

CORAL PRODUCTS PLC

ANNUAL REPORT AND ACCOUNTS 2018

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Financial Highlights

	2018	2017
Group revenue	23.4m	£21.4m
Gross margin	34.6%	34.1%
(Loss)/profit before tax	£(0.5)m	£0.5m
Operating (loss)/profit	£(0.2)m	£0.7m
Underlying earnings before interest, tax, depreciation and amortisation *	£2.1m	£1.9m
Underlying operating profit *	£0.9m	£1.1m

*Underlying profit measures are defined and explained in the accounting policies in note 2 of the financial statements.

Business Overview

About Us

Coral Products is a manufacturer and distributor of plastic injection, extruded and blow moulded products into a diverse range of sectors including food packaging, personal care, household, healthcare, automotive, on-line totes, telecoms and rail. The Group has operations in the UK with manufacturing facilities in Haydock, Merseyside, and Wythenshawe, Greater Manchester and a distribution facility in Hyde, Greater Manchester.

By developing innovative plastic moulded products, providing excellent customer service and through its hard-working employees, Coral Products continues to restructure its markets to be in a position to create growth and value for its shareholders.

Overview

The Company was listed on the main market of the LSE from April 1995 to August 2011 during which time it produced fluctuating levels of profitability. Initially the Company focused on serving the VHS market with a range of video cassette cases which was later complemented by the production of plastic housewares manufactured for supermarkets' own label ranges. The early success led to its stock market float in 1995 and funds raised were invested into CD case production facilities. In 2000 the Company commenced production of DVD cases.

In recent years media packaging has been in decline due primarily to weak demand as a result of an increase in media downloading. In response to this decline, the Company has sought to diversify its product portfolio and in 2009 it launched a range of solutions for domestic recycled waste collection in the form of kerbside recycling boxes, food waste caddies and associated accessories. The Company has also built up a good reputation as a trade moulder working with its customers for solutions and offering 24 hour 7 days a week production service.

The Group has further diversified itself via acquisitions – in 2011 the Group acquired Interpack Limited, principally operating in food packaging, in 2014 Tatra Plastics Manufacturing Limited, specialists in PVC and plastic injection moulding and extrusion and in 2016 Global One-Pak Limited, specialists in lotion pumps and trigger sprayers; Rotalac Plastics Limited, thermoplastic extrusion and moulding solutions; and the plant and machinery from Niemen Packaging Limited, injection and extrusion blow moulding. The current year acquisition of the assets of the Tambour shutter systems of the PAL group is detailed on page 5.

Strategy

We aim to grow and develop our positions within our chosen product markets and geographical areas in the rigid plastic packaging and waste recycling industry by maintaining strong long-term relationships with our customers and developing high quality, innovative products that meet customer needs. With our trade moulding partners, we aim to develop the relationship and work together to produce a partnership resulting in long-term reliability of production, development and flexibility as the need arises. In order to deliver long-term sustainable profit growth, there are four key drivers to our strategy which support a focused sales approach:

Quality – we have an excellent reputation for delivering quality products but we are not complacent. We invest continuously in new machinery, robotics and moulds in order to maintain a strong position and keep market share. Our quality control and assurance processes are regularly reviewed and developed to ensure that our customers receive quality products each time.

Cost control – we continually investigate prices to improve our financial efficiency and deliver the best returns for shareholders. This may lead to dual supply sources to ensure key costs are minimised. We recognise also the efficiencies and effectiveness that results from new machinery in reducing our carbon footprint as well as the positive effect on reducing the cost of power absorption.

Culture – we continually look to promote a well-motivated workforce by attracting and motivating talented people to drive our business forward and foster a culture of responsibility, accountability and openness.

Business Overview

continued

Health and safety – this is the main priority in the business and we have strived to implement an environment where safety is paramount. We continuously train and re-train our staff to ensure that we operate best health and safety practices throughout the organisation.

We also have adopted a strategy of seeking acquisitions where we feel we can add value from synergies or investment to grow our markets and ultimately enhance shareholder value.

Strategic Plan

In March 2015 the Group adopted a five-year plan aimed at substantially increasing Group revenue and profitability from our specialist plastic products manufacturing and distribution facilities. In July 2015, the Group took the initial step along this plan when it acquired certain assets from Neiman Packaging Limited. A further asset acquisition was completed in January 2016, from Rotalac Limited, and in February 2016 the Group acquired 100% of the equity of Global One-Pak Holdings Limited. In August 2016 Tatra Limited and Rotalac Limited were merged to form Tatra-Rotalac Limited. In March 2017, the Group acquired certain assets from ICM Limited and in October 2017, the Group acquired assets associated with the Tambour shutter systems of PAL Group (Operations) Limited as set out on page 5.

Business Model

We look to create and grow markets for rigid plastic containers, extrusion profiles and container triggers and spray nozzles, through technical innovation and design creation through internal advances and acquisition. We recognise that for many products plastic is a better container solution for handling goods and gives greater functionality, economy and a cleaner environment.

Social, Community and Human Rights Issues

The Group endeavours to impact positively on the communities in which it operates. In particular, raw materials are purchased from established companies which have high reputations within the plastics industry.

The Group's ethical and social accountability statement details the standards of behaviour which are regarded as acceptable. Provision of a safe, clean working environment, free from discrimination, is an essential right of all the employees. In order to gain accreditation under the BRC Packaging Materials Standard on production of food containers, the premises, working practices and materials had to meet required standards of compliance. These are regularly audited to ensure the Group continues to adopt good manufacturing practices in order to develop and manufacture safe, legal packaging materials. The Group is also often audited by its customers to assess compliance with minimum acceptable standards.

Chairman's Statement

Trading

We continue to invest in our Group adding new and improved capacity and we anticipate significant sales growth over the current financial year. Whilst I was pleased with the increase in revenue up 9.2% to £23.4m (2017: £21.4m), the poor performance of Coral Products (Mouldings) has led to a reduced underlying operating profit of £0.9m (2017: £1.1m). (Note that underlying profit is defined in note 2). However, in mitigation, further new business has been gained for the 2017-18 financial year for Coral Products (Mouldings) in online totes and recycling caddies, which has continued into the current financial year.

The Group has reported a loss before taxation for the financial year of £0.5m (2017: £0.5m profit). Across the Group, finance costs have increased to £0.3m (2017: £0.2m) and depreciation to £1.2m (2017: £0.8m) in line with the increased spend on new, replacement and/or improvement of the assets of the Group. Coral Products (Mouldings) was also affected by some one-off reorganisation costs of £0.5m during the financial year, these are explained in more detail in note 6.

Interpack and Global One-Pak both remain substantially profitable, performing in line with or ahead of expectations. Tatra-Rotalac suffered a bad debt of £0.2m during the last quarter and lost both its Managing Director and Finance Manager during the second half of the year, these events contributed to lower than expected profitability. Replacements have now joined the company. The focus on Coral Products (Mouldings) has meant that it has been profitable for the last four months, this trend has continued into the current financial year.

The Sage 200 ERP system has been extended to cover three subsidiaries during this last financial period. The last subsidiary, Global One-Pak will be going live during the current financial year. Continued Management focus across the group on health and safety, hygiene, HR and engineering processes has given the Group a stable platform to deliver both the current budget whilst enabling the business to accept and deliver further opportunities in the future.

The business continues to follow the Five-Year plan that started in 2015 but now with a specific focus on 360-degree recycling using both internal and external acquired plastic waste. Further investment in internal conversion equipment has been made along with agreements made with external post-industrial medical plastics suppliers. These approaches will both reduce material costs, whilst supporting the important recycling message the business seeks to promote. There has been huge interest in the forthcoming recycling facility at Haydock. At least six local authorities, along with bread basket and home delivery customers are in advance talks with Haydock, with many others in early stage talks.

The continuing fall in the relative value of sterling against the dollar and the euro, together with the prevailing uncertainty around Brexit, could have a negative effect on our business particularly due to the Group purchasing a large proportion of stock items in these currencies. Steps are being taken across the Group to mitigate these, particularly in recovering increased input costs because of sterling's decline.

Performance of the Group is monitored principally through adjusted profit measures which exclude £1.1m of underlying items. Such items are set out in note 2 and note 6 and include the amortisation of intangibles arising on the acquisitions of Global One-Pak and Tatra-Rotalac, acquisition costs, share based payment charges, compensation for loss of office of senior management, reorganisation costs and losses/profits on sale of tangible assets.

The Group has increased net debt by £1.7m in the year and gearing has increased to 55.5% (2017: 40.7%) as we continue to invest to meet forecast increased demand. Overall the Group reported a net cash outflow of £0.2m.

Following a revaluation of land and buildings in December 2016, a £1.7m mortgage was taken out, this was finalised and drawn down on 18 May 2017. This mortgage was used to repay two current term loans and it also gave £0.3m available cash, which was used to fund the installation of the machinery purchased from the liquidators of ICM Ltd. This new mortgage has been taken out over ten years and gives rise to savings of £0.2m in repayments per annum, providing additional cashflow flexibility.

Chairman's Statement

continued

Results

Group revenue improved for the year to £23.4m (2017: £21.4m). Margins improved slightly to 34.6% (2017: 34.1%). Underlying earnings before interest, tax, depreciation and amortisation for the group remained strong at £2.1m (2017: £1.9m) (see note 2 for the definition of underlying profit measures). Administrative expenses in the Group increased to £7.0m (2017: £5.6m) in line with the increase in Group activity. This resulted in an underlying operating profit of £0.9m (2017: £1.1m), and loss before tax of £0.5m (2017: £0.5m profit)

Separately disclosed underlying items totalling £1.1m (2017: £0.4m) which includes £0.2m relating to losses when customers went into administration, £0.2m costs for the repair and setup of the automotive machines purchased from ICM and £0.2m from the write off of slow moving and obsolete stocks (see note 6). Earnings per share were (0.45) pence (2017: 0.55 pence), underlying earnings per share were 0.84 pence (2017: 1.04 pence).

Based on the results of the Group for the year ended 30 April 2018, the directors have assessed compliance with covenants on the invoice discounting facility and mortgage. Although these financial covenants have been passed in respect of the invoice discounting facility, calculations show that they have been breached with respect to EBIT and Adjusted Cash Flow covenants on the mortgage with an outstanding balance of £1,604,000 (note 20). As the bank have not formally reviewed these covenants to date, no formal waiver has been received. However, based on ongoing discussions, the bank has expressed their willingness to support the Group and the directors are confident that the mortgage will not be recalled for early settlement. Due to the technical breach of covenant, the mortgage has been disclosed as due in less than one year. However, it should be noted that the underlying term of the mortgage are that it is repayable by 2027 by monthly instalment.

Dividends

The Board remains committed to its long-term progressive dividend policy, which takes account of the underlying growth, whilst acknowledging the requirement for continuing investment and short-term fluctuations in profit.

Despite the disappointing results, the Board has considered the improved financial performance for the year ending 30 April 2019. As a result, the Board has decided to pay a total dividend of 0.25 pence per share in respect of the financial year ended 30 April 2018. Having not paid an interim dividend, the final payment of 0.25 pence per share will have an ex-dividend date of 8 November 2018 and a record date of 9 November 2018. This final dividend will be paid on 20 December 2018.

Board Changes

In August 2017 Michael (Mick) Wood was appointed Chief Operating Officer for the Group with an initial remit of improving Coral Products (Mouldings) Ltd profitability. In January 2018 Mick Wood accepted the role of Chief Executive Officer for the Group. At the same time Joe Grimmond stepped down as Executive Chairman and became Non-Executive Chairman.

