

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 2021.

Financial headlines	<i>Six months to 31 October 2021</i>	<i>Six months to 31 October 2020 restated</i>	<i>% change</i>
Group sales	£7.1 million	£4.5 million	57.8%
Gross profit	£2.5 million	£1.7 million	47.1%
Gross profit margin	35.7%	38.0%	-6.1%
Underlying operating profit (excluding finance expenses)*	£759,000	£563,000	34.8%
Reported profit before taxation	£510,000	£ 286,000	78.3%
Underlying EBITDA*	£1,014,000	£771,000	31.5%
Underlying basic earnings per share*	0.81p	0.60p	35.0%
Interim dividend per share	0.50p	0.50p	

**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

- Strong net assets position has been maintained.
- Interim dividend of 0.5p declared.
- Cash and cash equivalents of £5.5m (2020: £1.3m). Cash and cash equivalents are defined as cash of £4.8m (2020: £1.3m) plus treasury shares of £0.7m (2020: £nil).
- The first half of the year has seen an increase in revenue and profit, despite the on-going impact of Covid-19, 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 the Group continued to operate under strict Covid-19 Government guidelines.
- The newly developed extruded fire retardant click & fix product is expected to positively impact the business in the final quarter of this year.
- The sale of the land and building at Haydock completed on 19 November 2021 with the gain of approximately £0.9m being accounted for in the annual results to 30 April 2022.

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

"I am delighted with the performance of the business in the first half of the financial year. I am pleased to report that the results to date are well ahead of the same period last year, in spite of the prevailing uncertainties of Brexit and the Covid-19 pandemic. With our enhanced cash position arising from the sale of the Haydock property which completed on 19 November 2021 for £3.5m, we remain confident of the Group's future prospects".

Enquiries

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Chairman's Statement

Results and Financial Position

Trading in the first half of the current year shows revenue substantially ahead of the same period for last year, with gross profit % decreasing slightly as a consequence of higher than usual transport and raw material costs. Reported revenue was £7,103,000 (six months to 31 October 2020: £4,531,000), gross margins were 35.7% (2020: 38.0%) resulting in a gross profit of £2,534,000 (2020: £1,720,000) in the six months to 31 October 2021. Underlying EBITDA was £1,014,000 (2020: £771,000). Underlying operating profits increased to £759,000 (2020: £563,000).

Separately disclosed expenses of £188,000 (2020: £208,000) comprised the amortisation of intangibles acquired on acquisition, share based payment charges over employee options and redundancy costs.

Finance costs dropped slightly to £61,000 (2020: £69,000).

Profit before tax after including all the above items was £510,000 (2020: £286,000).

The balance sheet net asset position remains strong at £12,376,000, net of £693,000 treasury shares (2020: £12,645,000). This represents a solid asset platform for developing the business.

The group has cash and cash equivalents of £5,473,000 (2020: £1,292,000) which includes cash of £4,780,000 (2020: £1,292,000) and treasury shares of £693,000 (2020: £nil).

The Group's net funds has increased to £1,677,000 (2020: £7,192,000 net debt).

Operations

Tatra-Rotalac Ltd

Tatra-Rotalac has exceeded the board's expectations during the first half of the financial year with sales and profits well above budget. The recent capital expenditure is expected to generate additional improvements to performance in the following six months.

Global One-Pak Ltd

This business has been hit especially hard during the six months to 31 October 2021 due to logistical cost increases in Chinese trading. This has been compounded by the continuing ill health of the managing director. The global shortage of containers, increased shipping times and delays at customs have all contributed to higher than usual transport costs.

Performance in the second half of the financial year is expected to improve given the business is now experiencing more enquiries as customers' stock levels are returning to pre-pandemic levels.

Customised Packaging Ltd

This business is experiencing strong demand in UK manufacturing. They currently have no supply issues and have assisted a major customer in recycling its end of life plastic.

Capital Expenditure

Total capital expenditure in the first six months was £375,000 (2020: £314,000) of which £375,000 (2020: £nil) related to Tatra-Rotalac.

Dividends

The board have declared an interim dividend of 0.50 pence per share (2020: 0.50p). The ex-dividend date and the record date for the interim dividend was 11 November 2021 and 12 November 2021 respectively. The interim dividend will be paid on 3 December 2021. This continues to reflect our confidence in the positive performance and profitable results of the Group.

Outlook

I am delighted with the performance of the business in the first half of the financial year. I am pleased to report that the results to date are well ahead of the same period last year, in spite of the prevailing uncertainties of Brexit and the Covid-19 pandemic. With our enhanced cash position arising from the sale of the Haydock property which completed on 19 November 2021 for £3.5m, we remain confident of the Group's future prospects.

