

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 2018.

Financial headlines	<i>Six months to 31 October 2018</i>	<i>Six months to 31 October 2017</i>	<i>% change</i>
Group sales	£13.08 million	£11.91 million	+9.8%
Gross profit	£5.04 million	£4.04 million	+24.8%
Underlying operating margin*	38.5%	33.9%	+13.5%
Underlying operating profit (excluding finance expenses)*	£1,009,000	£371,000	+172.0%
Reported profit/(loss) before taxation	£582,000	£ (7,000)	+8,414.3%
Underlying EBITDA*	£1,747,000	£982,000	+77.9%
Underlying basic earnings per share*	0.87p	0.23p	+278.3%
Proposed interim dividend per share	0.25p	0.0p	

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

Operational and financial highlights

- All metrics show substantial improvement.
- Strong net assets position has been maintained.
- Interim dividend of 0.25p proposed.
- Additional sales resource recruited at Interpack to support growth aspirations in the business.
- Re-organisation and turn-around of the Haydock manufacturing facility continued, with positive site profits in all of the six months of this financial year.
- The commitment to the Group's 360-degree re-cycling supply initiative has been realised by the purchase of a state-of-the-art plastic recycling system. The system will be installed in December 2018 and commissioned in January 2019 with contribution expected before the end of the current financial period.
- Capital investment programme continued across the Group with investment in state-of-the-art injection moulding machines, blow moulding capacity and extruding capability. This will reduce operating costs, improve capacity and technical availability as well as open up new areas of business.
- New chilled cooling water system installed in Haydock, saving water and cost whilst eliminating future likely HSHE (health, safety, hygiene and environmental) issues.
- New product development partnership with Rotite already resulted in two new products being developed, with tools being ordered for introduction during 2019/20. In addition, some current

products have benefited from design changes making for cost savings. Our customers have shown high interest in these new and improved products.

- Extension to the on-line tote supply gained for the rest of this financial period.

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

"Trading in the first half of the current year shows a substantial improvement of all our financial headlines.

We are delighted with the performance of the business in the first half. The main feature of the results is the excellent turnaround of Coral Products (Mouldings) into profit and we are optimistic that this trend will continue. This improvement reflects the huge amount of effort put in by the Coral team. We have increased investment in business development, new products, production capacity and employee capabilities. These investments have strengthened our position in injection moulding, blow moulding and plastic extrusion, whilst at the same time expanding the range of plastic services we supply.

I am pleased to report that results to date are well ahead of the same period last year and that, in spite of the prevailing uncertainties of Brexit we remain confident of the Groups future prospects."

Enquiries

Coral Products plc

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Chairman's Statement

Results and Financial Position

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 £13,077,000 (six months to 31 October 2017: £11,911,000).

As a result of the re-organisation and cost reduction action taken in January 2018, gross margins have substantially increased to 38.5% (2017: 33.9%) resulting in a gross profit of £5,039,000 (2017: £4,037,000) in the six months to 31 October 2018.

Underlying EBITDA has improved substantially on last year at £1,747,000 (2017: £982,000).

Underlying profits for operations increased to £1,009,000 (2017: 371,000), a significant improvement over the same period last year.

Separately disclosed expenses of £222,000 (2017: £196,000) comprised the amortisation of intangibles acquired on acquisition and share based payment charges over employee options.

Finance costs were up from £182,000 to £205,000 in this period due to the increased levels of borrowing needed to fund capital expenditure.

Profit after tax after including all these items was £500,000 compared to a loss of £7,000 over the same period last year.

The balance sheet net asset position remains strong at £13,749,000 (2017: £13,493,000). This represents a solid asset platform for developing the business.

The Group's net debt has decreased to £6,868,000 (2017: £7,110,000). The Group has undrawn bank facilities of £1.9 million which, together with its asset-based finance lines at 31 October 2018, enable it to invest internally or in further acquisitions and businesses for growth which will then enable better returns for our shareholders.

