

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 2020.

Financial headlines	<i>Six months to 31 October 2020</i>	<i>Six months to 31 October 2019</i>	<i>% change</i>
Group sales	£10.65 million	£12.14 million	-12.3%
Gross profit	£4.29 million	£4.60 million	-6.7%
Underlying operating margin*	40.3%	37.9%	6.3%
Underlying operating profit (excluding finance expenses)*	£994,000	£485,000	104.9%
Reported profit before taxation	£541,000	£ 25,000	2,064.0%
Underlying EBITDA*	£1,622,000	£1,341,000	21.0%
Underlying basic earnings per share*	0.93p	0.26p	257.7%
Proposed interim dividend per share	0.00p	0.00p	

**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), see note 7.*

Operational and financial highlights

- I am pleased to report that the first half of this year has seen a return to profit. This is despite the on-going Covid-19 pandemic impact, Brexit, the China-USA trade wars, volatile currency fluctuations and variable trading conditions.
- Ensuring that the business is Covid-19 secure for employees and visitors is paramount. As a critical supplier our business continued to operate under strict Covid-19 Government guidelines to support the medical, transport, food and communication industries through the UK lockdowns encountered this year.
- The Covid-19 pandemic caused a reduction in profitability at Global One-Pak in the first few months of this financial period. I am very pleased to report however that with the addition of new Chinese suppliers in recent months profitability has returned.
- Particularly pleasing is the Group's return to profit when considering the huge negative impact of the Covid-19 pandemic on our customer base has meant that the new business expected from the new and improved food packaging and the 23 litre/55 litre recycling products have not been realised in the current period. It is expected that both will positively impact the business in the final quarter of this financial period.
- The business cost base was reduced via improvements in automation, labour shift pattern changes, increasing the raw material supplier base, utilisation of the recycling plant and the integration of the Interpack daily operation into the Mouldings operation.

- The extruded fire retardant click & fix product has been developed with huge interest from both existing and potential new customer base. It is expected that this will positively impact the business in the final quarter of this year.
- The recycling plant is contributing to the business, and has done throughout the pandemic to date. This exciting area of the business is expected to become more and more integral to the business profitability in the future.
- The recycling plant has gained re-processor status enabling the business to mitigate the Government waste packaging levy incurred on the business.
- The Group has retained its BRC food packaging accreditation.
- The Multi-box-recycling-system (MBRS) has now been commissioned with positive impact on sales expected over the rest of this financial period and beyond.
- A very strong net assets position has been maintained.

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

"In my Chairman's statement that accompanied the release of the 2020 accounts I expressed concerns over the uncertainties associated with the ongoing Brexit situation and coronavirus pandemic. Despite these concerns I am encouraged with the level of sales and profitability achieved over the period".

Enquiries

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Chairman's Statement

Results and Financial Position

Trading in the first half of the current year shows that even though revenue and gross profit are below the same period for last year, the gross profit % has improved. Reported revenue was £10,645,000 (six months to 31 October 2019: £12,143,000), gross margins were 40.3% (2019: 37.9%) resulting in a gross profit of £4,291,000 (2019: £4,601,000) in the six months to 31 October 2020. Underlying EBITDA was £1,622,000 (2019: £1,341,000). Underlying operating profits increased to £994,000 (2019: £485,000).

Separately disclosed expenses of £230,000 (2019: £193,000) comprised the amortisation of intangibles acquired on acquisition, share based payment charges over employee options and redundancy costs.

Finance costs dropped slightly to £223,000 (2019: £267,000) in this period due to the payment holidays taken in the first few months of the financial period.

Profit before tax after including all the above items was £541,000 (2019: £25,000).

The balance sheet net asset position remains strong at £12,645,000 (2019: £12,945,000). This represents a solid asset platform for developing the business.

The Group's net debt has decreased to £7,192,000 (2019: £8,625,000). The Group has undrawn bank facilities of £2.6 million, (2019: £2.0 million).

Operations

Tatra-Rotalac Ltd

Now with a reduced cost base gained by a major re-organisation and a change in shift patterns the business is back to profitability. Upgrades on current manufacturing assets have enabled improved efficiencies, culminating in the retention of a multimillion-pound three-year contract for a major telecommunications customer. New upgraded extruded click & fix panel will contribute in the final quarter of this financial period.

