17 January 2018

CORAL PRODUCTS PLC

("Coral" or the "Group")

HALF YEARLY REPORT

Coral Products plc, a specialist in the design, manufacture and supply of plastic products, is pleased to report its half yearly report for the six months ended 31 October 2017.

Financial headlines	*Six months to 31 October 2017*	*Six months to 31 October 2016*	*% change*
Group sales	£11.91 million	£10.75 million	+10.8%
Gross profit	£4.04 million	£3.51 million	+15.1%
Underlying operating margin*	34%	33%	
Underlying operating profit*	£371,000	£1,030,000	-64.0%
Reported (loss)/profit before taxation	£(7,000)	£718,000	-100.1%
Underlying EBITDA*	£982,000	£1,413,000	-30.5%
Underlying basic earnings per share*	0.23p	1.03p	-77.7%
Proposed interim dividend per share	0.0p	0.33p	

**The financial headlines disclosed as underlying represent the reported metrics excluding separately disclosed items (being share based payment charges and amortisation of intangible assets in each period).*

Operational and financial highlights

- Successful integration of Tambour shutter division from PAL Group (Operations) Ltd (PAL) into Tatra-Rotalac Ltd.

- Successful integration of plant and machinery from Industrial & Commercial Mouldings Ltd (ICM) into Coral Products (Mouldings) Ltd.

- Successful introduction of some 75 new automotive injection moulded parts.

- Gained new business from Renault and Vauxhall for Van Door Handles, delivery of which began in November 2017.

- Major telecoms business contract renewed for a further three years at Tatra-Rotalac.

- Strong net assets position has been maintained.

- Interim dividend suspended in line with stated strategy to apply cash towards accelerating organic growth.

- New sales team commenced work at Coral Products (Mouldings) Ltd in November 2017 bringing added focus to sales for the second half of the year.

- An operations review at Coral Products (Mouldings) Ltd identified non-recurring costs of £425,000 related to one-off set up costs for the automotive business and write off of slow moving and obsolete stock.

Commenting on today's results, Joe Grimmond, Coral's Chairman, said:

"Trading in the first half of the current year shows revenue and gross profits both substantially ahead of the same period for last year.

Coral Products continues to make good progress against our 5-year 2015 strategic plan. We have increased investment in business development, new products, production capacity and employee capabilities, which has strengthened our position in injection moulding and at the same time expanded the range of plastic moulded services we supply.

Results to date in the current financial year have been disappointing mainly due to the continuing losses at Coral Products (Mouldings) Haydock facility. Following the appointment of Mick Wood, COO, a comprehensive review of operations at the Haydock facility has been carried out. Problems have been identified and actions taken to resolve them during this financial year. The review highlighted non-recurring costs of £425,000, related to one-off set-up costs for our automotive business, as well as the write off of obsolete and slow-moving inventory identified during the implementation of the new ERP system. As a result of these losses at Haydock it is unlikely that the group will do better than break-even in the current financial year. All the other subsidiaries remain substantially profitable and as a result of the actions being taken at Haydock we remain confident of the Group's future prospects."

Enquiries

Coral Products plc Tel: 01942 272882
Joe Grimmond, Chairman
Mick Wood, COO

Nominated Adviser
Cairn Financial Advisers LLP Tel: 020 7213 0880
Tony Rawlinson / Liam Murray

Broker
Daniel Stewart & Company Limited Tel: 020 7776 6550
David Lawman

Capital Markets Consultants Limited Tel: 07515 587184
Richard Pearson

Chairman's Statement

Results

Trading in the first half of the current year shows revenue and gross profits both substantially ahead of the same period for last year. Reported revenue increased to £11,911,000 (six months to 31 October 2016: £10,752,000).

Gross margins remained high at 33.9% (2016: 32.6%) resulting in a gross profit of £4,037,000 (2016: £3,506,000) in the six months to 31 October 2017.

There was an increase in operating costs from the previous year to £3,666,000 (2016: £2,476,000). This resulted in a reduced underlying profit from operations of £371,000 (2016: £1,030,000). This was mainly from a £244,000 increase in depreciation charge, to £611,000 (2016: £367,000) as we increased investment to meet projected demand, the benefit of which is expected to flow through in the coming months. Finance costs increased to £182,000 (2016: £124,000), as part of the increase in investment. We also suffered a negative currency variance of £36,000.