Strategy

Our Board continuously reviews business performance alongside market conditions to make sure that we take the correct strategic decisions for each of our businesses. The Board recognises fully that it has been tasked with delivering enhanced shareholder value in accordance with the strategy that was outlined in 2015. The challenges facing the board relate to managing the continued growth of the Group whilst preserving the strengths of the business.

Chairman's Statement

continued

Acquisition

In October 2017 Tatra-Rotalac Ltd successfully acquired the assets of the Tambour shutter systems of the PAL Group (Operations) Limited for consideration of £200k. The purchase included tooling, outstanding orders, customer lists and technical specifications. With annual sales of £250k it enabled the company's current range to increase covering more of the market sectors. The entire fair value of consideration has been allocated to plant and equipment assets acquired. No goodwill or other intangible assets have been recognised, the Board have concluded, by considering forecasted cashflows, that the acquired customer list has negligible value.

People

We are reliant on the expertise, professionalism and commitment of our people and thank them for their contribution to the business during a challenging year.

Outlook

The Group continues with its strategic progress of increasing focus on value-added and innovative products, particularly in the food container, recycling, telecommunications, rail industry, home delivery totes and blow moulding areas. Our focus is to build a significant plastic moulding business with a bias towards using recycled materials as per our 360-degree recycling plan. We remain confident in our ability to do so via both improved internal performances of individual subsidiaries supported by strategic acquisitions in the short to medium term. The current year will benefit from the Haydock cost reductions, investments in plant and machinery last year and new business.

We look forward with confidence to further progress in the coming year.

Joe Grimmond

Chairman

27 September 2018

Strategic Report

Review of the Business

The Group is required to produce a Strategic Report complying with the requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

An overview of the Group's strategy and business model is set out on pages 1 to 2, and together with the Chairman's Statement on pages 3 to 5 form part of this Group's Strategic Report. This incorporates a review of the Group's activities, its business performance and developments during the year as well as an indication of likely future developments.

Our business model is designed to bridge the gap between reliable, quality assured products made with regulated materials and our customers' requirements. Key to the success of our business model is our experience and knowledge of the materials and processes we handle and our ability to service customer demands with product innovation.

FINANCIAL REVIEW

Income Statement

Group revenues for the year ended 30 April 2018 were £2.0m higher at £23.4m (2017: £21.4m). Of this, food container sales were £6.8m (2017: £7.0m), sales for Tatra Rotalac were £6.7m (2017: £6.8m), sales for trigger sprays and nozzles were £3.1m (2017: £3.3m) and sales for injection and blow moulding increased to £9.7m (2017: £7.4m). The Group has continued to expand its processes in order to be able to attract more business growth from sales in areas of market growth.

The Group has reported a loss before taxation for the financial year of £0.5m (2017: £0.5m profit). Across the Group, finance costs have increased to £0.3m (2017: £0.2m) and depreciation to £1.2m (2017: £0.8m) in line with the increased spend on new, replacement and/or improvement of the assets of the Group. Coral Products (Mouldings) was also affected by some one-off reorganisation costs of £0.5m during the financial year, these are explained in more detail in note 6.

Gross margins increased to 34.6% (2017: 34.1%) due to a better mix of sales and resulted in a gross profit of £8.1m (2017: £7.3m). Underlying operating profit decreased by 20% to £0.9m (2017: £1.1m) and underlying earnings before interest, tax, depreciation and amortisation increased to £2.1m (2017: £1.9m). Net financing costs increased to £0.3m (2017: £0.2m) due to additional borrowing to fund acquisitions and asset purchases. Separately recorded costs of £1.1m (2017: £0.4m) resulted from acquisition costs, intangibles amortisation and reorganisation costs, as well as share-based payment charges, compensation for loss of office of senior management, and loss on disposal of tangible assets. Loss before tax was £0.5m (2017: £0.5m profit).

The total dividend for the year is 0.25p (2017: 0.7p) resulting in dividend cover on underlying operating profit of 4.25 times earnings for the year (2017: 1.89 times). Basic underlying earnings per share for the year decreased to 0.84 pence (2017: 1.04 pence).

Balance Sheet

Total shareholders' equity decreased by £0.6m to £13.2m (2017: £13.8m), with net assets per share decreasing to 15.9 pence (2017: 16.7 pence).

Based on the results of the Group for the year ended 30 April 2018, the directors have assessed compliance with covenants on the invoice discounting facility and mortgage. Although these financial covenants have been passed in respect of the invoice discounting facility, calculations show that they have been breached with respect to EBIT and Adjusted Cash Flow covenants on the mortgage with an outstanding balance of £1,604,000 (note 20). As the bank have not formally reviewed these covenants to date, no formal waiver has been received. However, based on ongoing discussions, the bank has expressed their willingness to support the Group and the

Strategic Report

Continued

Balance Sheet (continued)

directors are confident that the mortgage will not be recalled for early settlement. Due to the technical breach of covenant, the mortgage has been disclosed as due in less than one year. However, it should be noted that the underlying term of the mortgage are that it is repayable by 2027 by monthly instalment.

Cash Flow

Operating cash flows before movements in working capital were £1.4m (2017: £2.0m). The Group's net debt increased to £7.3m (2017: £5.6m) with the level of gearing rising from 40.7% to 55.5% which is in line with the increase in investment to meet the forecasted increase in demand. The Group has a mix of secured borrowing facilities totalling £5.1m in addition to a £1.6m 10-year mortgage. The borrowing facilities and mortgage are both held with Barclays Bank plc and the Group continues to enjoy a positive relationship with its bank and has recently agreed a further renewal on the borrowing facilities to cover the period to June 2019.

Borrowing facilities are monitored against the Group's forecast requirements and the Group mitigates financial risk by staggering the maturity of borrowings and by maintaining undrawn committed facilities.

Treasury Policies

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group's assets. No investments other than cash are currently permitted. Where appropriate, there may be balances held in Euros and US Dollars, but only as part of the Group's overall hedging activity.

The Group can be affected by movements in exchange rates due to raw material prices being established in foreign currencies and on its export sales. The Group is affected by movements between Sterling, Euro and US Dollars but has the ability to hedge any exposure on its sales by purchasing raw materials in Euros. Thus, it is able to mitigate partly its currency risks.

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. The Group regularly monitors the credit ratings of its counterparties and controls the amount of credit risk by adhering to limits set by the board. The Group maintains debtor levels within the insured limits unless it has strong grounds for allowing increases. As a consequence of these controls, the probability of material loss is considered to be at an acceptable level.

Key Performance Indicators (KPIs)

KPIs have been set at Group level to allow the Board and shareholders to monitor the Group as a whole, as well as the operating businesses within the Group. The Group has financial KPIs which it monitors on a regular basis at Board level and, where relevant, at operational executive management meetings as follows:

	2018	2017
Group revenue	23.4m	£21.4m
Gross margin	34.6%	34.1%
Operating (loss)/profit	£(0.2)m	£0.7m
Profit before tax	£(0.5)m	£0.5m
Underlying earnings before interest, tax, depreciation and amortisation	£2.1m	£1.9m
Underlying operating profit	£0.9m	£1.1m
Gearing	55.5%	40.7%

In addition, the Board monitors a number of non-financial indicators including customer satisfaction, product quality, employee attraction and retention, number of reportable accidents and energy footprint.

Strategic Report

continued

Risks and Uncertainties

The Group has identified various risks and uncertainties it faces, which include:

- Movements in commodity prices often caused by supply constraints or demand management.
- Loss of a key individual.
- Foreign exchange risk, particularly with regard to the Euro, as many of the Group's materials are purchased in Euros.
- Credit risk in ensuring payments from customers are received in full and on a timely basis.
- Legislative and regulatory risk as new requirements are being imposed on plastics businesses and in industry.

The Group has taken appropriate steps to manage and control these risks, which include:

- Ensuring that current market prices are confirmed with industry price monitors and that purchases are based upon a well-researched understanding of the various grades and their capabilities for operational uses.
- The Group's future performance depends heavily on its ability to retain and attract the services of suitable personnel. The Group holds service contracts for its directors and senior management and periodically reviews performance, expectations and employment conditions.
- The implementation of a foreign exchange risk policy.
- Agreement of appropriate payment terms with customers including, where necessary, payment in advance.
- Taking a pro-active and leading role in ensuring that the Group's systems and procedures are adapted to ensure compliance with new or changing legislation or regulatory requirements.

The Group regularly reviews its commercial insurance programme and maintains an appropriate and adequate portfolio of insurance policies in line with the nature, size and complexity of the business.

The Group also continues to have in place a team of Board members whose on-going responsibility is to assess the issues which the Group would face should it experience a major and unforeseen disaster and to put in place clear actions to continue to operate successfully in such an event.

Diversity

Appointments within the Group are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, disability, gender, sexual orientation, religion or age.

As a predominantly manufacturing Group, few women apply for positions within the production areas. However, women are well represented in other areas of the business and account for 18% of the Group workforce as at 30 April 2018.

Position	Male	Female	Total
Group Directors	4	1	5
Senior Managers	11	4	15
Other Employees	140	29	169
Total Employees	155	34	189

Strategic Report

continued

Social, Community and Human Rights

The Group endeavours to impact positively on the communities in which it operates. In particular the Group purchases raw materials from trusted suppliers who it recognises as obtaining the products through trusted, fair and sustainable methods.

Ethical concerns and human rights issues have always played an important role in the Company philosophy and the Group's ethical and social accountability statement details the standards of behaviour which are regarded as acceptable. Provision of a safe, clean working environment, free from discrimination, coercion and harassment is a basic right of all employees, which Coral Products expects as a minimum standard of its business partners. The Group is often audited by its customers to assess compliance with minimum acceptable standards, including ethical and human rights considerations.

UK Referendum on EU Membership

The referendum on the UK's membership of the EU on 23 June 2016 increases economic uncertainty. The Group actively monitors and considers the economic situation to ensure it is well prepared for all eventualities once the full effect of the referendum result is known. The Group is currently reviewing steps to mitigate the movement in exchange rates, as described on page 7.

In addition, the Group is locking material supply costs in some cases for up to 6 months in advance to maintain material prices. The Group is also actively sourcing alternative material from outside the EU and closely monitoring the EU exit negotiations and modifying, where necessary, our procurement and operational decisions.

Going concern

As explained fully in note 2 to the financial statements, after making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern bases in preparing the financial statements.

This strategic report was approved by the board on 27 September 2018.

Sharon Gramauskas

Finance Director

Directors and Advisers

Non-executive Directors

Joe Grimmond, *Non-Executive Chairman*

Joe was appointed in March 2011. He was previously Chief Executive of James Dickie plc and Chairman of Widney plc. Joe was appointed as non-executive Chairman at the AGM in 2011 and in December 2015, became Executive Chairman. In June 2016 he became non-executive Chairman following the appointment of Roberto Zandona. He became Executive Chairman again April 2017 to August 2017 following Roberto Zandona's retirement as director. Mr Grimmond is a Fellow of the Association of Accounting Technicians.

David Low, *Non-executive*

David was appointed on 4 September 2015. He has over 25 years of experience in investment management and management consultancy. He was a director of Manroy plc until July 2015 when it was sold to FN Herstal SA for £16m. He is a shareholder in several private companies involved in sport and leisure, vending and telemetry services, brewing and retail estate.

Executive Directors

Michael (Mick) Wood, *Chief Executive Officer*

Mick was appointed Chief Executive Officer in January 2018. Over a career spanning 37 years he has held senior management roles at a number of plastics businesses, the most recent being UK Operations Manager at Linpac Packaging Ltd before joining Coral Products PLC as Chief Operating Officer in August 2017.