Joe Grimmond
Non-Executive Chairman
29 November 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to 31 October 2021

	Notes	Six months to 31 October 2021 (unaudited) £000	Six months to 31 October 2020 restated (unaudited) £000	Year to 30 April 2021 (audited) £000
Revenue	3	7,103	4,531	10,714
Cost of sales		(4,569)	(2,811)	(6,913)
Gross profit		2,534	1,720	3,801
Operating costs				
Distribution expenses		(334)	(224)	(761)
Administrative expenses before separately disclosed items		(1,441)	(933)	(2,173)
Underlying operating profit		759	563	867
Separately disclosed items:				
Share based payment credit/(charge)		(25)	-	(8)
Amortisation of intangible assets		(163)	(138)	(284)
Reorganisation costs		-	(70)	(780)
		(188)	(208)	(1,072)
Operating profit/(loss)		571	355	(205)
Finance expense		(61)	(69)	(111)
Profit/(loss) before taxation		510	286	(316)
Taxation	4	-	-	76
Total comprehensive income/(loss) on continuing operations		510	286	(240)
Profit on discontinued operations		-	255	715
Total comprehensive income/(loss)		510	541	475
<i>Earnings per ordinary share</i>	5			
Basic and diluted (pence)		0.59	0.35	(0.29)
Underlying basic (pence)		0.81	0.60	1.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2021

	31 October 2021 <i>(unaudited)</i>	31 October 2020 <i>(unaudited)</i>	30 April 2021 <i>(audited)</i>
	£000	£000	£000
Non-current assets			
Goodwill	1,945	5,145	1,945
Other intangible assets	1,079	986	1,243
Property, plant and equipment	1,133	2,768	630
Right of use assets	1,117	4,058	1,496
Total non-current assets	<u>5,274</u>	<u>12,957</u>	<u>5,314</u>
Current assets			
Inventories	1,752	3,395	1,828
Trade and other receivables	3,371	4,575	4,453
Cash and cash equivalents	4,780	1,292	3,843
Total current assets	<u>9,903</u>	<u>9,262</u>	<u>10,124</u>
Assets held for sale	<u>2,500</u>	<u>2,520</u>	<u>2,500</u>
Current liabilities			
Bank overdrafts and borrowings	(1,832)	(2,526)	(1,353)
Trade and other payables	(1,906)	(3,212)	(2,039)
Lease liabilities	(405)	(1,393)	(459)
Corporation tax	-	-	-
Total current liabilities	<u>(4,143)</u>	<u>(7,131)</u>	<u>(3,851)</u>
Liabilities on assets held for sale	<u>-</u>	<u>(1,706)</u>	<u>-</u>
Non-current liabilities			
Borrowings	-	(1,000)	-
Lease liabilities	(866)	(1,859)	(1,035)
Deferred taxation	(292)	(398)	(315)
Total non-current liabilities	<u>(1,158)</u>	<u>(3,257)</u>	<u>(1,350)</u>
Total liabilities	<u>(5,301)</u>	<u>(12,094)</u>	<u>(5,201)</u>
Total net assets	<u>12,376</u>	<u>12,645</u>	<u>12,737</u>
Equity			
Share capital	859	826	859
Share premium	5,621	5,288	5,621
Treasury shares	(693)	-	(218)
Other reserves	1,567	1,567	1,567
Retained earnings	5,022	4,964	4,908
Total equity	<u>12,376</u>	<u>12,645</u>	<u>12,737</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months to 31 October 2021 (unaudited)

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Treasury shares</i> £000	<i>Other reserves</i> £000	<i>Retained earnings</i> £000	<i>Total equity</i> £000
At 1 May 2021	859	5,621	(218)	1,567	4,908	12,737
Total comprehensive loss	-	-	-	-	510	510
Credit for share based payment	-	-	-	-	25	25
Purchase of treasury shares	-	-	(475)	-	-	(475)
Dividend paid	-	-	-	-	(421)	(421)
At 31 October 2021	859	5,621	(693)	1,567	5,022	12,376

For the six months to 31 October 2020 (unaudited)

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Treasury shares</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)
At 31 October 2020	826	5,288	-	1,567	4,964	12,645

For the year ended 30 April 2021 (audited)

	<i>Share capital</i> £000	<i>Share premium</i> £000	<i>Treasury shares</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 profit	-	-	-	-	475	475
Credit for share based payment	-	-	-	-	8	8
Issue of new shares	33	333	-	-	-	366
Purchase of treasury shares	-	-	(218)	-	-	(218)
At 30 April 2021	859	5,621	(218)	1,567	4,908	12,737