Interpack Ltd

Due to the Covid 19 pandemic the financial benefits expected of the new and improved ice-cream packaging have yet to be realised. It is expected that this will happen in the final quarter of this financial period. The integration of the day-to-day activities into the Mouldings business has enabled continuity via familiarisation of product coupled with cost reduction.

Global One-Pak Ltd

Initially this business was financially the worst hit by the Covid-19 pandemic in the Group. New suppliers have successfully been sought to enable continuity of supply of triggers and plungers from China. World-wide demand is expected to remain high for the foreseeable future. With the new aforementioned supply chain in place and even with the uncertainty of the current Covid-19 and Brexit situation in the UK we believe the business can be managed to deliver improved profitability in the rest of this financial period.

Coral Products (Mouldings) Ltd

Turnover for the first 6 months of this financial period was affected by the reduction in services provided by councils and authorities as the demand for recycling products reduced due mainly to the impact of Covid-19. This demand is now coming back on stream and coupled with high demand for Blow moulding products (supplied into wet wipe and sanitizing companies), high demand for transportation and

telecommunication products, along with the resurgence of food container products the business is set to benefit from increased turnover and profitability.

The recycling plant is fully operational and the objective of giving the business a full 360 degree offering across the recycling spectrum has been achieved. It has maintained its re-processor accreditation making it a go to site for the customer base.

Focus on adding high levels of recycled material to new containers is a major objective for the site to offset the forecasted £200 per tonne plastic tax set to be implemented in April 2022 for products made with less than 30% of recycled content. We are pleased to report that Mouldings is well down the road to achieving the objective in advance of the deadline.

The industry anticipated MBRS (multi-box recycling system) is now being made. It is expected that it will contribute to profitability during this financial period.

Capital expenditure

Total capital expenditure in the first six months was £315,000 (2019: £650,000) of which £nil (2019: £69,000) related to Tatra-Rotalac, £nil (2019: £375,000) related to Interpack, and the balance expended on the tools for the multi box recycling system (MBRS) at Coral Products (Mouldings).

Dividends

Whilst there has been a marked improvement of performance in the first half of this year, the Board has decided to defer any decision on dividend for the current year until we see the outcome of the coronavirus pandemic.

Brexit

With the imminent departure of the United Kingdom from the European Union, as a business, we continue to focus on operational cost control to enable an improved gross margin.

We know that the impact at the UK docks towards the end of 2020/early 2021 will be challenging, delays are expected. A constant monitoring of supplies to the plants is on-going with extra working capital used to purchase raw materials in advance. Our focus remains that of cost control across the two manufacturing subsidiaries. These will be supplemented increasingly by the recycling business which we believe will leave the Group on a sound footing both during and after the completion of the UK's departure from the European Union.

Outlook

In my Chairman's statement that accompanied the release of the 2020 accounts I expressed concerns over the uncertainties associated with the ongoing Brexit situation and coronavirus pandemic. Despite these concerns I am encouraged with the level of sales and profitability achieved over the period.

Cost reduction controls now in place, the recycling plant delivering to overall profitability coupled with continued and increased demand for Covid-19-related products, telecommunications, transport, food product packaging and recycling containers gives me great confidence for the future prospects and performance of the Group.

Joe Grimmond
Non-Executive Chairman
8 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to 31 October 2020

	Notes	Six months to 31 October 2020 (unaudited) £000	Six months to 31 October 2019 (unaudited) £000	Year to 30 April 2020 (audited) £000
Revenue	3	10,645	12,143	22,321
Cost of sales		(6,354)	(7,542)	(14,329)
Gross profit		4,291	4,601	7,992
Operating costs				
Distribution expenses		(544)	(622)	(1,296)
Administrative expenses before separately disclosed items		(2,753)	(3,494)	(6,295)
Underlying operating profit		994	485	401
Separately disclosed items:				
Share based payment credit/(charge)		2	(7)	(14)
Amortisation of intangible assets		(138)	(138)	(277)
Reorganisation costs		(94)	(48)	(142)
Impairment loss on goodwill		-	-	(350)
		(230)	(193)	(783)
Operating profit/(loss)		764	292	(382)
Finance expense		(223)	(267)	(439)
Profit/(loss) before taxation		541	25	(821)
Taxation	4	-	-	-
Total comprehensive income/(loss)		541	25	(821)
<i>Earnings per ordinary share</i>	5			
Basic and diluted (pence)		0.66	0.03	(0.99)
Underlying basic (pence)		0.93	0.26	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2020

