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The Company and the Directors, details of which or whom appear on page 5 of this Document, accept responsibility both individually and collectively in accordance with the AIM Rules for Companies for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for all of the issued and to be issued Ordinary Shares to be admitted to trading on the AIM market of the London Stock Exchange (“AIM”). **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Document.** The Ordinary Shares are not admitted to trading on any recognised investment exchange and, apart from the application for Admission, no such other applications have been or are intended to be made. The Directors expect that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 6 September 2011.

This Document, which comprises an admission document, has been drawn up in accordance with the AIM Rules for Companies. This Document does not contain an offer or constitute any part of an offer to the public in accordance with the provisions of sections 85 and 102 B of FSMA or otherwise and is not a “Prospectus” (as defined in the AIM Rules for Companies). Accordingly, this Document has not been prepared in accordance with the “Prospectus Rules” (as defined in the AIM Rules for Companies), nor has it been examined or approved by the Financial Services Authority (the “FSA”) pursuant to section 85 of FSMA and a copy has not been and will not be delivered to the FSA.

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# CORAL PRODUCTS PLC

*(Incorporated and registered in England & Wales under the Companies Act 1985 with registered number 2429784)*

**Placing of 12,000,000 New Ordinary Shares at 15 pence per share**

**Acquisition of the entire issued share capital of Interpack Limited**

**Notice of General Meeting**

**and**

**Admission of the Enlarged Group to trading on AIM**

*Nominated Adviser*



**Cairn Financial Advisers LLP**

Authorised and regulated by the Financial Services Authority

*Financial Adviser and Broker*



**XCAP Securities plc**

Authorised and regulated by the Financial Services Authority

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## SHARE CAPITAL ON ADMISSION

Issued and fully paid ordinary shares of £0.01 each

Amount  
£381,356

Number  
38,135,609

**An investment in Coral Products plc may not be suitable for all recipients of this Document. Any such investment is speculative and involves a high degree of risk. Prospective purchasers of Ordinary Shares should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the Risk Factors set out in Part II of this Document.**

Cairn Financial Advisers LLP and XCAP Securities plc, which are both authorised and regulated in the United Kingdom by the FSA and are members of the London Stock Exchange, are the Company's Nominated Adviser and Broker respectively in connection with the Admission for the purposes of the AIM Rules and are acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cairn Financial Advisers LLP and XCAP Securities plc or for advising any other person in respect of the proposed Placing and Admission or for the contents of this Document. The responsibilities of Cairn Financial Advisers LLP, as Nominated Adviser under the AIM Rules, are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this Document. No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. No representation or warranty, express or implied, is made by Cairn Financial Advisers LLP or XCAP Securities plc as to any of the contents of this Document. Neither Cairn Financial Advisers LLP nor XCAP Securities plc has approved or authorised the contents of any part of this Document for any purpose and no liability whatsoever is accepted by Cairn Financial Advisers LLP or XCAP Securities plc for the accuracy of any information or opinions contained in this Document. Neither the delivery of this Document hereunder nor any subsequent subscription or sale made for Ordinary Shares shall, under any circumstances, create any implication that the information contained in this Document is correct as of any time subsequent to the date of this Document.

The Ordinary Shares will not be registered under the United States Securities Act of 1933, as amended, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States, the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. This Document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this Document in certain jurisdictions may be restricted by law. In particular, this Document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, and in particular, should not be distributed, subject to certain exceptions, to persons with addresses in the United States of America, the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland. No action has been taken by the Company or by Cairn Financial Advisers LLP or XCAP Securities plc that would permit a public offer of any of the Ordinary Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

Copies of this Document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Cairn Financial Advisers LLP, 61 Cheapside, London EC2V 6AX from the date of this Document and shall remain available for a period of one month from Admission. Additionally, an electronic version of this Document will be available at the Company's website, [www.coralproducts.com](http://www.coralproducts.com).

#### **FORWARD LOOKING STATEMENTS**

Certain statements in this Document are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. These forward looking statements are subject to, *inter alia*, the risk factors described in Part II of this Document. Although any forward looking statements contained in this Document are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<b>Event</b>	<b>Date 2011</b>
Publication of this Document	19 August
Latest time and date for receipt of Proxy Forms	12:15 p.m. on 3 September
General Meeting	12:15 p.m. on 5 September
Completion of the Acquisition and Placing and commencement of dealings in the Enlarged Share Capital	8.00 a.m. on 6 September
CREST accounts credited for Placing Shares in uncertificated form	6 September
Despatch of definitive share certificates for the Placing Shares in certificated form by no later than	13 September

Note: All references to times in this timetable are to London times and each of the times and dates may be subject to change.