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to 31 October 2021

	<i>Six months to 31 October 2021 (unaudited) £000</i>	<i>Six months to 31 October 2020 (unaudited) £000</i>	<i>Year to 30 April 2021 (audited) £000</i>
Cash flow from operating activities			
Profit for the period after tax	510	541	475
Adjustments for:			
Depreciation of property, plant and equipment	122	321	487
Depreciation of right of use assets under IFRS16	133	307	666
Amortisation of intangible assets	163	138	284
Share based payment (credit)/charge	25	(2)	8
Profit on disposal of subsidiary	-	-	(1,133)
Interest payable	61	223	329
Taxation charge/(credit)	-	-	(48)
(Increase)/decrease in inventories	76	(27)	(382)
Decrease/(increase) in trade and other receivables	505	386	433
(Decrease)/increase in trade and other payables	(133)	(537)	422
UK corporation tax received	-	-	299
Net cash generated from operating activities	1,462	1,350	1,840
Cash flow from investing activities			
Net cash on disposal of subsidiary	-	-	7,771
Acquisition of subsidiary	-	-	(937)
Acquisition of property, plant and equipment	(375)	(314)	(454)
Net cash (used in)/generated from investing activities	(375)	(314)	6,380
Cash flow from financing activities			
Interest paid on bank borrowings and invoice discounting	(61)	(223)	(119)
Interest paid on lease liabilities	-	-	(210)
Repayments of bank borrowings	-	(60)	(2,765)
Repayments of obligations under lease liabilities	(93)	(462)	(893)
Purchase of treasury shares	(475)	-	(218)
New bank loans raised	-	1,000	1,000
Movements on invoice discounting facility	479	(452)	(1,625)
Net cash used in financing activities	(150)	(197)	(4,830)
Net increase in cash and cash equivalents	937	839	3,390
Cash and cash equivalents at the start of the period	3,843	453	453
Cash and cash equivalents at the end of the period	4,780	1,292	3,843

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 2021, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those statutory accounts was qualified with respect to opening inventory 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.

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 2021.

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 2021.

The six months to 31 October 2020 have been restated to show the results of continuing operations only.

3. Revenue

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

	<i>Six months to 31 October 2021 (unaudited) £000</i>	<i>Six months to 31 October 2020 restated (unaudited) £000</i>	<i>Year to 30 April 2021 (audited) £000</i>
United Kingdom	6,827	4,050	9,811
Rest of Europe	186	386	94
Rest of the World	90	95	809
	7,103	4,531	10,714
<i>Turnover by business activity</i>			
Sale and manufacture of plastic products	7,103	4,531	10,714

4. Taxation

The taxation charge for the six months to 31 October 2021 is based on the effective taxation rate, which is estimated will apply to earnings for the year ending 30 April 2022. 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 85,942,534 (31 October 2020: 82,614,865 and 30 April 2021: 83,032,453).

	<i>Six months to 31 October 2021 (unaudited)</i>		<i>Six months to 31 October 2020 (unaudited) restated</i>		<i>Year to 30 April 2021 (audited)</i>	
	£000	p	£000	p	£000	p
<i>Basic and diluted earnings per ordinary share</i>						
Profit/(loss) for the period after tax	510	0.59	286	0.35	(240)	(0.29)
<i>Underlying earnings per ordinary share</i>						
Underlying profit/(loss) for the period after tax	698	0.81	494	0.60	832	1.00

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 2021 (unaudited)</i>	<i>Six months to 31 October 2020 (unaudited)</i>	<i>Year to 30 April 2021 (audited)</i>
	£000	£000	£000
Net increase in cash and cash equivalents	458	839	5,015
Decrease/(increase) in bank and other loans	-	510	1,765
(Decrease)/increase in lease liabilities	223	(551)	2,206
Movement in net debt in the financial period	681	798	8,986
Net funds/(debt) at beginning of period	996	(7,990)	(7,990)
Net funds/(debt) at end of period	1,677	(7,192)	996

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 2021 (unaudited)</i>	<i>Six months to 31 October 2020 (unaudited)</i>	<i>Year to 30 April 2021 (audited)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating profit/(loss)	571	355	(205)
Separately disclosed items within administration expenses			
Share based payment (credit)/charge	25	-	8
Amortisation of intangible assets	163	138	284
Reorganisation costs	-	70	780
Total separately disclosed items	188	208	1,072
Underlying operating profit	759	563	867
Depreciation	255	208	417
Underlying EBITDA	1,014	771	1,284

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.