	<i>31 October 2020 (unaudited)</i>	<i>31 October 2019 (unaudited)</i>	<i>30 April 2020 (audited)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-current assets			
Goodwill	5,145	5,495	5,145
Other intangible assets	986	1,263	1,124
Property, plant and equipment	2,768	9,406	2,790
Right of use assets	4,058	835	4,365
Total non-current assets	<u>12,957</u>	<u>16,999</u>	<u>13,424</u>
Current assets			
Inventories	3,395	3,667	3,368
Trade and other receivables	4,575	5,783	4,931
Cash and cash equivalents	1,292	436	453
Total current assets	<u>9,262</u>	<u>9,886</u>	<u>8,752</u>
Assets held for sale	<u>2,520</u>	<u>-</u>	<u>2,520</u>
Current liabilities			
Bank overdrafts and borrowings	(2,526)	(4,779)	(2,978)
Trade and other payables	(3,212)	(4,473)	(3,749)
Lease liabilities	(1,393)	-	(1,191)
Corporation tax	-	(43)	-
Total current liabilities	<u>(7,131)</u>	<u>(9,295)</u>	<u>(7,918)</u>
Liabilities on assets held for sale	<u>(1,706)</u>	<u>-</u>	<u>(1,765)</u>
Non-current liabilities			
Borrowings	(1,000)	(4,282)	-
Lease liabilities	(1,859)	-	(2,509)
Deferred taxation	(398)	(363)	(398)
Total non-current liabilities	<u>(3,257)</u>	<u>(4,645)</u>	<u>(2,907)</u>
Total liabilities	<u>(12,094)</u>	<u>(13,940)</u>	<u>(12,590)</u>
Total net assets	<u>12,645</u>	<u>12,945</u>	<u>12,106</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	4,964	5,264	4,425
Total equity	<u>12,645</u>	<u>12,945</u>	<u>12,106</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months to 31 October 2020 (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 2020	826	5,288	1,567	4,425	12,106
Total comprehensive income	-	-	-	541	541
Charge for share based payment	-	-	-	(2)	(2)
Dividend paid	-	-	-	-	-
At 31 October 2020	826	5,288	1,567	4,964	12,645

For the six months to 31 October 2019 (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 2019	826	5,288	1,567	5,232	12,913
Total comprehensive income	-	-	-	25	25
Credit for share based payment	-	-	-	7	7
Dividend paid	-	-	-	-	-
At 31 October 2019	826	5,288	1,567	5,264	12,945

For the year ended 30 April 2020 (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 2019	826	5,288	1,567	5,232	12,913
Total comprehensive loss	-	-	-	(821)	(821)
Credit for share based payment	-	-	-	14	14
Dividend paid	-	-	-	-	-
At 30 April 2020	826	5,288	1,567	4,425	12,106

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to 31 October 2020

	Six months to 31 October 2020 (unaudited) £000	Six months to 31 October 2019 (unaudited) £000	Year to 30 April 2020 (audited) £000
Cash flow from operating activities			
Profit/(loss) for the period after tax	541	25	(821)
Adjustments for:			
Depreciation of property, plant and equipment	321	733	1,032
Depreciation of right of use assets under IFRS16	307	-	681
Goodwill impairment	-	-	350
Amortisation of intangible assets	138	138	277
Share based payment (credit)/charge	(2)	7	14
Interest payable	223	267	439
(Increase)/decrease in inventories	(27)	(162)	137
Decrease/(increase) in trade and other receivables	386	(262)	563
(Decrease)/increase in trade and other payables	(537)	639	(87)
Net cash generated from operating activities	1,350	1,385	2,585
Cash flow from investing activities			
Acquisition of property, plant and equipment	(314)	(17)	(322)
Net cash used in investing activities	(314)	(17)	(322)
Cash flow from financing activities			
Interest paid	(223)	(267)	(135)
Interest paid on lease liabilities	-	-	(304)
Repayments of bank borrowings	(60)	(93)	(188)
Repayments of obligations under lease liabilities	(462)	(672)	(1,180)
New bank loans raised	1,000	500	500
New lease liabilities	-	-	58
Movements on invoice discounting facility	(452)	(373)	(534)
Net cash used in financing activities	(197)	(905)	(1,783)
Net increase/(decrease) in cash and cash equivalents	839	463	480
Cash and cash equivalents at the start of the period	453	(27)	(27)
Cash and cash equivalents at the end of the period	1,292	436	453