## PLACING STATISTICS

Placing Price	15 pence per share
Number of Ordinary Shares in issue before Admission	20,135,609
Number of Placing Shares	12,000,000
Number of Consideration Shares	6,000,000
Number of Ordinary Shares in issue following the Placing, the Acquisition and Admission	38,135,609
Number of Warrants in issue following the Placing and Admission	480,000
Number of Ordinary Shares on a fully diluted basis following the Placing and Admission	38,615,609
Percentage of the Enlarged Share Capital subject to the Placing	31.47 per cent.
Percentage of the Enlarged Share Capital subject to the Acquisition	15.73 per cent.
Gross proceeds of the Placing receivable by the Company	£1.80 million
Estimated cash proceeds of the Placing receivable by the Company (net of commissions and expenses)	£1.30 million
Estimated market capitalisation of the Company on Admission at the Placing Price	£5.72 million
AIM symbol	CRU
International Security Identification Number	GB0002235736

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Geoffrey Steuart Fairfax Piper, <i>Non-Executive Chairman</i> Warren Dennis Ferster, <i>Chief Executive</i> Stephen George Fletcher, <i>Finance Director</i> Martin Ian Watson, <i>Sales Director</i> Stuart Jeffrey Ferster, <i>Production Director</i> Joseph Grimmond, <i>Non-Executive Director</i> Jonathan Braham Lever, <i>Non-Executive Director</i>	
<b>Company Secretary</b>	Stephen George Fletcher	
<b>Registered Office</b>	North Florida Road Haydock Industrial Estate Haydock Merseyside WA11 9TP	
<b>Company Website</b>	www.coralproducts.com	
<b>Nominated Adviser</b>	<b>Cairn Financial Advisers LLP</b> 61 Cheapside London EC2V 6AX	
<b>Financial Adviser and Broker</b>	<b>XCAP Securities plc</b> 24 Cornhill London EC3V 3ND	
<b>Legal advisers to the Company</b>	<b>Davies Arnold Cooper LLP</b> 6-8 Bouverie Street London EC4Y 8DD	
<b>Legal advisers to the Nominated Adviser and Broker</b>	<b>Cobbetts LLP</b> 70 Gray's Inn Road London WC1X 8BT	
<b>Reporting Accountants</b>	<b>Hazlewoods LLP</b> Windsor House Bayshill Road Cheltenham GL50 3AT	(Registered as auditors by the Institute of Chartered Accountants in England and Wales)
<b>Auditors</b>	<b>Hurst &amp; Co Accountants LLP</b> Centurion House 129 Deansgate Manchester M3 3WR	(Registered as auditors by the Institute of Chartered Accountants in England and Wales)
<b>Bankers</b>	<b>Barclays Bank PLC</b> PO Box 4132 5 <sup>th</sup> Floor 51 Mosley Street Manchester M60 1UB	
<b>Registrars</b>	<b>Computershare Investor Services PLC</b> The Pavilions Bridgwater Road Bristol BS99 8AE	

## DEFINITIONS

The following definitions apply throughout this Document unless the context otherwise requires:

<b>“2009 Annual Report”</b>	the Company’s annual report and accounts for the financial year ended 30 April 2009
<b>“2010 Annual Report”</b>	the Company’s annual report and accounts for the financial year ended 30 April 2010
<b>“2011 AGM”</b>	the annual general meeting of the Company, to be held at 12:00 p.m. on 5 September 2011 at the Haydock Thistle Hotel, Haydock, Merseyside WA11 9SG
<b>“2011 Annual Report”</b>	the Company’s annual report and accounts for the financial year ended 30 April 2011
<b>“Acquisition”</b>	the proposed acquisition by the Company of the entire issued share capital of Interpack to be effected pursuant to the Acquisition Agreement
<b>“Acquisition Agreement”</b>	the agreement dated 17 August 2011 between (1) the Company and (2) the shareholders of Interpack under which the Company has conditionally agreed to acquire the entire issued share capital of Interpack, further details of which are set out in paragraph 17.1.1 of Part VI of this Document
<b>“Admission”</b>	the admission of the entire issued and to be issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies and the AIM Rules for Nominated Advisers
<b>“AIM Rules for Companies”</b>	the rules which set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time
<b>“AIM Rules for Nominated Advisers”</b>	the rules which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by the London Stock Exchange from time to time
<b>“Articles”</b>	the articles of association of the Company for the time being, a summary of which is set out in paragraph 6.2 of Part VI of this Document
<b>“Board” or “Directors”</b>	the current directors of the Company, whose names are set out on page 5 of this Document
<b>“BRC”</b>	British Retail Consortium
<b>“Business Day”</b>	any day (other than a Saturday, Sunday or a public holiday) on which banks are generally open in the City of London for the transaction of normal banking business
<b>“Cairn”</b>	Cairn Financial Advisers LLP, the Company’s nominated adviser