Sharon Gramauskas, *ACMA, Finance Director and Company Secretary*

Sharon was appointed in February 2017. She joined Coral Products Mouldings Ltd as Group Financial Controller in December 2016. She has 18 years of experience. She previously acted as Financial Controller of James Dewhurst Ltd, prior to this she held accounting positions at Pets Choice Ltd, Thames Water, Scott Health and Safety Ltd and Uniqema Ltd. Sharon is an Associate of the Chartered Institute for Management Accountants.

Paul Freud, *Corporate Development Director*

Paul was appointed in July 2015. He is responsible for directing the business development activities and driving new sales growth by seeking market opportunities or acquisitions. Paul has over 20 years of management and leadership experience in the manufacturing industry. He has been Managing Director and Chairman of Tatra Plastics Manufacturing Limited, where he is responsible for developing new and innovative product ranges for blue chip companies, including solutions for fibre optic broadband installations and rail infrastructure.

Registered Office

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Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 April 2018.

Results and Dividends

The results for the year are set out on page 24. This shows a Group loss after taxation of £0.5m (2017: profit £0.5m).

A dividend of 0.37p per share in respect of the year ended 30 April 2017 was paid on 31 October 2017. The amount of this dividend was £305,674.

No interim dividend was paid during the year (2017: 0.33p).

A final dividend of 0.25p (2017: 0.37p) per share is recommended in respect of the year ended 30 April 2018 to be paid on 20 December 2018 to shareholders on the register at the close of business on 8 November 2018. This has not been included within creditors as it was not approved before the year end.

A review of the Group's activities for the year end and its future prospects is set out in the Chairman's Statement and Strategic Report. The financial risk management objectives and policies are detailed in note 4 to the financial statements.

Principal Activity

The principal activity of the Company and its subsidiaries is the manufacture of plastic injection, extrusion and blow moulded products and the reseller and distributor of a range of food packaging products. The Group also operates as a trade moulder for other UK Companies. It has been in operation since 1990, became a fully listed plc in 1995 and moved to the AIM market in 2011.

Directors

The current directors of the Company are given on page 10. During the year, the following changes in directors took place:

Mick Wood was appointed Chief Operating Officer in August 2017 and Chief Executive Officer in January 2018.

Joe Grimmond became Non-Executive Chairman following Mick Wood's appointment in August 2017.

In accordance with the Articles of Association, Joe Grimmond and David Low are the directors retiring by rotation and offering themselves for re-election at the AGM.

Directors' Interests in the Shares of the Company

The beneficial interests of the Directors in the shares of the Company were as follows:

	Ordinary shares of 1p each 30 April 2018 Number	Ordinary shares of 1p each 30 April 2017 Number
Joe Grimmond	5,273,337	5,273,337
Paul Freud	1,948,333	1,948,333
David Low	880,000	825,000
Mick Wood	139,756	n/a
Sharon Gramauskas	153,774	-
	8,395,200	8,046,670

No other shareholdings listed above have changed between the year-end date and the date of this report.

Directors' Report

continued

Substantial Interests

As at 24 September 2018, the Company had been made aware of the following interests of over 3% (other than the holdings of directors listed above) in the ordinary shares of the Company:

	Number of shares	% of share capital
Bank of New York (Nominees) Ltd	14,107,222	17.08
Vidacos Nominees Ltd	5,514,341	6.67
Speirs & Jeffrey Client Nominees Ltd	5,153,960	6.24
Nortrust Nominees Ltd	4,980,000	6.03
HSBC Global Custody Nominee (UK) Ltd	4,915,045	5.95
Rene Nominees (IOM) Ltd	4,716,720	5.71
Hargreaves Lansdown (Nominees) Ltd	3,848,303	4.66
Barclays Direct Investing Nominees Ltd	2,858,458	3.46

Share Capital

At the 2017 Annual General Meeting, the Company was granted authority to purchase up to a maximum of 15% of its own shares. The authority expires at the conclusion of the forthcoming Annual General Meeting at which a special resolution will be proposed to renew the authority for a further year. Any shares purchased in accordance with this authority will be subsequently cancelled.

The Board of Directors

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board reviews the Group's strategic objectives and looks to ensure that the necessary resources are in place to achieve these objectives. The Board also sets the Group's values and standards and manages the business in a manner to meet its obligations to shareholders.

The board meet regularly through the year, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the Group's forecast and budget, major capital expenditure, risk management policies and approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner prior to the Board meeting.

The Board delegates certain of its responsibilities to the Board Committees which have clearly defined terms of reference.

Remuneration Committee

The Remuneration Committee comprises Joe Grimmond (chairman) and David Low. The Committee is responsible for determining the Group's policy for the remuneration of the executive directors. It also considers the compensation commitments of its directors in the event of early termination of their service contracts.

Audit Committee

The Audit Committee is chaired by David Low. The executive directors may be requested to attend. The Audit Committee meets at the year-end and the external auditor attends this meeting and have direct access to the non-executive directors for independent decisions. The Audit Committee may examine any matters relating to the financial affairs and risk issues affecting the Group which includes reviewing the accounts, announcements, internal controls, accounting policies, and appointment of the external auditor.

Directors' Report

continued

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these 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 they have been prepared in accordance with IFRSs as adopted by the European Union, 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Environment and Sustainability

The key risk facing the Group in this area relates to reducing the environmental impact of the business with a focus on reducing waste and energy usage. A number of operational changes have been implemented to reduce our environmental impact.

Product Safety

The quality and safety of the products is of the highest importance and any failure in standards would significantly affect the confidence of our customers. There are stringent controls in place to ensure product safety and integrity. Product performance is monitored regularly to ensure compliance with standards.

Insurance

The Group has in place a Directors and Officers liability insurance policy that provides appropriate cover in respect of legal action brought against its directors.

Directors' Report

continued

Creditor Payment Policy

The policy of the Group is to agree the terms of payment with suppliers when agreeing the conditions of supply of goods and services. Suppliers are made aware of the terms of payment and payments are made in accordance with terms agreed between the two parties.

The number of days purchases in trade creditors at the year-end amounted to 48 days (2017: 59 days).

Shareholder Relations

The importance of maintaining good relations with individual and institutional investors is recognised by the Board. This includes meetings on a regular basis between the executive directors and institutional and private investors at relevant times. The Company encourages shareholder attendance at the Annual General Meeting, at which the Chairman and Board of Directors are available to answer any questions on the previous year's results and on current year trading.

Health and Safety

It is Group policy to protect the health and safety of its employees and any other parties involved in its business operations. Systems are in place to define and eliminate health and safety risks.

Corporate Social Responsibility and Governance

The Group is committed to responsible business practices, good corporate governance and sound risk management.

Employment and Human Rights

The Group is an equal opportunities employer and applies employment policies which are fair and equitable. Appointments, training and career development are determined solely by application of job criteria, personal ability and competence regardless of gender, race, disability, age, sexual orientation or religious or political beliefs.

Where suitable opportunities exist, full and fair consideration is given to the possibility of employing a disabled person. Where an employee becomes disabled whilst in employment, every effort is made to find continuing employment. Policies are in place which aim to deter acts of harassment and discrimination and any breach of either of these policies is met with zero tolerance.

Auditor

In accordance with Section 489 of the Companies Act 2006 a resolution will be proposed at the Annual General Meeting that BDO LLP be re-appointed as auditor.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the Group's auditor is unaware;
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' Report

continued

Post Balance Sheet Events

There are no post balance sheet events to report.

Corporate Governance Code

From 28 September 2018 companies that are admitted to trading on AIM are required to comply with a recognised Corporate Governance Code. As members of the Quoted Companies Alliance (QCA) the Directors will comply with the provisions of the Corporate Governance Guidelines for Smaller Quoted Companies, published from time to time by the QCA, to the extent that they believe it is appropriate in light of the size, stage of development and resources of an AIM-quoted company.

Research and Development

During the year, the Group has spent £307,000 (2017: £174,000) on research and development.

Annual General Meeting

The AGM will be held on Tuesday 23 October 2018 in Leverhulme Room One at Haydock Race Track, Newton-le-Willows, Merseyside, WA12 0HQ. The Notice of Meeting is contained on pages 55 to 57 of this report. At the meeting, resolutions will be prepared to receive the audited accounts and approve the Remuneration Report, to elect directors and to re-appoint BDO LLP as auditor. In addition, shareholders will be asked to renew both the general authority of the directors to issue shares and to authorise the directors to issue shares without applying the statutory pre-emption rights. The directors have no present intention of exercising the authority if granted, but consider it will be commercially useful to have the authority should they need to allot shares for any purpose in the future.

By order of the Board

S Gramauskas

Company Secretary

27 September 2018

Directors' Remuneration Report

Introduction

Although not required to do so by the AIM rules, the directors have decided to provide certain directors' remuneration disclosures. A resolution to approve the report will be proposed at the Annual General Meeting. The auditor reports to the shareholders on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with Section 420 of the Companies Act 2006. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Group has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The remuneration committee now comprises Joe Grimmond (Chairman) and David Low.

The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by the Board. No director plays a part in any discussions about his own remuneration.

Remuneration Policy

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to progress and develop the Company and to reward them for enhancing value to shareholders. There are three main elements of the remuneration package for executive directors:

- Basic annual salary and benefits
- Pension contributions
- Share options

Basic Salary

An executive director's basic salary is determined by the Remuneration Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and by reference to other companies in the media and manufacturing sectors.

The Group has a policy of allowing contracts of service to be no more than one year in duration. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting. In addition to basic salary, the executive directors receive pension contributions and certain benefits-in-kind, principally medical insurance.

Pension Contributions

The executive directors have individual pension arrangements in the form of personal pension plans. The Group makes a contribution at a rate of 9% of basic salary towards funding each director's pension plan.

Performance Bonus

There is no performance bonus in place however, the remuneration committee is empowered to make awards for special circumstances if appropriate.

Share Options

In August 2017 share options were granted to 2 directors under an Enterprise Management Incentives share option scheme. Options were granted over 2,500,000 1p ordinary shares of the company with an exercise price of 15p. The share price at the grant date was 14.5p. No share options were exercised during the year (2017: Nil).

Directors' Remuneration Report

continued

Performance Graph

The graph below shows the Group's share price movement over the last five years.



Directors' Contracts

The Company's policy is that executive directors should have contracts with an indefinite term providing for a maximum of six months' notice. The details of the executive directors' contracts are summarised as follows:

	Date of contract	Notice period
Paul Freud	July 2015	3 months
Mick Wood	January 2018	6 months
Sharon Gramauskas	February 2017	6 months

Non-Executive Directors

The service contracts of non-executive directors were originally set for an initial period of three years. They are now required to submit themselves for re-election every year and the Board believes this to be appropriate in the circumstances. The non-executive directors have specific terms of engagement and their remuneration is determined by the Board based on a review of fees paid to non-executive directors of similar companies and reflects the time commitment and responsibilities of each role. The current basic annual fee payable to the senior non-executive director is £50,000.

The Board met 11 times during this financial period with 100% attendance from all Directors.

