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 2019.

Financial headlines	*Six months to 31 October 2019*	*Six months to 31 October 2018*	*% change*	*Six months to 30 April 2019*	*% change*
Group sales	£12.14 million	£13.08 million	-7.2%	£11.65 million	+4.2%
Gross profit	£4.60 million	£5.04 million	-8.7%	£3.83 million	+20.1%
Underlying operating margin*	37.9%	38.5%	-1.6%	32.9%	+15.2%
Underlying operating profit (excluding finance expenses)*	£485,000	£1,009,000	-51.9%	£9,000	+5,288.9%
Reported profit before taxation	£25,000	£ 582,000	-95.7%	£ (541,000)	+104.6%
Underlying EBITDA*	£1,341,000	£1,747,000	-23.2%	£732,000	+83.2%
Underlying basic earnings per share*	0.26p	0.87p	-70.1%	(0.12)p	+316.7%
Proposed interim dividend per share	0.00p	0.25p		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

- Following a disappointing second half last year I am pleased to report that the first half of this year is improved in terms of sales and a return to profit. This is despite volatile currency fluctuations and variable trading conditions.

- New product development partnership with Rotite has resulted in two new products being developed, the tools of which are due for delivery in March 2020. In addition, some current recycling products have benefited from design changes making for cost savings. Our customers have shown high interest in these new and improved products.

- New business expected to impact during the final quarter of the current financial year includes:
    - New and improved food packaging,
    - New lightweight 23lt and 55lt caddies,
    - Extruded highway sound barriers,
    - Fire retardant click & fix product, and
    - Increased contribution from recycling unit.

- Further new business expected in the first half of the next financial period includes:
    - Flame retardant plastic moulded roof tiles, this was originally expected during the final quarter of the current financial year but has been pushed back by the customer until September 2020 due to customer's logistical issues.
    - Multi box recycling system (MBRS), due to logistical issues the MBRS tooling will be received a month late, as a result the first deliveries to customers, which we previously announced would be in this financial year, are now expected in the early part of the next financial year. Three orders have now been received for the MBRS.

- Strong net assets position has been maintained.

- The recently added state-of-the-art plastic recycling system is operating to expectations on an 8-hour, 5 day per week basis and contributing to the business. Due to customer demand it is planned to extend the operation to a 24-hour, 5 day per week by the end of this financial period.

- The Recycling plant has been granted reprocessing accreditation. This gives the opportunity to generate our own PRN's (packaging recovery notes) to mitigate the Government waste packaging levy incurred on the business.

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

- Due to operational changes the Haydock site is now more competitive when bidding for trade work. This has been proved with the recent trade orders gained from some high-profile customers.

- Additional European food packaging suppliers are now on stream and contributing.

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

"In my Chairman's statement that accompanied the release of the 2019 accounts I expressed concerns over the uncertainties associated with the ongoing Brexit situation. Despite these concerns I am encouraged with the level of sales and profitability achieved over the period.

However, there was a softening of demand during November and December 2019, possibly related to General Election uncertainties, whilst January 2020 shows a renewed strengthening of demand.

Whilst the second half is encouraging with the recycling business moving to a 24-hour, 5 day a week operation, new lightweight products introduced to the market and the new plastic sound barrier, the delay in the delivery of the MBRS tooling and the continued uncertainties mean that we are likely to report a small loss before taxation overall for the full year and a small drop in EBITDA from the previous year. We are confident that we can build on this base and in our future performance."

Enquiries

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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 below the same period for last year, but showing an improved trend compared with last year's second half. Reported revenue was £12,143,000 (six months to 31 October 2018: £13,077,000), gross margins were 37.9% (2018: 38.5%) resulting in a gross profit of £4,601,000 (2018: £5,039,000) in the six months to 31 October 2019. Underlying EBITDA was £1,341,000 (2018: £1,747,000). Underlying profits decreased to £485,000 (2018: £1,009,000).

Separately disclosed expenses of £193,000 (2018: £222,000) comprised the amortisation of intangibles acquired on acquisition, share based payment charges over employee options and redundancy costs.

Finance costs were up from £205,000 to £267,000 in this period due to the increased levels of borrowing needed to fund capital expenditure and the adoption of IFRS 16.

Profit before tax after including all these items was £25,000 (2018: 1st half £582,000, 2nd half £541,000 loss).

The balance sheet net asset position, though registering a slight decrease, remains strong at £12,945,000 (2018: £13,749,000). This represents a solid asset platform for developing the business.

The Group's net debt has increased to £8,625,000 (2018: £6,868,000) due to, inter alia, the adoption of IFRS 16. The Group has undrawn bank facilities of £2.0 million, (2018: £1.9 million).

Operations

Tatra-Rotalac Ltd

Following the below par performance in the second half of the 2019 year end, the cost saving initiatives made are now coming through in the business. The initiatives have resulted in improved competitiveness when tendering for work. The order book is now in a much-improved position and in conjunction with the lower cost base, new extrusion assets and sales resource, business performance is improving. This business has good potential and work is continuing to drive towards realising it.