Operations

Tatra-Rotalac Ltd

New extrusion technology and capacity has been introduced allowing both current products to be competitively produced and, as importantly, giving the business a technology boost that allows more technically advanced products to be made. A full business overview has taken place and subsequent actions are being addressed urgently to enable the business to realise its potential. The extra costs we have incurred to boost future performance have impacted on the current period resulting in a loss and we are below our budget expectations but I am confident that the actions being taken will support the business growth aspirations of the company via its existing customer base and with the introduction of new customers in light of the new technically advanced extrusion equipment now in the operation.

Interpack Ltd

Sales, Gross and Net profit exceeded expectations and were well ahead of the same period last year. New European suppliers have been sourced to supplement the range of products offered for sale whilst new capacity released by the introduction of new ice cream tools at Coral Products (Mouldings) will give further growth opportunities.

Global One-Pak Ltd

Sales, Gross profit and Net profit are substantially ahead of expectations for the current financial period albeit below the same period last year. New products using high levels of plastic recycle are being

developed to supplement the current successful portfolio. It is expected that the Global One-Pak's strong financial performance will continue through the second half of this financial period.

Coral Products (Mouldings) Ltd

We are delighted with the turnaround in Coral Products (Mouldings) in the period. Sales, Gross and Net profit are substantially ahead of the comparative previous year financial period albeit below budget but as announced, with a healthy pipeline in place we are optimistic about the overall performance for the year.

The Operational & Sales turnaround actions taken over the previous eleven months have been successful with the subsidiary achieving a profit every month since January 2018. Improvement work in logistics and material purchasing is now bearing fruit with all actions completed in this area expected prior to the end of this financial period.

Improving the machine capabilities of the subsidiary has meant some capital expenditure has been incurred. The new injection moulders and blow moulders have enabled the business to advance technically whilst improving the manufacturing cost base.

A new recycling plant has been developed and purchased. This plant will be installed in December 2018 with commissioning expected to be completed by the end of January 2019. The interest from our customer base in this plant, its capabilities and our 360-degree approach to recycling has been extremely encouraging. Aimed, in the first instance, at the UK Council and local authority recycling arms our novel approach has put Coral at the forefront of the decision makers. Encouragingly the plant has received the first batch of crates to be recycled from a local Council in anticipation of the plant being operational. In addition, there are also local agreements to take waste crates, caddies and bins at a further five councils and this is expected to exponentially increase during the coming months. This recycling plant is expected to be profit enhancing during this current financial period.

Capital expenditure

Total capital expenditure in the first six months was £810,000 (2017: £1,277,000) of which £244,000 (2017: £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 two fully electric machines and three blow moulding machines.

Dividends

It is the board's intention to pay an interim dividend of 0.25p pence per share (2017: 0.00p). The ex-dividend date and the record date for the interim dividend will be 14 February 2019 and 15 February 2019 respectively. The interim dividend will be paid on 28 March 2019. This continues to reflect our confidence in the recovery path and improvement this will bring to our results.

Outlook

We are delighted with the performance of the business in the first half. The main feature of the results is the excellent turnaround of Coral Products (Mouldings) into profit and we are optimistic that this trend will continue. This improvement reflects the huge amount of effort put in by the Coral team. We have increased investment in business development, new products, production capacity and employee capabilities. These investments have strengthened our position in injection moulding, blow moulding and plastic extrusion, whilst at the same time expanding the range of plastic services we supply.

Results to date in the current financial year have been excellent. The return to profitability of Coral Products (Mouldings) along with the continued financial performance of Interpack and Global One-Pak has enabled the Group to return to profitability. It is expected that actions currently underway will bring Tatra-Rotalac back to profitability prior to the end of this financial year.

The exciting new plastic recycling plant will give the business an edge when operational with interest in it already evident by both existing customers and prospective customers alike.

Brexit

As the current outcome of Brexit is still undecided the business continues as normal with focus on operational cost control. This is reflected in our significantly improved gross margin.

Discussions with customers and suppliers are on-going with reference to holding finished goods and raw material supply. Agreements for the months leading up to the 29th March have been made with various major suppliers to the Group, and customers of the Group, to mitigate any shortages that may or may not happen.