Directors' Remuneration Report

continued

Audited information

Directors' Remuneration

The total amounts paid for Directors' remuneration was as follows:

	2018 Executive £'000	2018 Non- executive £'000	2018 Total £'000	2017 Total £'000
Emoluments	285	78	363	366
Pension contributions - defined contribution scheme	12	-	12	6
Compensation for loss of office	-	-	-	153
Share based payment	41	-	41	(12)
	338	78	416	513

Emoluments – Executive Directors

	2018 Basic salary £'000	2018 Benefits-in-kind £'000	2018 Pension £'000	2018 Share based payment £'000	2018 Total £'000	2017 Total £'000
Stephen Fletcher	-	-	-	-	-	120
Paul Freud	100	2	-	-	102	103
Rob Zandona	-	-	-	-	-	191
Sharon Gramauskas	58	-	5	8	71	8
Joe Grimmond*	50	-	-	-	50	50
Mick Wood**	75	-	7	33	115	-
	283	2	12	41	338	472

* Emoluments whilst acting as executive Chairman.

** Director's salary is for 10 months only.

Emoluments – Non-executive Directors

	2018 £'000	2017 £'000
David Low	28	26
Joe Grimmond	50	-
Jonathan Lever	-	15
	78	41

By order of the Board

Joe Grimmond

Chairman of the Remuneration Committee

27 September 2018

Independent Auditor's Report to the Members of Coral Products plc

Opinion

We have audited the financial statements of Coral Products plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2018 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company balance sheets, the Group and Parent Company statements of changes in equity, the Group and Parent Company cash flow statements and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Coral Products plc

Continued

Impairment of Goodwill and Intangible Assets	How We Addressed the Key Audit Matter in the Audit
<p>As described in Note 2 (accounting policies), Note 14 (goodwill) and Note 15 (other intangible assets), the group has goodwill and intangible assets, which requires management to test these balances for impairment at least annually.</p> <p>As at 30 April 2018, the group had goodwill of £5.5m (2017: £5.5m) and other intangible assets of £1.7m (2017: £2.0m).</p> <p>There is a high degree of management judgement in assessing the value in use of the Cash Generating Units ("CGU") to which the Goodwill and Intangible assets are allocated and therefore determining any potential impairments.</p>	<p>We obtained the impairment analysis performed by management for each CGU.</p> <p>We performed testing over the impairment analysis for logical and arithmetic accuracy and to ensure that it has been undertaken in accordance with IAS 36.</p> <p>We performed procedures to obtain an understanding of the underlying assumptions made by management. The key assumptions included:</p> <ul style="list-style-type: none"> • future trading projections, • the discount rate applied; and • the long term growth rate. <p>The reasonableness of these key assumptions was tested through reviewing the group's detailed calculations and challenging the methodology applied in preparing the trading and cash flow forecasts. We engaged BDO specialists to assist us in validating those underlying assumptions and this enabled us to confirm that the directors had adopted reasonable assumptions in each circumstance.</p> <p>We also performed sensitivity analysis to understand the relative impact of changes in the key assumptions within the impairment models, as well as to confirm that management's disclosure of sensitivities in respect of the impairment review are complete and balanced.</p>
Inventory Valuation and Provisioning	How We Addressed the Key Audit Matter in the Audit
<p>As described in Note 2 (accounting policies) and Note 17 (inventories), the group carries inventory at the lower of cost and net realisable value. As at 30 April 2018, the group held inventories of £2.9m (2017: £2.9m).</p> <p>Judgement is required to assess the appropriate level of provisioning for items which may be sold at a value below cost as a result of a reduction in consumer demand, age of items held in stock, and/or new products being developed that render inventory items obsolete.</p> <p>Such judgements include management's expectations for future sales. A significant risk has been raised in relation to inventory held within the subsidiary undertaking Coral Products (Mouldings) Limited, given significant inventory write-downs in both the current and previous years.</p>	<p>We obtained assurance over management's assumptions applied in calculating the value of inventory provisions by:</p> <ul style="list-style-type: none"> • considering the carrying amount of a sample of inventory to confirm it is held at the lower of cost and net realisable value. Inventory cost was tested by verifying relevant supplier invoices and ensuring overheads incurred in bringing inventory to its present location and condition have been appropriately recorded. Inventory cost was compared to net realisable value by examination of post year-end invoices and sales prices for the sample of inventory tested; • assessing the group's inventory provisioning policy, with specific consideration given to slow moving or obsolete stock lines; and • we also reviewed the bases of stock provisioning applied by all group entities and considered whether these were being applied consistently and reflected the nature of the stock held in each location.

Independent Auditor's Report to the Members of Coral Products plc

Continued

Our application of materiality

We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£131,000 (2017: £150,000)
Basis for materiality	0.5% of revenue (2017: 7.5% of adjusted EBITDA).
Rationale for the benchmark adopted	Given that profit before tax in recent years has been volatile, revenue is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance used by shareholders.

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £91,000 (2017: £105,000), representing 70% of materiality.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £6,550 (2016: £7,500). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Our audit work on each component was executed at levels of materiality applicable to each individual entity which was lower than group materiality. Component materiality ranged from £25,000 to £100,000 (2017: £8,000 to £120,000). Parent company materiality was £100,000 (2017: £120,000).

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The group manages its operations from three principal locations in the UK. Our group audit scope focused on each of the group's subsidiaries, as each entity was subject to a full scope audit. All audit work was performed by the same audit team.

As a consequence of the audit scope determined, we achieved coverage of 100% (2017: 100%) of revenue, 100% of loss before tax (2017: 100% of profit before tax) and 100% (2017: 100%) of net assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of Coral Products plc

Continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Other matters on which we have agreed to report

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Coral Products plc

Continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester

United Kingdom

27 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Income Statement

for the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Revenue	5	23,405	21,432
Cost of sales		(15,302)	(14,114)
Gross profit		8,103	7,318
Operating costs			
Distribution expenses		(1,256)	(1,000)
Administrative expenses before separately disclosed items		(5,968)	(5,225)
Separately disclosed items	6	(1,065)	(400)
Administrative expenses		(7,033)	(5,625)
Operating (loss)/profit	7	(186)	693
Finance costs	8	(311)	(228)
(Loss)/profit for the financial year before taxation		(497)	465
Taxation	10	127	(7)
(Loss)/profit for the financial year attributable to the equity holders of the parent		(370)	458
Earnings per share attributable to the equity holders of the parent			
Basic and diluted earnings per ordinary share	11	(0.45)p	0.55p

Group Statement of Comprehensive Income

for the year ended 30 April 2018

	2018 £'000	2017 £'000
(Loss)/profit for the financial year	(370)	458
Items that will not be reclassified to profit or loss		
Revaluation of land and building	-	506
Total other comprehensive income	-	506
Total comprehensive (loss)/income for the year attributable to equity holders of the parent	(370)	964

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance Sheets

as at 30 April 2018

Company reference: 02429784

	Note	Group		Parent Company	
		As at 30 April 2018 £'000	As at 30 April 2017 £'000	As at 30 April 2018 £'000	As at 30 April 2017 £'000
ASSETS					
Non-current assets					
Goodwill	14	5,495	5,495	-	-
Other intangible assets	15	1,690	2,038	-	-
Property, plant and equipment	16	9,299	8,411	2,508	2,508
Investments in subsidiaries	13	-	-	10,866	10,816
Total non-current assets		16,484	15,944	13,374	13,324
Current assets					
Inventories	17	2,864	2,883	-	-
Trade and other receivables	18	5,452	5,529	1,031	1,407
Cash and cash equivalents		471	673	-	-
Total current assets		8,787	9,085	1,031	1,407
LIABILITIES					
Current liabilities					
Mortgage	20	1,604	-	1,604	-
Other borrowings	20	4,335	3,808	-	355
Trade and other payables	19	3,909	4,487	5	102
Total current liabilities		9,848	8,295	1,609	457
Net current (liabilities)/assets		(1,061)	790	(578)	950
Non-current liabilities					
Borrowings	20	1,843	2,475	-	1,107
Deferred tax	10	409	462	-	-
Total non-current liabilities		2,252	2,937	-	1,107
NET ASSETS		13,171	13,797	12,796	13,167
SHAREHOLDERS' EQUITY					
Share capital	22	826	826	826	826
Share premium		5,288	5,288	5,288	5,288
Other reserves		1,567	1,567	1,567	1,567
Retained earnings		5,490	6,116	5,115	5,486
TOTAL SHAREHOLDERS' EQUITY		13,171	13,797	12,796	13,167

An income statement is not provided for the parent Company as permitted by section 408 of the Companies Act 2006. The loss dealt with in the financial statements of Coral Products Plc was £0.1m (2017: £0.4m).

The financial statements on pages 24 to 53 were approved by the Board of Directors on 27 September 2018 and were signed on its behalf by:

Joe Grimmond
Directors

Sharon Gramauskas
Directors

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

for the year ended 30 April 2018

	Note	Called Up Share Capital £'000	Share Premium Reserve £'000	Other reserves £'000	Retained Earnings £'000	Total Equity £'000
Group						
At 1 May 2016		826	5,288	1,061	6,513	13,688
Profit for the year		-	-	-	458	458
Other comprehensive income		-	-	506	-	506
Total comprehensive income		-	-	506	458	964
Contributions by and distributions to owners						
Debit to equity for equity settled share based payments	21	-	-	-	(4)	(4)
Dividend paid	12	-	-	-	(851)	(851)
At 1 May 2017		826	5,288	1,567	6,116	13,797
Loss for the year		-	-	-	(370)	(370)
Total comprehensive loss		-	-	-	(370)	(370)
Contributions by and distributions to owners						
Credit to equity for equity settled share based payments	21	-	-	-	50	50
Dividend paid	12	-	-	-	(306)	(306)
At 30 April 2018		826	5,288	1,567	5,490	13,171
Parent Company						
At 1 May 2016		826	5,288	1,061	6,728	13,903
Loss for the year		-	-	-	(387)	(387)
Other comprehensive income		-	-	506	-	506
Total comprehensive income		-	-	506	(387)	119
Contributions by and distributions to owners						
Debit to equity for equity settled share based payments	21	-	-	-	(4)	(4)
Dividend paid	12	-	-	-	(851)	(851)
At 1 May 2017		826	5,288	1,567	5,486	13,167
Loss for the year		-	-	-	(115)	(115)
Total comprehensive loss		-	-	-	(115)	(115)
Contributions by and distributions to owners						
Credit to equity for equity settled share based payments	21	-	-	-	50	50
Dividend paid	12	-	-	-	(306)	(306)
At 30 April 2018		826	5,288	1,567	5,115	12,796

The accompanying accounting policies and notes form an integral part of these financial statements.

Cash Flow Statements

for the year ended 30 April 2018

	Note	Group		Parent Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash flows from operating activities					
(Loss)/profit for the year		(370)	458	(114)	(387)
Adjustments for:					
Depreciation of property, plant and equipment	16	1,212	821	-	-
Loss on disposal of tangible assets	6	17	44	-	-
Amortisation of intangible assets	15	348	352	-	-
Share based payment charge/(credit)	21	50	(4)	-	-
Release of earn-out provision		-	93	-	-
Interest payable	8	311	228	57	75
Taxation (credit)/charge	10	(127)	7	-	-
Operating cash flows before movements in working capital		1,441	1,999	(57)	(312)
Decrease/(increase) in inventories		18	(1,040)	-	-
Decrease/(increase) in trade and other receivables		77	(250)	375	1,757
(Decrease)/increase in trade and other payables		(549)	452	(97)	(3)
Cash generated by operations		987	1,161	221	1,442
UK corporation tax paid		46	(66)	-	-
Net cash generated from operating activities		1,033	1,095	221	1,442
Cash flows from investing activities					
Proceed from disposal of property, plant and equipment		(5)	46	-	-
Acquisition of subsidiary, net of cash acquired		-	(100)	-	-
Acquisition of property, plant and equipment		(907)	(919)	-	(145)
Net cash used in investing activities		(912)	(973)	-	(145)
Cash flows from financing activities					
New bank loans raised		1,743	-	1,743	-
Dividends paid	12	(306)	(851)	(306)	(851)
New asset finance raised		500	208	-	-
Interest paid on borrowings		(311)	(228)	(57)	(75)
Repayments of bank borrowings		(1,601)	(371)	(1,601)	(371)
Repayments of obligations under finance lease		(899)	(558)	-	-
Movements on invoice discounting facility		551	1,441	-	-
Net cash used in financing activities		(323)	(359)	(221)	(1,297)
Net decrease in cash and cash equivalents		(202)	(237)	-	-
Cash and cash equivalents at 1 May		673	910	-	-
Cash and cash equivalents at 30 April		471	673	-	-
Cash		471	673	-	-
Cash and cash equivalents at 30 April		471	673	-	-

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 30 April 2018

1. GENERAL INFORMATION

Coral Products plc is a public limited Company ('Company') incorporated in the United Kingdom under the Companies Act 2006. The Company's ordinary shares are traded on the AIM (Alternative Investment Market) market. The consolidated financial statements of the Group as at and for the year ended 30 April 2018 comprise the Company and its subsidiaries (together referred to as the 'Group'). The address of the registered office is given on page 10. An overview of the business is given on page 1 to 2. The nature of the Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 6 to 9.