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 2020, prepared under IFRS, are in the process of being filed with the Registrar of Companies. The auditor's report on the statutory accounts for the year ended 30 April 2020 was qualified with respect to inventory having a carrying value of £3,368,000 as the audit evidence available was limited because, given the global Covid-19 pandemic, no inventory count was undertaken and the auditor did not observe the physical inventory as at 30 April 2020. In respect solely of the limitation relating to inventory, the auditor did not obtain all the information and explanations considered necessary for the purpose of the audit and were unable to determine whether adequate accounting records had been kept by the parent company.

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 2020.

The Interim Report has not been reviewed by our auditor 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 2020.

3. Revenue

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

	<i>Six months to 31 October 2020 (unaudited) £000</i>	<i>Six months to 31 October 2019 (unaudited) £000</i>	<i>Year to 30 April 2020 (audited) £000</i>
United Kingdom	9,676	11,433	20,882
Rest of Europe	874	648	916
Rest of the World	95	62	523
	10,645	12,143	22,321
<i>Turnover by business activity</i>			
Sale and manufacture of plastic products	10,645	12,143	22,321

4. Taxation

The taxation charge for the six months to 31 October 2020 is based on the effective taxation rate, which is estimated will apply to earnings for the year ending 30 April 2021. 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 2019: 82,614,865 and 30 April 2020: 82,614,865).

	<i>Six months to 31 October 2020 (unaudited)</i>		<i>Six months to 31 October 2019 (unaudited)</i>		<i>Year to 30 April 2020 (audited)</i>	
	£000	p	£000	p	£000	p
<i>Basic and diluted earnings per ordinary share</i>						
Profit/(loss) for the period after tax	541	0.66	25	0.03	(821)	(0.99)
<i>Underlying earnings per ordinary share</i>						
Underlying profit/(loss) for the period after tax	771	0.93	218	0.26	(38)	(0.05)

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 2020 (unaudited)</i>	<i>Six months to 31 October 2019 (unaudited)</i>	<i>Year to 30 April 2020 (audited)</i>
	£000	£000	£000
Net increase in cash and cash equivalents	839	463	1,014
Decrease/(increase) in bank and other loans	510	(9)	(312)
(Decrease)/increase in lease liabilities	(551)	(862)	(475)
Movement in net debt in the financial period	798	(408)	227
Net debt at beginning of period	(7,990)	(8,217)	(8,217)
Net debt at end of period	(7,192)	(8,625)	(7,990)

7. Underlying profit and separately disclosed items

Underlying profit before tax, underlying earnings per share, underlying operating profit, underlying earnings before interest, tax, depreciation and amortisation are defined as being before share based payment charges, amortisation of intangibles recognised on acquisition, acquisition costs, reorganisation costs, compensation for loss of office, impairment of goodwill and impairment loss on trade receivables. Collectively these are referred to as separately disclosed items. In the opinion of the directors the disclosure of these transactions should be reported separately for a better understanding of the underlying trading performance of the Group.

	<i>Six months to 31 October 2020 (unaudited) £000</i>	<i>Six months to 31 October 2019 (unaudited) £000</i>	<i>Year to 30 April 2020 (audited) £000</i>
Operating profit/(loss)	764	292	(382)
Separately disclosed items within administration expenses			
Share based payment (credit)/charge	(2)	7	14
Amortisation of intangible assets	138	138	277
Reorganisation costs	94	48	142
Impairment of goodwill	-	-	350
Total separately disclosed items	230	193	783
Underlying operating profit	994	485	401
Depreciation	628	856	1,731
Underlying EBITDA	1,622	1,341	2,114

8. 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 Coral's 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). The Directors of the Group take responsibility for this announcement.