Separately disclosed expenses of £196,000 (2016: £188,000) comprised the amortisation of intangibles acquired on acquisition, share based payment charges over employee options and a settlement agreement with an outgoing sales manager.

The loss before tax after separately disclosed items was £7,000 (2016: £718,000 profit). The reduction in profit before tax from the previous period was as a result of necessary actions taken during this period, which resulted in a one-off non-recurring cost of £425,000 arising from the set-up costs relating to our automotive business and the write off of obsolete and slow-moving items identified during the implementation of the new ERP system. This is in addition to increased depreciation and interest costs referred to earlier of £302,000. Taking these items into consideration the profit before tax excluding these extra costs would have been £720,000 in the period (2016: £718,000).

Operations

<u>Tatra-Rotalac Ltd</u>

During the six-month period ended 31 October 2017 we successfully integrated the recently acquired PAL business into the Tatra-Rotalac site. The introduction was seamless with a 100% PAL customer retention and the bonus of additional sales, coming from the introduction. This is having a positive impact on efficiencies in the plant. Additional work with strategic European customers is also coming through. The second half is expected to remain substantially profitable.

<u>Interpack Ltd</u>

Interpack's sales and margins have been negatively affected by the emergence of stiff competition from new low-cost entrants into the market. A recent focus re-aligning the sales team onto higher margin lower volume business is beginning to positively impact margins.

Interpack were also negatively impacted by currency movements which meant the business reported profitability behind budget. However, the business remains substantially profitable.

Global One-Pak Ltd

Sales were ahead of the same period last year and we are confident of further improvement.

Notwithstanding the volatility in currencies our Global One-Pak business has maintained its budgeted profitability for the first half. This profitability is expected to be maintained through the second half of the financial period.

Coral Products (Mouldings) Ltd

Sales at Coral Products (Mouldings) showed a considerable increase over the same period last year mostly from the introduction of the new automotive activity. We introduced into production during the period some 90 new components or 75 new complete parts. This as expected has negatively impacted on contribution during the period as introductive production and technical issues were resolved.

A new general sales team was introduced in November 2017 bringing added focus to sales.

The following factors impacted inventories during this period:

- The new automotive business required a rapid build-up of 75 new parts, with very expensive polymers and start-up costs. Coral Products (Mouldings) experienced costs for refurbishment of ICM's tools (£100k), initial quality issues (£40k) and one major issue which we could not resolve resulting in our asking the customer to resource, this resulted in a one-off loss (£60k). We had automotive stock at the period end of £452k.
- Shortages of certain polymers meant stockpiling where we could to avoid production run outs.
- Our concerns that rationing of supply led us to accelerate supplier payments cementing supplier confidence and relationships.

Capital expenditure

Total capital expenditure in the first six months was £1,277,000 (2016: £1,143,000) of which £201,000 was spent at Tatra-Rotalac, Wythenshawe and the balance expended on the continued improvements to the capabilities at Coral Mouldings, Haydock which included a further 750 tonne injection moulding machine specifically for the larger crates, trays and totes.

Financial position

The balance sheet asset position remains strong at £13,493,000 (2016: £13,787,000). This represents a solid asset platform for developing the business.

Underlying EBITDA although lower than last year, remains strong at £982,000 (2016: £1,413,000).

The Group had undrawn bank facilities of £1.7 million which, together with its asset based finance lines at 31 October 2017, enable it to invest internally or in further acquisitions and businesses for growth which will then enable better returns for our shareholders.

Dividends

Given the increased investment together with the disappointing first half result the board has decided to defer any decision on dividend for the current year until we see the outcome for the full year.

Outlook

Coral Products continues to perform well against our 5-year 2015 strategic plan. We have increased investment in business development, new products, production capacity and employee capabilities, which has strengthened our position in injection moulding and at the same time expanded the range of plastic moulded services we supply.

Results to date in the current financial year have been disappointing mainly due to the continuing losses at Coral Products (Mouldings) Haydock facility. Following the appointment of Mick Wood, COO, a comprehensive review of operations at the Haydock facility has been carried out. Problems have been identified and actions taken to resolve them during this financial year. The review highlighted non-recurring costs of £425,000 as referred to earlier in my report. As a result of these losses at Haydock it is unlikely the group will do better than break-even in the current financial year. All the other subsidiaries remain substantially profitable and as a result of the actions being taken at Haydock we remain confident of the Group’s future prospects.