The directors have considered all new and amended Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Reporting Interpretations Committee (IFRIC). There were no new standards or interpretations effective for the first time for period beginning on or after 1 May 2017 that had a significant effect on the Group's financial statements, although an amendment to IAS 7 Statement of Cash Flows has resulted in a reconciliation of liabilities arising from financing activities disclosed for the first time in note 23.

As at the date of authorisation of these financial statements, the following standards, amendments and interpretations, have been issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), but are not yet effective and, therefore, have not been adopted by the Company:

Standards

IFRS 9 and IFRS 15 are both effective 1 January 2018, IFRS 16 is effective 1 January 2019 and IFRS 17 is effective 1 January 2021, the latter is not currently endorsed by the EU.

The directors do not expect that the adoption of IFRS 15 or IFRS 9 will have a material impact on the financial statements of the Group in future periods.

The first set of interim accounts that will be prepared in accordance with IFRS 9 and IFRS 15 will be for the period ended 31 October 2018.

As a manufacturer, the Group earns the majority of its revenues from the sale of goods rather than services. It predominantly manufactures those goods to specific orders, but also retains some finished goods for speculative sale. For the majority of its contracts the Group recognises revenue at a point in time, typically on delivery of the goods to customers' premises or at the point of shipping.

The majority of the Group's contracts with customers are not complex, with revenue being fixed for a specific quantity of goods. Therefore, the directors have concluded that the impact of IFRS 15 will not be material to the Group.

The Group has identified that the adoption IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018, will impact its consolidated financial statements in one key area.

The Group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables (both current and non-current). This will result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the group must consider the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. However, this is not deemed to be material.

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

Notes to the Financial Statements

for the year ended 30 April 2018

Standards (continued)

The Group is not as advanced in its implementation of IFRS 16 as it is for IFRS 15 but the impact will be an increase to reported EBITDA by the amount of the Group's current operating lease expense where, instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets.

Amendments

Annual improvements to IFRS (2014-2016 Cycle)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Clarifications to IFRS 15 revenue from contracts with customers

Clarifications and measurement of Share-based payment transactions (Amendments to IFRS 2)

The Directors are currently considering the potential impact of adoption of these standards and interpretations in future periods on the consolidated financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of the Group's principal accounting policies is set out below. These policies have been applied consistently to all the years presented.

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The consolidated and parent Company financial statements are presented in GBP which is also the Group's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

Adoption of New and Revised Standards

The accounting policies adopted are consistent with those of the previous financial year. New standards and interpretations which came into force during the year did not have a significant impact on the Group's financial statements.

Basis of Consolidation

The Group's financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 30 April 2018. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent Company and are based on consistent accounting policies. All intra-Group balances and transactions, including unrealised profits arising from them, are eliminated in full.

Business combinations are accounted for using the acquisition method. This method involves recognition at fair value of all identifiable assets and liabilities at the acquisition date. Goodwill represents the excess of acquisition costs over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. The costs of acquisition are expensed during the year.

Notes to the Financial Statements

for the year ended 30 April 2018

Going Concern

In adopting the going concern basis for preparing the financial statements, the Board has considered the business activities as set out in the Chairman's Statement and the Strategic Report as well as the Group's principal risks and uncertainties as set out in the Strategic Report. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

In carrying out their duties in respect of going concern, the directors have carried out a review of the Group's and the Company's financial position and cash flow forecast for a period of twelve months from the date of signing these financial statements. The forecasts have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the uncertainties brought about by the current economic environment.

To ensure the continuation of the Group the directors regularly review the revenue generating activities, gross margin levels and cash flows of the Group, both in the short and medium term, and have a thorough approach to managing the working capital of the business by holding regular reviews with the managing directors of each division of the Group. The Group meets its day to day working capital requirements through invoice discounting facilities, an overdraft and short-term borrowing facilities which are due for renewal in June 2019.

Forecasts are prepared and updated on a regular basis. The forecasts are compiled using key market data, extensive dialogue with customers and suppliers, in depth analysis of all the key input costs and a range of scenario and sensitivity planning. Uncertainties in preparing these forecasts are:

- Movements in commodity prices
- Activities of competitors
- Reliance on key suppliers, particularly with regard to movements in the Euro as many of the Group's materials are purchased in Euro's
- The risk of the Government imposing budget cuts
- Credit risk in ensuring payments from customers are received in full and on a timely basis
- Legislative and regulatory risk as new requirements are being imposed on plastic businesses

Based on the results of the Group for the year ended 30 April 2018, the directors have assessed compliance with covenants on the invoice discounting facility and mortgage. Although these financial covenants have been passed in respect of the invoice discounting facility, calculations show that they have been breached with respect to EBIT and Adjusted Cash Flow covenants on the mortgage with an outstanding balance of £1,604,000 (note 20). As the bank have not formally reviewed these covenants to date, no formal waiver has been received. However, based on ongoing discussions, the bank has expressed their willingness to support the Group and the directors are confident that the mortgage will not be recalled for early settlement. Due to the technical breach of covenant, the mortgage has been disclosed as due in less than one year. However, it should be noted that the underlying term of the mortgage are that it is repayable by 2027 by monthly instalment.

Notwithstanding the net current liabilities of the Group and breach of covenants, having taken all of the above factors into consideration, the directors have reached a conclusion that the Company and the Group are able to manage their business risks and operate within existing and future funding facilities for a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Underlying Profit

The Board believes that underlying profit and underlying earnings provide additional useful information for shareholders and for management to evaluate performance. It is calculated as being operating profit or earnings before separately disclosed items. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similar profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit. A reconciliation to statutory profit measures is detailed in note 6.

Notes to the Financial Statements

for the year ended 30 April 2018

Separately Disclosed Items

Separately disclosed items are those significant items which in management's judgement should be highlighted by virtue of their size or incidence to enable a full understanding of the Group's performance.

Segmental Reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments. The directors have considered the different business activities undertaken by the Group. The Group is organised around one operating segment that being its core market of moulded plastic products, therefore its operations have been reported as being one business segment. Information reported to the Group's Executive Chairman for the purpose of resource allocation and assessment of performance is focused on the Group's performance as a whole.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group considers it operates in one geographical segment.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. For the majority of the Group this is on despatch. Revenue for Global One-Pak Ltd is recognised on delivery based on existing terms of sale prior to acquisition.

Foreign Currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Gains and losses arising on translation are included in the income statement for the period.

Pension Contributions

The Group contributes to defined contribution pension schemes and the pension charge represents the amount payable for that period. The Group has no defined benefit arrangements in place.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

Notes to the Financial Statements

for the year ended 30 April 2018

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The unrecognised deferred tax asset relates to losses carried forward.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill representing the excess of the fair value of the consideration transferred ("cost") over the fair value of the Group's share of the identifiable assets acquired is capitalised and reviewed annually for impairment.

Cost comprises the fair value of assets acquired, liabilities assumed and equity instruments issued, plus the amount of amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is measured at cost less accumulated impairment losses.

Impairment of Goodwill

Impairment tests on goodwill are performed annually at the financial year end. Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units to which goodwill has been allocated. The calculation of value in use requires management to estimate the future cash flows expected to arise from cash generating units and suitable discount rate in order to calculate present value. Any impairment of goodwill is charged to the Group income statement.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is charged so as to write off the cost less residual value of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Property	-	2%
Plant and equipment	-	10-25%
Fixtures and fittings	-	10-33%
Motor vehicles	-	25%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Notes to the Financial Statements

for the year ended 30 April 2018

Intangible Assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

Intangible assets comprise customer lists acquired in business combinations, as well as license fees paid in advance for the use of trademarks and technology. Such assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over their estimated useful lives as follows:

Customer lists	-	12.5-33%
Brands	-	10%
Licences	-	10%

Impairment of Tangible and Intangible Assets Excluding Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods manufactured includes appropriate materials, labour and production overhead expenditure. Net realisable value is the estimated selling price less the costs of disposal. Provision is made to write down obsolete or slow-moving inventory to their net realisable value.

Financial Assets

Financial assets are recognised at fair value on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements

for the year ended 30 April 2018

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, e.g. trade receivables. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances together with bank overdrafts that are repayable on demand.

Financial Liabilities

Financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding;
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Equity Instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Leased Assets

Leases for which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term.

Research and Development

Research and development tax credits are included and offset against the research and development line within administration expenses.

Notes to the Financial Statements

for the year ended 30 April 2018

Share-based Payment Transactions

The Group's equity-settled share-based payments comprise the grant of options under the Group's share option schemes.

In accordance with IFRS2 "Share-based payment", the Group recognises an expense to the income statement representing the fair value of outstanding equity-settled share-based payment awards to employees which have not vested as at 30 April 2018.

Those fair values are charged to the income statement over the relevant vesting period adjusted to reflect the actual and expected vesting levels. The Group calculates the fair market value of the options as being based on the market value of a Company's share at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period.

The total amount to be expensed over the vesting period is determined with reference to the fair value of options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options expected to vest. At each reporting date the Group revises its estimate of the number of options expected to vest.

It recognises the impact of revisions to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

Investments in Subsidiaries

Investments in subsidiaries are shown in the parent Company balance sheet at cost less any provision for impairment.

Dividends

Dividends receivable by the Company are recognised in the income statement if they are declared, appropriately authorised and no longer at the discretion of the entity paying the dividend, prior to the balance sheet date. Dividends payable by the Company are recognised when declared and therefore final dividends proposed after the balance sheet date are not recognised as a liability at the balance sheet date. Dividends paid to shareholders are shown as a movement in equity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are outlined below.

Inventory Valuation

Inventories are valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment, and inventory loss trends.

Impairment Reviews

The Board reviews the useful economic lives and residual values attributed to assets on an ongoing basis to ensure they are appropriate and performs an annual impairment review of goodwill and impairment reviews on tangible and other intangible assets (other than goodwill) when there are indicators of impairment. The recoverable amount is the greater of the net selling price and value in use, where value in use is determined by discounting the future cash flows generated from the continuing use of the unit. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 14).

Notes to the Financial Statements

for the year ended 30 April 2018

Business Combinations

IFRS 3 'Business Combinations' requires that the consideration for an acquisition is recorded at fair value.