Interpack Ltd

It is anticipated that the recently installed ice-cream container capacity at Coral Mouldings as well as additional recent collaborations with selected additional European suppliers will continue to drive further profitability in the food distributor business.

Global One-Pak Ltd

New recycled product offerings have been developed and sold to the customer base. The products meet the minimum 30% recycled rates mandated by the Government to be in force by 2021/22. Whilst profitability in this first half was impacted by the stop-start Brexit issue, even if the uncertainty prevails into the second half, we are confident that this is a short term issue that we can manage.

Coral Products (Mouldings) Ltd

The impact on the business from a major customer fire in the first quarter of this year impacted profitability along with the continuance of Brexit uncertainties and operational re-organisation costs. Full supply is now back in place at the customer and re-organisation costs are now completed on site making the business more streamlined and cost effective.

The new recycling plant is fully operational and has recently been granted “re-processor” accreditation by the Environment Agency. The plant is now gearing up to run 24/5 days by the end of the first quarter 2020.

New lightweight products have been added to the site’s portfolio which are expected to add value in the first quarter of 2020. In addition, many existing products are now being produced with high levels of recycled material content provided at a cost-effective value by the recycling plant.

The industry anticipated MBRS (multi-box recycling system) will now be available in May 2020 due to logistical issues. Designed in conjunction with major waste handlers, and with three orders already received along with letters of intent from others, we are excited by the potential impact on business profitability.

Capital expenditure

Total capital expenditure in the first six months was £650,000 (2018: £810,000) of which £69,000 (2018: £244,000) related to Tatra-Rotalac, £375,000 related to Interpack, and the balance expended on continued improvements to the capabilities at Coral Mouldings.

Dividends

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

Outlook

In my Chairman’s statement that accompanied the release of the 2019 accounts I expressed concerns over the uncertainties associated with the ongoing Brexit situation. Despite these concerns I am encouraged with the level of sales and profitability achieved over the period.

However, there was a softening of demand during November and December 2019, possibly related to General Election uncertainties, whilst January 2020 shows a renewed strengthening of demand.

Whilst the second half is encouraging with the recycling business moving to a 24-hour, 5 day a week operation, new lightweight products introduced to the market and the new plastic sound barrier, the delay in the delivery of the MBRS tooling and the continued uncertainties mean that we are likely to report a small loss before taxation overall for the full year and a small drop in EBITDA from the previous year. We are confident that we can build on this base and in our future performance.

Brexit

With Brexit timelines still undecided, as a business, we continue to focus on operational cost control to enable an improved gross margin.

We know that the second half will be challenging for our business however our focus remains that of cost control across the four subsidiaries along with the introduction of new industry disruptive and profitable products across the range. These will be supplemented by the recycling business which we believe will leave the Group on a good sound footing both during and after the completion of Brexit.

Joe Grimmond
Non-Executive Chairman
20 January 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months to 31 October 2019

	Notes	*Six months to 31 October 2019 (unaudited)*	*Six months to 31 October 2018 (unaudited)*	*Year to 30 April 2019 (audited)*
		£000	*£000*	*£000*
Revenue	3	12,143	13,077	24,733
Cost of sales		(7,542)	(8,038)	(15,861)
Gross profit		4,601	5,039	8,872
Operating costs				
Distribution expenses		(622)	(575)	(1,246)
Administrative expenses before separately disclosed items		(3,494)	(3,455)	(6,608)
Underlying operating profit		485	1,009	1,018
Separately disclosed items:				
Share based payment charge		(7)	(78)	(71)
Amortisation of intangible assets		(138)	(144)	(289)
Compensation for loss of office		(48)	-	-
Reorganisation costs		-	-	(179)
		(193)	(222)	(539)
Operating profit		292	787	479
Finance expense		(267)	(205)	(438)
Profit before taxation		25	582	41
Taxation	4	-	(82)	43
Total comprehensive income		25	500	84
Earnings per ordinary share	5			
Basic and diluted (pence)		0.03	0.61	0.10
Underlying basic (pence)		0.26	0.87	0.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2019

	31 October 2019 (unaudited)	*31 October 2018 (unaudited)*	*30 April 2019 (audited)*
	£000	*£000*	*£000*
Non-current assets			
Goodwill	5,495	5,495	5,495
Other intangible assets	1,263	1,546	1,401
Property, plant and equipment	9,406	9,314	9,411
Right of use assets	835	-	-
Total non-current assets	16,999	16,355	16,307
Current assets			
Inventories	3,667	3,278	3,505
Trade and other receivables	5,783	6,005	5,521
Cash and cash equivalents	436	727	-
Total current assets	9,886	10,010	9,026
Total assets	26,885	26,365	25,333
Current liabilities			
Bank overdrafts and borrowings	(4,779)	(4,518)	(4,950)
Trade and other payables	(4,473)	(4,554)	(3,834)
Corporation tax	(43)	(51)	-
Total current liabilities	(9,295)	(9,123)	(8,784)
Non-current liabilities			
Borrowings	(4,282)	(3,077)	(3,268)
Deferred taxation liability	(363)	(416)	(368)
Total non-current liabilities	(4,645)	(3,493)	(3,636)
Total liabilities	(13,940)	(12,616)	(12,420)
Total net assets	***12,945***	***13,749***	***12,913***
Equity			
Share capital	826	826	826
Share premium	5,288	5,288	5,288
Other reserves	1,567	1,567	1,567
Retained earnings	5,264	6,068	5,232
Total equity	***12,945***	***13,749***	***12,913***