Joe Grimmond
Chairman
17 January 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months to 31 October 2017

	Notes	*Six months to 31 October 2017 (unaudited)*	*Six months to 31 October 2016 (unaudited)*	*Year to 30 April 2017 (audited)*
		£000	*£000*	*£000*
Revenue	3	11,911	10,752	21,432
Cost of sales		(7,874)	(7,246)	(14,114)
Gross profit		4,037	3,506	7,318
Operating costs				
Distribution expenses		(546)	(427)	(1,000)
Administrative expenses before separately disclosed items		(3,120)	(2,049)	(5,225)
Underlying operating profit		371	1,030	1,093
Separately disclosed items:				
Share based payment charge		(8)	(14)	4
Amortisation of intangible assets		(174)	(174)	(352)
Compensation for loss of office		(14)	-	(189)
Release earn-out agreement provision		-	-	93
Impairment loss on trade receivables		-	-	44
		(196)	(188)	(400)
Operating profit		175	842	693
Finance expense		(182)	(124)	(228)
(Loss)/Profit before taxation		(7)	718	465
Taxation	4	-	(55)	(7)
Total comprehensive income		(7)	663	458
Earnings per ordinary share	5			
Basic and diluted (pence)		0.00	0.80	0.55
Underlying basic (pence)		0.23	1.03	1.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2017

	31 October 2017 (unaudited)	*31 October 2016 (unaudited)*	*30 April 2017 (audited)*
	£000	*£000*	*£000*
Non-current assets			
Goodwill	5,495	5,495	5,495
Other intangible assets	1,864	2,214	2,038
Property, plant and equipment	9,111	7,293	8,411
Total non-current assets	16,470	15,002	15,944
Current assets			
Inventories	3,162	2,716	2,883
Trade and other receivables	5,172	5,283	5,529
Cash and cash equivalents	464	214	673
Total current assets	8,798	8,213	9,085
Total assets	25,268	23,215	25,029
Current liabilities			
Bank overdrafts and borrowings	(4,199)	(3,405)	(3,808)
Trade and other payables	(3,657)	(3,360)	(4,406)
Corporation tax	(90)	(223)	(81)
Total current liabilities	(7,938)	(6,998)	(8,295)
Non-current liabilities			
Borrowings	(3,375)	(1,960)	(2,475)
Deferred taxation liability	(462)	(470)	(462)
Total non-current liabilities	(3,837)	(2,430)	(2,937)
Total liabilities	(11,775)	(9,428)	(11,232)
Total net assets	***13,493***	***13,787***	***13,797***
Equity			
Share capital	826	826	826
Share premium	5,288	5,288	5,288
Other reserves	1,567	1,061	1,567
Retained earnings	5,812	6,612	6,116
Total equity	***13,493***	***13,787***	***13,797***

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months to 31 October 2017 (unaudited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2017	826	5,288	1,567	6,116	13,797
Total comprehensive income	-	-	-	(6)	(6)
Credit for share based payment	-	-	-	8	8
Dividend paid	-	-	-	(306)	(306)
At 31 October 2017	**826**	**5,288**	**1,567**	**5,812**	**13,493**

For the six months to 31 October 2016 (unaudited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2016	826	5,288	1,061	6,513	13,688
Total comprehensive income	-	-	-	663	663
Credit for share based payment	-	-	-	14	14
Dividend paid	-	-		(578)	(578)
At 31 October 2016	**826**	**5,288**	**1,061**	**6,612**	**13,787**

For the year ended 30 April 2017 (audited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2016	826	5,288	1,061	6,513	13,688
Total comprehensive income	-	-	-	458	458
Other comprehensive income	-	-	506	-	506
Debit for share based payment	-	-	-	(4)	(4)
Dividend paid	-	-	-	(851)	(851)
At 30 April 2017	**826**	**5,288**	**1,567**	**6,116**	**13,797**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to 31 October 2017