<b>“Cairn Warrant Instrument”</b>	the warrant instrument dated 19 August 2011 and entered into between (1) Cairn and (2) the Company pursuant to which the Cairn Warrants will be issued, further details of which are set out in paragraph 9.1 of Part VI of this Document
<b>“Cairn Warrants”</b>	the warrants to be issued to Cairn pursuant to the terms of the Cairn Warrant Instrument, as more particularly described in paragraph 9.1 of Part VI of this Document
<b>“Cancellation”</b>	the cancellation of admission of the Company’s Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities, which became effective on 16 August 2011
<b>“certificated” or “in certificated form”</b>	a share or other security recorded on the relevant register of the relevant company as being held in certificated form and title to which may be transferred by means of a stock transfer form
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Combined Code”</b>	the Combined Code of corporate governance published by the Financial Reporting Council
<b>“Companies Act 2006”</b>	the Companies Act 2006 to the extent in force from time to time
<b>“Company” or “Coral”</b>	Coral Products plc, a public limited company incorporated in England and Wales with registration number 2429784
<b>“Consideration Shares”</b>	the 6,000,000 Ordinary Shares to be issued to the Sellers at a price of 15 pence per share as set out in the Acquisition Agreement
<b>“CREST”</b>	the relevant system, as defined in the CREST Regulations, and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
<b>“Document”</b>	this document
<b>“Earnout Accounts”</b>	a profit and loss account of Interpack for the year ending 31 December 2011 and a balance sheet of Interpack at that date, prepared under IFRS
<b>“Earnout Consideration”</b>	the further cash consideration in relation to the Acquisition, details of which are set out in paragraph 17.1.1 of Part VI of this Document
<b>“EIS”</b>	the enterprise investment scheme, as particularised in part V of the Income Tax Act 2007
<b>“Enlarged Group”</b>	the Company and Interpack following completion of the Acquisition
<b>“Enlarged Share Capital”</b>	the enlarged share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares, the Placing Shares and the Consideration Shares
<b>“EU”</b>	European Union

<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registration number 2878738, whose registered address is at 33 Cannon Street, London EC4M 5SB
<b>“Existing Ordinary Shares”</b>	the 20,135,609 Ordinary Shares in issue as at the date of this Document
<b>“Financial Services Authority” or “FSA”</b>	the United Kingdom Financial Services Authority
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 of the United Kingdom (as amended)
<b>“General Meeting” or “GM”</b>	the general meeting of the Company to be held at 12:15 p.m. on 5 September 2011 at the Haydock Thistle Hotel, Haydock, Merseyside WA11 9SG, notice of which is set out at the end of this Document
<b>“Green Partner”</b>	certification awarded by Sony to suppliers of Sony components that are manufactured with minimal environmental impact
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs
<b>“IFRS”</b>	the International Financial Reporting Standards as adopted by the International Accounting Standards Board
<b>“Interpack”</b>	Interpack Limited, a private limited company incorporated in England and Wales with registration number 04872594
<b>“Interpack Directors”</b>	the current directors of Interpack, whose names are set out in paragraph 4 of Part VI of this Document
<b>“ISO 9001”</b>	the internationally recognised framework for effectively managing one’s business and meeting customers’ requirements
<b>“ISO 14001”</b>	the international standard that specifies a process for controlling and improving an organisation’s environmental performance
<b>“Lock-in Agreement”</b>	the lock-in and orderly market agreement dated 19 August 2011 between (1) the Company, (2) Cairn, (3) XCAP and (4) the Locked-in Persons, details of which are set out in paragraph 17.1.3 of Part VI of this Document
<b>“Locked-in Persons”</b>	the Directors and the Interpack Directors
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“New Ordinary Shares”</b>	new ordinary shares of £0.01 each in the capital of the Company, including the Consideration Shares and the Placing Shares
<b>“Notice”</b>	the notice of GM set out at the end of this Document
<b>“Official List”</b>	the list maintained by the United Kingdom Listing Authority in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA
<b>“Ordinary Shares”</b>	the ordinary shares of £0.01 each in the capital of the Company
<b>“Placees”</b>	those persons subscribing for or purchasing the Placing Shares in the Placing at the Placing Price