Where contingent consideration is part of the acquisition cost then the directors estimate the fair value of the amount payable. Contingent consideration is revalued each reporting period according to the latest forecasts of the acquired business based on the terms of the earn-out arrangement. Where deferred consideration is part of an acquisition cost then it is recorded and held on the balance sheet at amortised cost.

Assets and liabilities must also be recognised at fair value on acquisition. The identification and measurement of contingent liabilities and intangible assets are key areas of judgement. For intangible assets appropriate valuation methods are used, including royalty rates and the income approach to recognise the fair value of the assets acquired (see note 14).

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to one or more of the following financial risks:

- Market price risk
 - Fair value or cash flow interest rate risk
 - Foreign currency risk
- Liquidity risk
- Credit risk

Policies for managing these risks are set by the Board following recommendations from the Finance Director. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal Financial Instruments

The principal financial instruments used by the Group, from which financial risk arises, are as follows:

- Trade and other receivables (note 18)*
- Cash at bank*
- Trade and other payables (note 19)**
- Finance leases (note 19,20)**, operating leases and hire purchase agreements
- Bank loans, overdrafts and invoice discounting facilities (note 19,20)**
- Other external loans (note 20)**

*Financial assets are classified as loans and receivables

**Financial liabilities held at amortised cost

Market Risk

Market risk arises from the Group's use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest Rate Risk

The Group is exposed to movements in interest rates in currencies in which it has borrowings, namely Sterling and Euros, and this risk is controlled by managing the proportion of fixed to variable rates within limits. Interest rate swaps are used to achieve the desired mix if the Board consider the proportion to be outside the limits. The Group uses a mixture of fixed and variable rate loan and finance lease facilities in order to mitigate its interest rate exposure.

Notes to the Financial Statements

for the year ended 30 April 2018

Foreign Currency Risk

The Group conducts business in both Sterling and Euros. As a result, the Group is exposed to foreign exchange risks, which will affect transaction costs and the translation of debtor and creditor balances. A significant amount of the Group's raw material purchases are in Euros and this helps to provide a natural match to the exposure from sales in that currency.

Liquidity Risk

Borrowing facilities are monitored against the Group's forecast requirements and the Group mitigates financial risk by staggering the maturity of borrowings and by maintaining undrawn committed facilities. Short term flexibility is achieved by bank overdraft and invoice discounting facilities.

Credit Risk

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. The Group regularly monitors the credit ratings of its counterparties and controls the amount of credit risk by adhering to limits set by the board.

Capital Disclosures

Capital comprises share capital, share premium and retained earnings.

The Group's objective when maintaining capital is to safeguard the Group's ability to continue as a going concern so that it can provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Sensitivity Analysis

Whilst the Group takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates will have an impact on profit.

The annualised effect of a 1% increase in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables being held constant, have resulted in a decrease of the Group's post-tax profit for the year of £34,000. A 1% decrease in the interest rate would, on the same basis, have increased post-tax profits by the same amount.

The Group's foreign exchange risk is dependent on the movement in the Euro to Sterling exchange rate. The effect of a 5% strengthening in the Euro against Sterling at the balance sheet date on the Euro denominated debt at the date and on the annualised interest on that amount would, all other variables being held constant, have resulted in a decrease in the post-tax profit for the year of £11,000. A 5% weakening in the exchange rate would, on the same basis, have increased post-tax profit by £12,000.

The other numerical disclosures required by IFRS7 in relation to financial instruments are included in notes 18, 19 and 20.

Notes to the Financial Statements

for the year ended 30 April 2018

5. REVENUE

A breakdown of Group revenues by geographical region, based on the location of the customer is shown as follows:

	2018 £'000	2017 £'000
Continuing operations:		
UK	21,068	19,980
Rest of Europe	1,326	706
Rest of the World	1,011	746
	23,405	21,432

All Group revenue is in respect of the sale of goods. No single customer contributed 10% or more to the Group's revenue for the year ended 30 April 2018. In 2017, no single customer contributed 10% or more to Group revenue.

All non-current assets are held in the UK.

6. UNDERLYING PROFIT AND SEPARATELY DISCLOSED ITEMS

Underlying profit before tax, underlying earnings per share, underlying operating profit, underlying earnings before interest, tax and depreciation are defined as being before share based payment charges, amortisation of intangibles recognised on acquisition, acquisition costs, loss on disposal of tangible assets, reorganisation costs, compensation for loss of office and impairment loss on trade receivables. Collectively these are referred to as separately disclosed items.

	2018 £'000	2017 £'000
Underlying operating profit	879	1,093
Separately disclosed items within administrative expenses		
Share based payment (charge)/credit (note 21)	(50)	4
Amortisation of intangible assets (customer relationships and brands) (note 15)	(348)	(352)
Acquisition costs	(17)	-
Compensation for loss of office	-	(189)
Release provision for earn-out agreement	-	93
Loss on disposal of tangible assets	17	44
Bad debts (note 18)	(186)	-
Reorganisation costs	(481)	-
Total separately disclosed items	(1,065)	(400)
Operating (loss)/profit	(186)	693

Separately disclosed items in the current year are referenced where applicable to other notes. In the year the items include reorganisation costs of £481,000 which included one-off set up costs of the new automotive plant of £200,000, the write off of slow moving and obsolete stock of £225,000 and redundancy costs of £56,000.

Separately disclosed items in the prior items include releasing the provision on the earn-out agreement on the purchase of Niemen's fixed assets and order book, and compensation paid to senior management for loss of office of £189,000. Further, the directors deem the profit on disposal of tangible assets of £44,000 to be separately disclosable on the basis of the transaction not reflecting day-to-day trading activity.

Notes to the Financial Statements

for the year ended 30 April 2018

7. OPERATING PROFIT

	2018	2017
	£'000	£'000
This is stated after charging/(crediting) the following		
Staff costs (note 9)	5,396	4,750
Impairment loss recognised on trade receivables	186	-
Cost of inventories recognised as expense	12,189	5,697
Net foreign exchange gains	(65)	(168)
Depreciation of property, plant and equipment:		
Owned assets	826	598
Under finance leases	386	223
Amortisation of intangible assets	348	352
Rentals under operating leases:		
Hire of plant and machinery	39	36
Land and buildings	128	136
R&D Expenditure	307	174
Auditors remuneration for statutory audit services to this Company	15	14
Auditors remuneration for statutory audit services to subsidiaries	40	36

Non-audit fees of £3,000 (2017: £Nil) were payable to the auditor.

8. FINANCE COSTS

	2018	2017
	£'000	£'000
Interest payable on bank borrowings	79	57
Interest payable on finance leases	167	95
Interest payable on term loans	57	75
Interest payable on other loans	8	1
	311	228

Notes to the Financial Statements

for the year ended 30 April 2018

9. STAFF COSTS

	2018	2017
	No.	No.
Average number of employees (including executive directors) comprised		
Production	129	119
Selling and distribution	20	16
Administration	31	25
	180	160

	2018	2017
	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	4,844	4,169
Social security costs	430	350
Other pension costs	72	46
Retirement costs to former directors	-	189
Total remuneration before share option charge	5,346	4,754
Share option charge/(credit)	50	(4)
Total remuneration	5,396	4,750

Other than the Directors, the parent company had no employees (2017: none). Details of Directors' emoluments are shown in the Directors' Remuneration Report on pages 16 to 18.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company and the site general managers.

	2018	2017
	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	570	587
Social security costs	68	67
Other pension costs	9	57
Share option charge	9	(12)
	656	699

Notes to the Financial Statements

for the year ended 30 April 2018

10. TAXATION

The (credit)/charge for taxation on the profit for the financial year is as follows:

	2018 £'000	2017 £'000
Current tax		
Current tax on (loss)/profit for the year	(74)	82
Deferred tax		
Reversal of timing differences	(53)	(75)
Total taxation (credit)/charge for the financial year	<u>(127)</u>	<u>7</u>

The tax assessed for the year is different from that calculated at the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are reconciled as follows

Reconciliation of taxation (credit)/charge

	2018 £'000	2017 £'000
(Loss)/ profit on ordinary activities before tax	(497)	462
Tax on profit on ordinary activities at 19% standard rate of tax (2017: 20%)	(94)	92
Non-deductible expenses	(24)	3
Other differences	(9)	(88)
Total taxation (credit)/charge	<u>(127)</u>	<u>7</u>

Deferred tax liability – Group	2018 £'000	2017 £'000
At 1 May 2017	462	508
Reversal of timing differences credited to profit and loss	(53)	(46)
At 30 April 2018	<u>409</u>	<u>462</u>
Comprising:		
Accelerated capital allowances	58	75
Other timing differences	351	387
	<u>409</u>	<u>462</u>

The Group has not recognised a deferred tax asset of £95,396 (2017: £62,750) in relation to tax losses that can be carried forward indefinitely.

Changes on tax rates and factors affecting the future tax charge

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the Group's future tax charge accordingly. The deferred tax liability at 30 April 2018 has been calculated based on the rates substantively enacted at the balance sheet date.

Notes to the Financial Statements

for the year ended 30 April 2018

11. EARNINGS PER ORDINARY SHARE

	2018	2017
Earnings per share	(0.45)p	0.55p
Underlying earnings per share	0.84p	1.04p

The share options issued in the previous year are non-dilutive (2017: non-dilutive).

Basic and underlying earnings per share have been calculated as follows:

	2018			2017		
	Earnings £'000	Weighted average number of shares	Earnings per share (pence)	Earnings £'000	Weighted average number of shares	Earnings per share (pence)
Profit for the year	(370)	82,614,865	(0.45)	458	82,614,865	0.55
Separately disclosed items (note 6)	1,065			400		
Underlying profit for the period	695	82,614,865	0.84	858	82,614,865	1.04

Underlying earnings per share

Underlying earnings per share has been presented in addition to basic earnings per share since in the opinion of the directors this provides shareholders with a more meaningful representation of the earnings derived from the Group's operations. This measure is not intended to be a substitute for, or superior to, the IFRS measure.

12. DIVIDENDS PAID AND PROPOSED

	2018	2017
	£'000	£'000
Interim dividend nil (2017: 0.33p paid 1 March 2017)	-	273
Final dividend for 2017 0.37p paid 31 October 2017 (2016: 0.7p paid 21 October 2016)	306	578
	306	851

A final dividend of 0.25p (2017: 0.37p) is to be recommended at the forthcoming AGM. The final dividend is subject to approval by shareholders at the Annual General Meeting on 23 October 2018 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting the final dividend will be paid on 20 December 2018 to shareholders on the register at the close of business on 8 November 2018. The total cost of the dividend will be £206,537.

Notes to the Financial Statements

for the year ended 30 April 2018

13. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

Parent Company	2018 £'000	2017 £'000
Cost and net book value		
At 1 May 2017	10,816	10,420
Additions	-	-
Waiver of intercompany loan from Group undertakings	-	400
Share options granted to employees in subsidiaries (note 21)	50	(4)
At 30 April 2018	10,866	10,816

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

All subsidiaries of the company are wholly owned, incorporated in England and Wales and operate in the United Kingdom.