	Six months to 31 October 2017 (unaudited) £000	*Six months to 31 October 2016 (unaudited) £000*	*Year to 30 April 2017 (audited) £000*
Cash flow from operating activities			
Profit for the period after tax	39	663	458
Adjustments for:			
Depreciation	611	367	821
Loss on disposal of fixed assets	-	-	44
Intangibles amortisation	174	176	352
Share based payment charge	8	14	(4)
Taxation charge	8	55	7
Release of earn-out provision	-	-	93
Interest payable	182	124	228
Increase in inventories	(279)	(873)	(1,040)
Decrease/(Increase) in trade and other receivables	357	(4)	(250)
(Decrease)/increase in trade and other payables	(803)	(554)	452
UK corporation tax paid	-	-	(66)
Net cash generated/(used) from operating activities	**297**	**(32)**	**1,095**
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	13	-	46
Acquisition of subsidiary, net of cash	-	-	(100)
Acquisition of property, plant and equipment	(1,265)	(1,143)	(919)
Net cash used in investing activities	**(1,252)**	**(1,143)**	**(973)**
Cash flow from financing activities			
Proceeds of new asset finance	1,291	482	208
Dividend paid	(306)	(578)	(851)
Interest paid	(182)	(124)	(228)
Repayments of bank borrowings	(65)	(204)	(371)
Finance lease principal payments	(501)	(186)	(558)
Repayment of Bank Term Loans	(1,462)	-	-
New Bank Loans raised	1,743	-	-
Net cash generated/(used) in financing activities	**518**	**(610)**	**(1,800)**
Net decrease in cash and cash equivalents	(437)	(1,785)	(1,678)
Cash and cash equivalents at the start of the period	(2,171)	(493)	(493)
Cash and cash equivalents at the end of the period	**(2,608)**	**(2,278)**	**(2,171)**

1. Basis of preparation

The financial information set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 April 2017, prepared under IFRS, have been filed with the Registrar of Companies.

The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and on the same basis and using the same accounting policies as used in the financial statements for the year ended 30 April 2017.

The Interim Report has not been audited in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 April 2017.

In respect of the new accounting standards, the Directors are specifically reviewing the requirements of IFRS 15, which will become effective for the 30 April 2019 year end. In particular an assessment is ongoing around specific elements within the standard's guidance relating to recognition of revenue, however it is not expected that there will be a material difference to the group's revenue recognition policies given the nature of the group's principal activity and current policies in place. Similarly, the Directors are currently reviewing the impact of IFRS 16 and IFRS 9 which will become effective for the 30 April 2020 and 30 April 2019 year end respectively. At this point it is not practicable for the Directors to provide a reasonable estimate of the effect of IFRS 9 or IFRS 16 as their detailed review of this standard is ongoing.

3. Revenue

All production is based in the United Kingdom. The geographical analysis of revenue is shown below:

	Six months to 31 October 2017 (unaudited) £000	*Six months to 31 October 2016 (unaudited) £000*	*Year to 30 April 2017 (audited) £000*
United Kingdom	10,764	9,812	19,980
Rest of Europe	967	538	706
Rest of the World	180	402	746
	11,911	**10,752**	**21,432**
Turnover by business activity			
Sale and manufacture of plastic products	**11,911**	**10,752**	**21,432**

4. Taxation

The taxation charge for the six months to 31 October 2017 is based on the effective taxation rate, which is estimated will apply to earnings for the year ending 30 April 2018.The rate used is below the applicable UK corporation tax rate of 19% due to the utilisation of tax losses in the period.

5. Earnings per share

Basic and underlying earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 82,614,865 (31 October 2016: 82,614,865 and 30 April 2017: 82,614,865).

	Six months to 31 October 2017 (unaudited)		*Six months to 31 October 2016 (unaudited)*		*Year to 30 April 2017 (audited)*	
	£000	p	£000	p	£000	p
Basic and diluted earnings per ordinary share						
(Loss)/Profit for the period after tax	(7)	0.00	663	0.80	458	0.55
Underlying earnings per ordinary share						
Underlying profit for the period after tax	189	0.23	851	1.03	858	1.04

6. Movement in Net Debt

Net debt incorporates the Group's borrowings and bank overdrafts less cash and cash equivalents. A reconciliation of the movement in the net debt is shown below:

	Six months to 31 October 2017 (unaudited)	*Six months to 31 October 2016 (unaudited)*	*Year to 30 April 2016 (audited)*
	£000	*£000*	*£000*
Net decrease in cash and cash equivalents	(437)	(1,785)	(1,678)
(Increase)/Decrease in bank and other loans	(212)	204	371
Increase in finance leases	(851)	(296)	(1,029)
Increase in net debt in the financial period	(1,500)	(1,877)	(2,336)
Opening net debt	(5,610)	(3,274)	(3,274)
Closing net debt	**(7,110)**	**(5,151)**	**(5,610)**

7. Forward looking statements

This announcement contains unaudited information and forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and undue reliance should not be placed on any such statement because they speak only as at the date of this document and are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Corals plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Coral undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (MAR).