We are confident that whilst the next 12 months will be challenging, Coral will remain in a good position to deal with the aftermath of Brexit.

Joe Grimmond
Non-Executive Chairman
29 November 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months to 31 October 2018

	Notes	Six months to 31 October 2018 (unaudited) £000	Six months to 31 October 2017 (unaudited) £000	Year to 30 April 2018 (audited) £000
Revenue	3	13,077	11,911	23,405
Cost of sales		(8,038)	(7,874)	(15,302)
Gross profit		5,039	4,037	8,103
Operating costs				
Distribution expenses		(575)	(546)	(1,256)
Administrative expenses before separately disclosed items		(3,455)	(3,120)	(5,968)
Underlying operating profit		1,009	371	879
Separately disclosed items:				
Share based payment charge		(78)	(8)	(50)
Amortisation of intangible assets		(144)	(174)	(348)
Compensation for loss of office		-	(14)	-
Reorganisation costs		-	-	(481)
Impairment loss on trade receivables		-	-	(186)
		(222)	(196)	(1,065)
Operating profit/(loss)		787	175	(186)
Finance expense		(205)	(182)	(311)
Profit/(loss) before taxation		582	(7)	(497)
Taxation	4	(82)	-	127
Total comprehensive income/(loss)		500	(7)	(370)
<i>Earnings per ordinary share</i>	5			
Basic and diluted (pence)		0.61	0.00	(0.45)
Underlying basic (pence)		0.87	0.23	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2018

	<i>31 October 2018 (unaudited)</i>	<i>31 October 2017 (unaudited)</i>	<i>30 April 2018 (audited)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-current assets			
Goodwill	5,495	5,495	5,495
Other intangible assets	1,546	1,864	1,690
Property, plant and equipment	9,314	9,111	9,299
Total non-current assets	<u>16,355</u>	<u>16,470</u>	<u>16,484</u>
Current assets			
Inventories	3,278	3,162	2,864
Trade and other receivables	6,005	5,172	5,452
Cash and cash equivalents	727	464	471
Total current assets	<u>10,010</u>	<u>8,798</u>	<u>8,787</u>
Total assets	<u>26,365</u>	<u>25,268</u>	<u>25,271</u>
Current liabilities			
Bank overdrafts and borrowings	(4,518)	(4,199)	(5,939)
Trade and other payables	(4,554)	(3,657)	(3,909)
Corporation tax	(51)	(82)	-
Total current liabilities	<u>(9,123)</u>	<u>(7,938)</u>	<u>(9,848)</u>
Non-current liabilities			
Borrowings	(3,077)	(3,375)	(1,843)
Deferred taxation liability	(416)	(462)	(409)
Total non-current liabilities	<u>(3,493)</u>	<u>(3,837)</u>	<u>(2,252)</u>
Total liabilities	<u>(12,616)</u>	<u>(11,775)</u>	<u>(12,100)</u>
Total net assets	<u>13,749</u>	<u>13,493</u>	<u>13,171</u>
Equity			
Share capital	826	826	826
Share premium	5,288	5,288	5,288
Other reserves	1,567	1,567	1,567
Retained earnings	6,068	5,812	5,490
Total equity	<u>13,749</u>	<u>13,493</u>	<u>13,171</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months to 31 October 2018 (unaudited)

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Other reserves</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 May 2018	826	5,288	1,567	5,490	13,171
Total comprehensive income	-	-	-	500	500
Credit for share based payment	-	-	-	78	78
Dividend paid	-	-	-	-	-
At 31 October 2018	826	5,288	1,567	6,068	13,749

For the six months to 31 October 2017 (unaudited)

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Other reserves</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £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 year ended 30 April 2018 (audited)

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Other reserves</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 May 2017	826	5,288	1,567	6,116	13,797
Total comprehensive loss	-	-	-	(370)	(370)
Credit for share based payment	-	-	-	50	50
Dividend paid	-	-	-	(306)	(306)
At 30 April 2018	826	5,288	1,567	5,490	13,171