Company	Business activity	Holding	Registered office
Interpack Limited	Importers and distributors of plastic containers	100%	Florida Road, Haydock Industrial Estate, Haydock, Merseyside, WA11 9TP
Coral Products (Mouldings) Limited	Manufacture of plastic products using plastic injection moulding machines	100%	Florida Road, Haydock Industrial Estate, Haydock, Merseyside, WA11 9TP
Tatra Rotalac Limited	Manufacture of plastic mouldings and extrusions	100%	Florida Road, Haydock Industrial Estate, Haydock, Merseyside, WA11 9TP
Rotalac Plastics Limited	Manufacture of plastic mouldings and extrusions	100%	Florida Road, Haydock Industrial Estate, Haydock, Merseyside, WA11 9TP
Global One-Pak Limited	Design, packaging and distribution of lotion pumps, trigger sprays and aerosol caps	100%	Hyde Park House, Cartwright Street, Newton Hyde, Cheshire, SK14 4EH

14. GOODWILL

Group	£'000
At 30 April 2018 and 2017	5,495

Goodwill has been allocated to cash generating units (CGUs), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. This allocation is shown in the table below:

	Interpack Limited £	Tatra Rotalac Limited £	Global One-Pak Limited £	Other £	Total £
Goodwill					
At 30 April 2018 and 2017	3,457	1,311	634	93	5,495

Notes to the Financial Statements

for the year ended 30 April 2018

14. GOODWILL (continued)

The Group tests goodwill and intangible assets annually for impairment. The recoverable amount of goodwill and intangibles arising on the acquisition of Interpack, Tatra and Global One-Pak in previous years is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, revenue and overhead growth rates, and perpetuity growth rate. Management estimates discount rates using pre-tax rates that reflect market assessments of the time value of money and the risks specific to the acquired subsidiaries. In assessing goodwill and intangibles for impairment, the directors consider each subsidiary to be the smallest Groups of assets that generate cash flows and represent the lowest level within the Group at which goodwill is monitored for internal management purposes. As at the year end of 30 April 2018, the impairment review has concluded that the value in use of each exceeds the total goodwill and intangible carrying value. In performing this impairment review, the Group has prepared cash flow forecasts derived from the most recent financial budgets approved by the Board, and then estimates revenue growth for the following four years at 2.5% per annum, with overheads also assumed to increase at 2.5% per annum. Thereafter, a growth rate for pre-tax profit of 2% per annum is assumed into perpetuity. A pre-tax rate of 15% has been used to discount the forecast cash flow. The key assumptions are based on past experience for expected changes in future conditions.

On 25 October 2017 Tatra-Rotalac Ltd acquired the assets of the Tambour shutter systems of the PAL Group (Operations) Ltd for consideration of £200k. The purchase included tooling, outstanding orders, customer lists and technical specification. The entire fair value of consideration has been allocated to plant and equipment assets acquired. No goodwill or other intangible assets have been recognised, the Board have concluded, by considering forecasted cashflows, that the acquired customer list has negligible value.

The Group has conducted a sensitivity analysis on the impairment test of each CGU and the Group of units carrying value. A decrease in the growth rate of profit to 0% (i.e. the current level of profit being generated remains constant) over the forthcoming four years would not cause the carrying value to be impaired for either Interpack, Tatra-Rotalac or Global One-Pak, nor would a reduction of the growth rate for pre-tax profit into perpetuity to 1%. An increase in the discount rate to 18% (Interpack), 22% (Tatra) and 20% (Global One-Pak) respectively would create a potential impairment indicator, however such levels are not deemed to be reasonable by management.

15. OTHER INTANGIBLE ASSETS

	Customer relationships £'000	Brands £'000	Licences £'000	Total £'000
Group				
Cost				
At 1 May 2016, 1 May 2017 and 30 April 2018	2,653	322	573	3,548
Amortisation				
At 1 May 2016	584	5	569	1,158
Charge in the year	315	33	4	352
At 1 May 2017	899	38	573	1,510
Charge in the year	316	32	-	348
At 30 April 2018	1,215	70	573	1,858
Net book value				
At 30 April 2018	1,438	252	-	1,690
At 30 April 2017	1,754	284	-	2,038

Notes to the Financial Statements

for the year ended 30 April 2018

15. OTHER INTANGIBLE ASSETS (continued)

	Licences £'000	Total £'000
Parent Company		
Cost		
At 1 May 2016, 1 May 2017 and 30 April 2018	403	403
Depreciation		
At 1 May 2016, 1 May 2017 and 30 April 2018	403	403
Net book value		
At 30 April 2018	-	-
At 30 April 2017	-	-

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Fixtures and fittings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Group					
Cost or Valuation					
At 1 May 2016	1,958	135	10,875	25	12,993
Additions	145	104	1,962	-	2,211
Disposals	-	-	-	(5)	(5)
Revaluation	405	-	-	-	405
At 1 May 2017	2,508	239	12,837	20	15,604
Additions	-	176	1,936	-	2,112
Disposal	-	(95)	-	(20)	(115)
At 30 April 2018	2,508	320	14,773	-	17,601
Depreciation					
At 1 May 2016	101	42	6,328	5	6,476
Charge in the year	-	48	767	6	821
Disposals	-	-	-	(3)	(3)
Revaluation	(101)	-	-	-	(101)
At 1 May 2017	-	90	7,095	8	7,193
Charge in the year	-	103	1,109	-	1,212
Disposals	-	(95)	-	(8)	(103)
At 30 April 2018	-	98	8,204	-	8,302
Net book value					
At 30 April 2018	2,508	222	6,569	-	9,299
At 30 April 2017	2,508	149	5,742	12	8,411

The net book value of plant and equipment includes £3,125,000 (2017: £2,553,000) in respect of assets held under finance leases. Depreciation for the year in respect of these assets was £386,000 (2017: £223,000).

Notes to the Financial Statements

for the year ended 30 April 2018

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation of land and buildings

The Group uses the revaluation model of measurement of land and buildings. The Group engaged Lambert Smith Hampton, an accredited independent valuer, to determine the fair value of its land and buildings.

Fair value is determined by reference to market-based evidence. This is a level 2 hierarchy valuation. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 17 April 2018. The previous revaluation was on 16 December 2016.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2018	2017
	£'000	£'000
Cost	2,103	2,103
Accumulated depreciation	(185)	(143)
Net carrying amount	1,918	1,960
		Land and buildings
		£'000
Parent Company		
Cost or Valuation		
At 1 May 2016		1,958
Additions		145
Revaluation		405
At 1 May 2017 and 30 April 2018		2,508
Depreciation		
At 1 May 2016		101
Revaluation		(101)
At 1 May 2017 and 30 April 2018		-
Net book value		
At 30 April 2018		2,508
At 30 April 2017		2,508

Notes to the Financial Statements

for the year ended 30 April 2018

17. INVENTORIES

	Group		Parent Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Raw materials	1,256	1,136	-	-
Work in progress	179	242	-	-
Finished goods and goods for resale	1,429	1,505	-	-
	2,864	2,883	-	-

Write-downs of inventories to net realisable value amounted to £50,000 (2017 – £nil). These were recognised as an expense during the year ended 30 April 2018 and included in 'cost of sales' in profit or loss.

During the implementation of a new ERP system at Coral Products (Mouldings) Ltd, slow moving and obsolete stocks were identified with a net realisable value of £225,000. These were recognised as an expense during the year ended 30 April 2018 and included in 'separately disclosed items' in profit or loss.

18. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current				
Trade receivables	5,050	4,837	-	-
Less: provision for impairment of trade receivables	(186)	-	-	-
	4,864	4,837	-	-
Amounts owed by subsidiary Company	-	-	1,017	1,353
Corporation tax recoverable	33	-	-	-
Prepayments and accrued income	555	692	14	54
	5,452	5,529	1,031	1,407

The fair value of trade and other receivables approximates to book value at 30 April 2018 and 2017.

The Group is exposed to credit risk with respect to trade receivables due from its customers. The Group currently has around 930 customers predominantly in the manufacturing and retail sectors. The directors consider that no credit note provision is required and a provision for impairment of £186,000 (2017: £nil) is required in respect of specific customers.

The ageing analysis of these receivables is as follows:

	Group		Parent Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current	2,214	2,202	-	-
Overdue less than 1 month	1,657	1,760	-	-
Overdue 1-2 months	685	521	-	-
Overdue more than 2 months	308	354	-	-
	4,864	4,837	-	-

Notes to the Financial Statements

for the year ended 30th April 2018

18. TRADE AND OTHER RECEIVABLES (continued)

The Group takes a prudent view in assessing the risk of non-payment and considers provision for all debts more than 3 months in arrears unless there are specific circumstances to indicate that there is little or no risk of non-payment of these older debts.

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Sterling	4,725	4,720	-	-
Euros	139	117	-	-
	4,864	4,837	-	-

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At beginning of year	-	34	-	-
Provided during the year	186	-	-	-
Utilised during the year	-	(34)	-	-
At end of year	186	-	-	-

The movement on the provision for impaired receivables has been included in administrative expenses in the accounts. Other classes of financial assets included within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above. The Group did not hold any significant interest swaps or forward foreign exchange contracts at the year end.

19. TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade payables	3,079	3,336	-	-
Other taxes and social security	530	585	-	-
Corporation tax payable	-	81	-	-
Accruals and deferred income	272	454	5	102
Other payables	28	31	-	-
	3,909	4,487	5	102

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The average credit period taken for trade purchases is 48 days (2017: 59 days).

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the Financial Statements

for the year ended 30 April 2018

20. FINANCIAL LIABILITIES

The maturity profile of the non-current financial liabilities as at 30 April 2018 is set out below:

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Borrowings				
Current				
Mortgage	1,604	-	1,604	-
Invoice discounting facility	3,395	2,844	-	-
Finance lease liabilities	940	609	-	-
Term loan	-	355	-	355
	5,939	3,808	1,604	355
Non-current				
Finance lease liabilities	1,843	1,368	-	-
Term loan	-	1,107	-	1,107
	1,843	2,475	-	1,107

The effective interest rates at the balance sheet date are as follows:

	2018	2017
Invoice discounting facility	2.3%	2.3% over base
Finance leases	5.5%	5.5%
Term loan	3.0%	3.0%

The bank loans and overdraft are secured by a fixed and floating charge over the Group's assets. Finance lease liabilities are secured on the assets to which the contracts relate. The invoice discounting facility is secured over trade receivables. The directors estimate that the fair value of the Group's borrowings is the same as the above book values as at 30 April 2018 and as at 30 April 2017.

Based on the results of the Group for the year ended 30 April 2018, the directors have assessed compliance with covenants on the invoice discounting facility and mortgage. Although these financial covenants have been passed in respect of the invoice discounting facility, calculations show that they have been breached with respect to EBIT and Adjusted Cash Flow covenants on the mortgage with an outstanding balance of £1,604,000. As the bank have not formally reviewed these covenants to date, no formal waiver has been received. However, based on ongoing discussions, the bank has expressed their willingness to support the Group and the directors are confident that the mortgage will not be recalled for early settlement. Due to the technical breach of covenant, the mortgage has been disclosed as due in less than one year. However, it should be noted that the underlying term of the mortgage are that it is repayable by 2027 by monthly instalment.

Notes to the Financial Statements

for the year ended 30 April 2018

20. FINANCIAL LIABILITIES (continued)

The maturity profile of the non-current financial liabilities as at 30 April 2018 is set out below:

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
In more than one year but not more than two years				
Finance lease liabilities	939	519	-	-
Term loan	-	355	-	355
In more than two years but not more than five years				
Finance lease liabilities	904	849	-	-
Term loan	-	663	-	663
In more than five years				
Term loan	-	89	-	89
	1,843	2,475	-	1,107

Undrawn borrowing facilities

The Group has a maximum Invoice Discounting Facility of £5.1m, subject to debtor levels and restrictions, together with a £50,000 bank overdraft facility. At the year end the overdraft facility was undrawn.