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months to 31 October 2019 (unaudited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £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 six months to 31 October 2018 (unaudited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £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 year ended 30 April 2019 (audited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2018	826	5,288	1,567	5,490	13,171
Total comprehensive loss	-	-	-	84	84
Credit for share based payment	-	-	-	71	71
Dividend paid	-	-	-	(413)	(413)
At 30 April 2019	**826**	**5,288**	**1,567**	**5,232**	**12,913**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months to 31 October 2019

	Six months to 31 October 2019 (unaudited)	*Six months to 31 October 2018 (unaudited)*	*Year to 30 April 2019 (audited)*
	£000	*£000*	*£000*
Cash flow from operating activities			
Profit for the period after tax	25	500	84
Adjustments for:			
Depreciation	733	738	1,461
Loss on disposal of fixed assets	-	3	(23)
Intangibles amortisation	138	144	289
Share based payment charge	7	78	71
Taxation charge	-	82	(43)
Interest payable	267	205	438
(Increase)/decrease in inventories	(162)	(414)	(641)
(Increase)/decrease in trade and other receivables	(262)	(553)	(69)
Increase/(decrease) in trade and other payables	639	645	(75)
UK corporation tax paid	-	-	2
Net cash generated from operating activities	**1,385**	**1,428**	**1,494**
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	-	-	33
Acquisition of property, plant and equipment	(17)	(180)	(690)
Net cash used in investing activities	**(17)**	**(180)**	**(657)**
Cash flow from financing activities			
Proceeds of new asset finance	-	-	350
Dividend paid	-	-	(413)
Interest paid	(267)	(205)	(438)
Repayments of bank borrowings	(93)	(75)	(151)
Finance lease principal payments	(672)	(539)	(801)
New bank loans raised	500	-	-
Movements on invoice discounting facility	(373)	(173)	118
Net cash used in financing activities	**(905)**	**(992)**	**(1,335)**
Net increase/(decrease) in cash and cash equivalents	463	256	(498)
Cash and cash equivalents at the start of the period	(27)	471	471
Cash and cash equivalents at the end of the period	**436**	**727**	**(27)**

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 2019, 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 2019.

The Interim Report has not been reviewed 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 2019.

Adoption of IFRS 16 on 1 May 2019 has resulted in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain a lease. The board has applied the modified retrospective adoption method in IFRS 16 and has therefore recognised leases on balance sheet as at 1 May 2019. In addition, it has decided to measure right of use assets by reference to the measurement of the lease liability on that date.

3. Revenue

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

	Six months to 31 October 2019 (unaudited) £000	*Six months to 31 October 2018 (unaudited) £000*	*Year to 30 April 2019 (audited) £000*
United Kingdom	11,433	12,283	23,269
Rest of Europe	648	710	715
Rest of the World	62	84	749
	12,143	**13,077**	**24,733**
Turnover by business activity			
Sale and manufacture of plastic products	**12,143**	**13,077**	**24,733**

4. Taxation

The taxation charge for the six months to 31 October 2019 is based on the effective taxation rate, which is estimated will apply to earnings for the year ending 30 April 2020. 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 2018: 82,614,865 and 30 April 2019: 82,614,865).

	Six months to 31 October 2019 (unaudited)		*Six months to 31 October 2018 (unaudited)*		*Year to 30 April 2019 (audited)*	
	£000	p	£000	p	£000	p
Basic and diluted earnings per ordinary share						
Profit/(loss) for the period after tax	25	0.03	500	0.61	84	0.10
Underlying earnings per ordinary share						
Underlying profit for the period after tax	218	0.26	722	0.87	623	0.75

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 2019 (unaudited)	*Six months to 31 October 2018 (unaudited)*	*Year to 30 April 2019 (audited)*
	£000	*£000*	*£000*
Net increase/(decrease) in cash and cash equivalents	463	256	(616)
(Increase)/decrease in bank and other loans	(9)	248	151
Increase in finance leases	(862)	(61)	(441)
Movement in net debt in the financial period	(408)	443	(906)
Net debt at beginning of period	(8,217)	(7,311)	(7,311)
Net debt at end of period	**(8,625)**	**(6,868)**	**(8,217)**

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 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.

	Six months to 31 October 2019 (unaudited)	*Six months to 31 October 2018 (unaudited)*	*Year to 30 April 2019 (audited)*
	£000	*£000*	*£000*
Operating profit	292	787	479
Separately disclosed items within administration expenses			
Share based payment charge	7	78	71
Amortisation of intangible assets	138	144	289
Reorganisation costs	-	-	179
Compensation for loss of office	48	-	-
Total separately disclosed items	193	222	539
Underlying operating profit	485	1,009	1,018
Depreciation	733	738	1,461
Amortisation of right to use assets	123	-	-
Underlying EBITDA	1,341	1,747	2,479

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).