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to 31 October 2018

	<i>Six months to 31 October 2018 (unaudited) £000</i>	<i>Six months to 31 October 2017 (unaudited) £000</i>	<i>Year to 30 April 2018 (audited) £000</i>
Cash flow from operating activities			
Profit/(loss) for the period after tax	500	39	(370)
Adjustments for:			
Depreciation	738	611	1,212
Loss on disposal of fixed assets	3	-	17
Intangibles amortisation	144	174	348
Share based payment charge	78	8	50
Taxation charge	82	8	(127)
Interest payable	205	182	311
(Increase)/decrease in inventories	(414)	(279)	18
(Increase)/decrease in trade and other receivables	(553)	357	77
Increase/(decrease) in trade and other payables	645	(803)	(549)
UK corporation tax paid	-	-	46
Net cash generated/(used) from operating activities	1,428	297	1,033
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	-	13	(5)
Acquisition of property, plant and equipment	(180)	(1,265)	(907)
Net cash used in investing activities	(180)	(1,252)	(912)
Cash flow from financing activities			
Proceeds of new asset finance	-	1,291	500
Dividend paid	-	(306)	(306)
Interest paid	(205)	(182)	(311)
Repayments of bank borrowings	(75)	(65)	(1,601)
Finance lease principal payments	(539)	(501)	(899)
Repayment of bank term loans	-	(1,462)	-
New bank loans raised	-	1,743	1,743
Movements on invoice discounting facility	(173)	228	551
Net cash generated/(used) in financing activities	(992)	746	(323)
Net increase/(decrease) in cash and cash equivalents	256	(209)	(202)
Cash and cash equivalents at the start of the period	471	673	673
Cash and cash equivalents at the end of the period	727	464	471

1. Basis of preparation

The financial information set out in this Interim Report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 April 2018, 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 2018.

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 2018.

In respect of the new accounting standards, the Directors have reviewed and adopted the requirements of IFRS 9 and IFRS 15, which became effective for the year ended 30 April 2019. The Directors are currently reviewing the impact of IFRS 16 which will become effective for the year ended 30 April 2020. At this point it is not practicable for the Directors to provide a reasonable estimate of the effect of 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:

	<i>Six months to 31 October 2018 (unaudited) £000</i>	<i>Six months to 31 October 2017 (unaudited) £000</i>	<i>Year to 30 April 2018 (audited) £000</i>
United Kingdom	12,283	10,764	21,068
Rest of Europe	710	967	1,326
Rest of the World	84	180	1,011
	13,077	11,911	23,405
<i>Turnover by business activity</i>			
Sale and manufacture of plastic products	13,077	11,911	23,405

4. Taxation

The taxation charge for the six months to 31 October 2018 is based on the effective taxation rate, which is estimated will apply to earnings for the year ending 30 April 2019. 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 2017: 82,614,865 and 30 April 2018: 82,614,865).

	<i>Six months to 31 October 2018 (unaudited)</i>		<i>Six months to 31 October 2017 (unaudited)</i>		<i>Year to 30 April 2018 (audited)</i>	
	£000	p	£000	p	£000	p
<i>Basic and diluted earnings per ordinary share</i>						
Profit/(loss) for the period after tax	500	0.61	(7)	0.00	(370)	(0.45)
<i>Underlying earnings per ordinary share</i>						
Underlying profit for the period after tax	722	0.87	189	0.23	695	0.84

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:

	<i>Six months to 31 October 2018 (unaudited)</i>	<i>Six months to 31 October 2017 (unaudited)</i>	<i>Year to 30 April 2018 (audited)</i>
	£000	£000	£000
Net increase/(decrease) in cash and cash equivalents	256	(437)	(753)
Decrease/(increase) in bank and other loans	248	(212)	(142)
Increase in finance leases	(61)	(851)	(806)
Movement in net debt in the financial period	443	(1,500)	(1,701)
Net debt at beginning of period	(7,311)	(5,610)	(5,610)
Net debt at end of period	(6,868)	(7,110)	(7,311)

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).