Finance leases

Future minimum lease payments under finance leases are as follows:

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Not later than one year	998	708	-	-
After one year but not more than five years	2,191	1,568	-	-
	3,189	2,276	-	-
Future finance charge on finance lease	(406)	(298)	-	-
Present value of finance lease liabilities	2,783	1,978	-	-

The present value of minimum lease payments under finance leases are as follows:

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Not later than one year	854	610	-	-
After one year but not more than five years	1,929	1,368	-	-
	2,783	1,978	-	-

There is no material difference between the maturity analysis presented above and the undiscounted cash flow analysis.

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for the year ended 30 April 2018

21. SHARE OPTIONS

On 8 December 2014 share options were granted to 9 employees including 1 director under an EMI Scheme, the “Coral Products plc EMI Share Option Plan”. Options were granted over 1,650,000 1p ordinary shares of the Company with an exercise price of 16p per share. The share price at the date of grant was 14.5p per share. 2 employees, including 1 director, with options totalling 600,000 1p ordinary shares have left the Company during the two-year vesting period.

On 30 May 2017 share options were granted to 4 employees under an EMI Scheme, the “Coral Products plc EMI Share Option Plan”. Options were granted over 550,000 1p ordinary shares of the company with an exercise price of 21p per share. The share price at the grant date was 15p per share. 1 employee with options totalling 100,000 1p ordinary shares has left the Company during the two-year vesting period.

On 22 August 2017 share options were granted to 2 employees, both of which are directors of the company, under the EMI scheme. Options were granted over 2,500,000 1p ordinary shares of the company with an exercise price of 15p. The share price at the grant date was 14.5p.

The options can be exercised two years after the grant date and there are no exercise conditions other than that for the options to vest, the individual must remain an employee of the Group over the two-year vesting period.

The weighted average fair value of the options as at 30 April 2018 was £85,402 based on a fair value of 4.4p per share and 4,000,000 options. The assumptions used in the calculation are as follows:

	8 December 2014	30 May 2017	22 August 2017
Option pricing model used	Black-Scholes	Black-Scholes	Black-Scholes
Expected volatility	30%	46%	45%
Option life	10 years	10 years	10 years
Risk-free interest rate	1.9%	1.09%	1.09%
Expected dividend yield	3.45%	4.7%	4.8%

A debit of £50,000 (2017: credit of £4,000) has been recognised in the income statement in the current year in relation to these share options.

No options have been exercised in the year (2017: none). The maximum term on the options is 10 years from the issue date, which remains the weighted average remaining life.

22. SHARE CAPITAL

	Group		Parent Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Allotted, called up and fully paid				
82,614,865 ordinary shares of 1p each	826	826	826	826

Notes to the Financial Statements

for the year ended 30 April 2018

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group		Parent Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Net decrease in cash and cash equivalents	(753)	(1,678)	-	-
Increase in bank loans and other loans	(142)	371	(142)	371
Increase in finance leases	(806)	(1,029)	-	-
Movement in net debt for the period	(1,701)	(2,336)	(142)	371
Net debt at beginning of period	(5,610)	(3,274)	(1,462)	(1,833)
Net debt at end of period	(7,311)	(5,610)	(1,604)	(1,462)

The Group had no non-cash charges arising from financing activities.

24. RELATED PARTY TRANSACTIONS

Group

The Group has a related party relationship with its subsidiaries and with its key management personnel, who are considered to be its directors. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group and are not disclosed in this note. All related party transactions are conducted on an arms' length basis.

Key management personnel

Details of the compensation of the key management personnel have been disclosed in note 9, no other transactions were entered into with key management personnel in the year other than as detailed below:

Parent Company

The amounts due to the Company in respect of its subsidiaries are set out in note 18. The transactions entered into between the Company and its subsidiaries were as follows:

	2018 £'000	2017 £'000
Rentals received from Group undertakings	300	300
Recharge of overheads to Group undertakings	204	180

25. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

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for the year ended 30 April 2018

26. COMMITMENTS

Operating lease arrangements

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Parent Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Within one year	238	190	-	-
Between two and five years	615	530	-	-
More than five years	229	560	-	-
	1,082	1,280	-	-

The Group leases certain plant and equipment under non-cancellable operating lease agreements.

27. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no ultimate controlling party.

28. PRIOR YEAR ACQUISITIONS

In March 2017, the Group acquired the fixed assets of Industrial & Commercial Mouldings Limited (ICM), which specialised in the production of bespoke high-quality injection moulded parts for the automotive industry. This acquisition greatly increased the production capacity at the Haydock site as well as allowed the move into the automotive industry. We successfully introduced 90+ automotive components during March and April 2017.

Five Year Record (unaudited)

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Turnover	23,405	21,432	18,714	17,425	17,222
Profit					
Operating profit	879	1,093	1,649	1,349	664
Net interest payable	(311)	(228)	(180)	(184)	(158)
Underlying profit before taxation	568	865	1,469	1,165	506
Separately disclosed items	(1,065)	(400)	(711)	(974)	(1,428)
Taxation	127	(7)	(15)	-	-
Profit after taxation	(370)	458	743	191	(922)
Interest cover (times)	2.7	4.8	9.2	7.3	4.2
Underlying earnings per share (pence)	0.84	1.04	2.20	2.12	1.21
Dividend per share (pence)	0.4	1.0	0.8	0.7	0.5
Assets employed					
Fixed assets	16,484	15,944	14,402	10,570	8,743
Other net (liabilities)/assets	(3,313)	(2,147)	(714)	(1,449)	(1,476)
	13,171	13,797	13,688	9,121	7,267
Financed by					
Share capital	826	826	826	579	419
Reserves	12,345	12,971	12,862	8,542	6,848
Shareholder's funds	13,171	13,797	13,688	9,121	7,267
Gearing (%)	56	41	24	44	55
Net assets per share (pence)	16	17	17	16	17

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Coral Products plc (the Company) will be held in Leverhulme Room One at Haydock Race Track, Newton-le-Willows, Merseyside, WA12 0HQ, on Tuesday 23 October 2018, at 12.00 noon for the purpose of considering and, if thought fit, passing of the following resolutions, of which Resolutions 1 to 7 will be proposed as Ordinary Resolutions, to be passed with more than half of the votes in favour of the resolution and Resolutions 8 and 9 will be proposed as Special Resolutions, to be passed with at least three-quarters of the votes in favour of the Resolution.

Ordinary business

Ordinary resolutions

1. To receive and adopt the audited accounts for the year ended 30 April 2018, together with the Reports of the Directors and Auditors.
2. To re-elect Joe Grimmond, who retires by rotation as a Director of the Company.
3. To re-elect David Low, who retires by rotation as a Director of the Company.
4. To re-appoint BDO LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and that the Directors be authorised to fix their remuneration.
5. To declare a final dividend of 0.25p per ordinary share in respect of the year ended 30 April 2018, such dividend to be paid on 20 December 2018 to the holders of ordinary shares on the register at the close of business on 8 November 2018.
6. To approve the Board Report on Directors' Remuneration for the year ended 30 April 2018.
7. That the Directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "2006 Act") to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £550,765, provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the end of the Company's annual general meeting in 2019, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is (i) subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange and (ii) in substitution for all previous authorities conferred on the directors in accordance with section 551 of the 2006 Act but without prejudice to any allotment of shares or grant of Rights already made or offered or agreed to be made pursuant to such authorities.

Special resolutions

8. That, subject to and conditional upon the passing of resolution 7 set out in this notice, the directors be generally empowered to allot equity securities (as defined in section 560 of 2006 Act) pursuant to the authority conferred by resolution 8 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:
 - 8.1 be limited to:
 - 8.1.1 the allotment of equity securities in connection with an offer of equity securities:
 - (a) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - (b) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary;
 - 8.1.2 the allotment of equity securities (otherwise than pursuant to paragraph 8.1.1 above) up to an aggregate nominal amount of £550,765;
 - 8.2 be subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - 8.3 expire at the end of the Company's annual general meeting in 2019 (unless renewed, varied or revoked by the Company prior to or on that date), 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 any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Notice of the Annual General Meeting

continued

Special business

Special resolution

9. That the Company be generally and unconditionally authorised for the purposes of Section 701 of the 2006 Act to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of ordinary shares of 1 pence each in the Company in such manner and upon such terms as the Directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares which may be purchased is 12,392,230;
 - (b) the minimum price which may be paid for an ordinary share is 1 pence (being the nominal value of the ordinary share) exclusive of expenses;
 - (c) the maximum price which may be paid for an ordinary share exclusive of expenses is equal to the higher of (i) 105 per cent of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of (a) the price of the last independent trade and (b) the highest current independent bid (in each case, in relation to (a) and (b), for any number of the Company's ordinary shares on the trading venue where the purchase is carried out); and
 - (d) the authority to purchase hereby conferred shall expire at the end of the next annual general meeting in 2019, save that the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be completed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

By order of the Board
Sharon Gramauskas
Company Secretary

27 September 2018

Registered Office
North Florida Road
Haydock Industrial Estate
Haydock
Merseyside WA11 9TP

Notice of the Annual General Meeting

continued

Notes

1. A member entitled to attend and vote at the Annual General Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Annual General Meeting. A member can appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the Annual General Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Annual General Meeting and voting in person.
3. A Proxy Form which may be used to make this appointment and give proxy instructions accompanies this Notice of Annual General Meeting. Details of how to appoint a proxy are set out in the notes to the Proxy Form. If you do not have a Proxy Form and believe that you should have one, or if you require additional forms, please contact the Company.
4. In order to be valid an appointment of proxy must be returned (together with any authority under which it is executed or a copy of the authority certified) in hard copy form by post, by courier or by hand to the office of the Company at North Florida Road, Haydock Industrial Estate, Haydock, Merseyside WA11 9TP, and must be received by the Company at least 48 hours prior to the meeting.
5. To change your proxy instructions, you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy Proxy Form and would like to change the instructions using another hard copy Proxy Form, please contact the Company. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. To terminate your proxy instruction, please send a written notice to the Company stating your intention to revoke the proxy instruction, to be received by the Company no later than 48 hours prior to the meeting. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the others.
6. A copy of this Notice of Annual General Meeting may have been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person"). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Annual General Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
7. To be entitled to attend and vote at the Annual General Meeting, members must be registered in the register of members of the Company 48 hours prior to the meeting (or, if the meeting is adjourned, 48 hours prior to the date of the adjourned meeting). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.
8. Voting on all Resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as member votes are to be counted according to the number of shares held. As soon as practicable following the Annual General Meeting, the results of the voting at the Annual General Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the Resolutions will be announced via a regulatory information service.
9. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Annual General Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
10. The Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a member attending the Annual General Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
11. As at 26 September 2018 (being the last Business Day prior to the publication of this Notice of Annual General Meeting), the Company's issued share capital consists of 82,614,865 ordinary shares of 1p each with voting rights. Therefore, the number of total voting rights in the Company is 82,614,865.
12. The contents of this Notice of Annual General Meeting and details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice of Annual General Meeting will be available on the Company's corporate website: www.coralproducts.com.
13. You may not use any electronic address provided in this Notice of Annual General Meeting to communicate with the Company for any purposes other than those expressly stated.

Financial Calendar

Annual General Meeting	23 October 2018
Payment of Final Dividend	20 December 2018
Provisional - Interim results	January 2019

Shareholder Information

Coral Products shareholders register is maintained by Share Registrars Limited who are responsible for updating the register, including details of shareholders' addresses. If you have a query about your shareholding in Coral Products, you should contact Share Registrars by telephone on 01252 821390, by email to enquiries@shareregistrars.uk.com or in writing to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR.

The Coral Products website at www.coralproducts.com provides news and details of the Group's activities plus information for Shareholders. The investor section of the website contains real time and historical share price data as well as the results and announcements