferred tax on actuarial gain/loss	-	16
Exchange movement	130	431
Net income recognised directly within equity	309	315
Profit/(loss) for the period	139	(6,873)
Total recognised income/(expense) for the period	448	(6,558)

Reconciliation of movements in group equity
for the year ended 31 December 2006

	2006 €'000	2005 €'000
Total recognised income/(expense) relating to the period	448	(6,558)
Opening group equity	7,933	14,491
Closing group equity	8,381	7,933

Consolidated cash flow statement
for the year ended 31 December 2006

	2006 €'000	2005 €'000
Operating activities		
Cash generated from operations (note 8(a))	3,394	2,307
Taxation paid	(17)	(91)
Net cash inflow from operating activities	3,377	2,216
Investing activities		
Purchase of property, plant and equipment	(901)	(769)
Proceeds from sale of property, plant and equipment	54	45
Interest received	202	314
Net cash outflow from investing activities	(645)	(410)
Financing activities		
Proceeds from borrowings	-	820
Repayments of borrowings	(1,855)	(1,188)
Capital element of asset finance payments	(1,475)	(963)
Interest paid	(515)	(629)
Finance lease interest	(353)	(246)
Net cash outflow from financing activities	(4,198)	(2,206)
Net decrease in cash and cash equivalents	(1,466)	(400)
Cash and cash equivalents at beginning of period	7,048	7,257
Effect of exchange rate changes	79	191
Cash and cash equivalents at end of period	5,661	7,048

Notes to the financial statements

1. Basis of preparation

The information included in the preliminary statement has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) in issue that are endorsed by the European Commission and effective (or available for early adoption) at 31 December 2006.

The transition date for implementation of IFRS by the Group was 1 January 2004. The financial statements for the year ended 31 December 2004, which were prepared in accordance with accounting practice generally accepted in Ireland, have been restated under IFRS with effect from the transition date.

Further details of the accounting policies adopted by the Group on the implementation of IFRS, and of the impact on the reported results and balance sheet of the Group of the transition to IFRS, were set out in the Group's June 2005 interim report which was issued on 23 September 2005 and the Group's 2005 annual report.

The financial information set out in the preliminary statement is un-audited and does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2005, which received an unqualified audit opinion have been filed with the Registrar of Companies.

2. Exchange rates

The income statements and cash flows of subsidiaries are translated into euro based on the average exchange rate for the period. The balance sheets are translated using the year-end exchange rate.

	2006	**2005**
Average rate for the year		
£ Sterling	0.6818	0.6839
Year-end rate		
£ Sterling	0.6735	0.6853

3. Analysis of revenue and operating results by business segment

	2006		**2005**	
	€'000 Revenue	€'000 Result (1)	€'000 Revenue	€'000 Result (1)
Managed Services	25,232	725	22,629	1,385
Books & Journals	10,745	1,299	10,218	1,376
Centre	-	(1,257)	-	(1,394)
	35,977	767	32,847	1,367

(1) The operating result is operating profit before goodwill impairment provision. In Managed Services it includes costs related to the closure of the general commercial print activities in 2006.

4. Other operating expenses

	2006 €'000	2005 €'000
Goodwill impairment		
Managed Services	-	(6,292)
Books & Journals	-	(1,163)
	-	(7,455)

A review of the carrying value of the two business divisions was carried out during 2005 in accordance with international financial reporting standards. This review took account of the prevailing market conditions and trading performance and the outlook for the markets in which the businesses operate. Arising from this review an impairment provision of €7.455 million was made in respect of goodwill, which wrote the carrying value of goodwill down to zero in the group accounts.

5. Finance income and expense

	2006 €'000	2005 €'000
Finance costs		
Bank borrowings	(515)	(580)
Asset finance	(353)	(249)
Defined benefit pension plan – interest cost on plan liabilities	(53)	(45)
	(921)	(874)
Finance income		
Bank deposit interest	202	268
Defined benefit pension plan – expected return on plan assets	55	47
	257	315
	(664)	(559)

6. Income tax expense

	2006 €'000	2005 €'000
On ordinary activities		
Irish tax	-	-
Overseas tax	3	(177)
Adjustments in respect of previous periods	(135)	105
	(132)	(72)
Deferred tax		
Timing differences	(63)	(154)
Adjustments in respect of previous periods	231	-
	168	(154)
	36	(226)

Relationship between tax expense and accounting profit	2006 €'000	2005 €'000
Profit/(loss) on ordinary activities before tax	103	(6,647)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in Ireland of 12.5% (2005: 12.5%)	(13)	831
Effects of:		
Differences in effective tax rates on overseas earnings	(18)	1,163
Other items (mainly expenses not deductible for tax purposes, including goodwill impairment)	(29)	(2,325)
Adjustments in respect of previous periods	96	105
Current tax charge for the year	36	(226)

7. Earnings/(loss) per share

	2006 €'000	2005 €'000
Profit/(loss) after tax	139	(6,873)
Print – closure related costs (net of tax)	334	-
Impairment provision	-	7,455
Adjusted profit after tax	473	582
Basic and diluted earnings per share		
Earnings/(loss) per share (cent)	0.25	(12.18)
Print – closure related costs (net of tax)	0.59	-
Impairment provision	-	13.21
Adjusted earnings per share (cent)	0.84	1.03
Weighted average number of shares ('000)	56,439	56,439

8. Cash flow statement

(a) Cash generated from operations

	Year 2006 €'000	Year 2005 €'000
Profit/(loss) before taxation	103	(6,647)
Adjustments for:		
Net finance costs	664	559
Impairment of goodwill	-	7,455
Depreciation	2,340	1,885
Exceptional operating costs	-	(291)
Movement in post employment obligations	2	2
Changes in working capital	285	(656)
	3,394	2,307

(b) Reconciliation of net decrease in cash and cash equivalents to movement in net debt

	Year 2006 €'000	Year 2005 €'000
Decrease in cash and cash equivalents	(1,466)	(400)
Financing		
New borrowings	-	(820)
Repayment of borrowings	1,855	1,188
Lease repayments	1,475	963
	3,330	1,331
New asset finance obligations	(945)	(4,253)
Effect of exchange rate changes	(96)	(49)
Movement in net debt in the period	823	(3,371)
Net debt at beginning of period	(4,649)	(1,278)
Net debt at end of period	(3,826)	(4,649)

(c) Analysis of net debt

	Year 2006 €'000	Year 2005 €'000
Cash and cash equivalents	5,661	7,048
Cash flow finance	(970)	(1,601)
Term debt and other loans	(3,834)	(4,966)
Asset finance obligations	(4,683)	(5,130)
	(3,826)	(4,649)

9. Preliminary statement

A copy of the preliminary statement will be included on the Company's website (www.oakhillplc.ie).

The financial information set out in the preliminary statement does not constitute full accounts and is un-audited. Full accounts for the year ended 31 December 2005, which received an unqualified audit report, have been filed with the Irish Registrar of Companies.