<b>“Placing”</b>	the proposed conditional placing by XCAP on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 19 August 2011 between (1) the Company, (2) the Directors, (3) XCAP and (4) Cairn relating to the Placing, details of which are set out at paragraph 17.1.2 of Part VI of this Document
<b>“Placing Price”</b>	15 pence per Placing Share
<b>“Placing Shares”</b>	the new Ordinary Shares which are the subject of the Placing
<b>“Proposals”</b>	the Acquisition, the Placing and Admission
<b>“Proxy Form”</b>	the form of proxy sent to Shareholders with this Document for use in connection with the GM
<b>“Rainwater Terrace”</b>	a multifunctional rainwater recycling product
<b>“Receiving Agent” and “Registrar”</b>	Computershare Investor Services PLC
<b>“Red Tag”</b>	an anti-theft security system for DVD cases
<b>“Resolutions”</b>	the resolutions set out in the Notice
<b>“Sellers”</b>	the sellers of Interpack, being the Interpack Directors and each of their wives
<b>“Shareholders”</b>	the persons who are registered as holders of the Ordinary Shares
<b>“Substantial Shareholder”</b>	any person who, on Admission, holds any legal or beneficial interest directly or indirectly in 10 per cent. or more of the Enlarged Share Capital or voting rights of the Company, as defined by the AIM Rules for Companies
<b>“Takeover Panel”</b>	the Panel on Takeovers and Mergers
<b>“Term Loan”</b>	the bank facility of £1.4 million granted to the Company by Barclays Bank PLC, details of which are provided in paragraph 9 of Part I and paragraph 17.1.4 of Part VI of this Document
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UKLA”</b>	the Financial Services Authority acting in its capacity as competent authority under the Financial Services and Markets Act
<b>“uncertificated” or “in uncertificated form”</b>	a share or other security recorded on the relevant register of the relevant company concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any states of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
<b>“USM”</b>	Unlisted Securities Market
<b>“VAT”</b>	value added tax

<b>“VCT”</b>	a company satisfying the requirements of Chapter 3 of Part 6 of the Income Tax Act 2007, as amended, for venture capital trusts
<b>“Warrant Shares”</b>	the Ordinary Shares to be issued to Cairn and XCAP on exercise of the Cairn Warrants and the XCAP Warrants
<b>“XCAP”</b>	XCAP Securities plc, the Company’s financial adviser and broker
<b>“XCAP Warrant Instrument”</b>	the warrant instrument dated 19 August 2011 and entered into between (1) XCAP and (2) the Company pursuant to which the XCAP Warrants will be issued, further details of which are set out in paragraph 9.2 of Part VI of this Document
<b>“XCAP Warrants”</b>	the warrants to be issued to XCAP pursuant to the terms of the XCAP Warrant Instrument, as more particularly described in paragraph 9.2 of Part VI of this Document

## PART I

### LETTER FROM THE CHAIRMAN OF CORAL PRODUCTS PLC

# CORAL PRODUCTS PLC

*(Incorporated and registered in England & Wales under the Companies Act 1985 with registered number 2429784)*

#### **Directors:**

Geoffrey Steuart Fairfax Piper (*Non-Executive Chairman*)  
Warren Dennis Ferster (*Chief Executive*)  
Stephen George Fletcher (*Finance Director*)  
Martin Ian Watson (*Sales Director*)  
Stuart Jeffrey Ferster (*Production Director*)  
Joseph Grimmond (*Non-Executive Director*)  
Jonathan Braham Lever (*Non-Executive Director*)

#### **Registered Office:**

North Florida Road  
Haydock Industrial Estate  
Haydock  
Merseyside WA11 9TP

19 August 2011

Dear Shareholder,

**PLACING OF 12,000,000 NEW ORDINARY SHARES AT 15 PENCE PER SHARE  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF INTERPACK LIMITED  
NOTICE OF GENERAL MEETING  
AND  
ADMISSION OF THE ENLARGED GROUP TO TRADING ON AIM**

#### **1. INTRODUCTION**

On 30 June 2011, the Board announced its intention to cancel admission of the Company's Ordinary Shares to the premium segment of the Official List and trading on the London Stock Exchange's main market for listed securities, for which approval by Shareholders was given at a general meeting of the Company on 18 July 2011, and to apply for admission of the entire issued and to be issued share capital of the Company to trading on AIM. The Board also announced that it was in discussions regarding a potential significant acquisition and fundraising which would, if agreed, be subject to approval by Shareholders in due course. As a result of these discussions, the Company's Ordinary Shares were suspended from trading on 30 June 2011.

On 18 July 2011, the Board announced that Shareholders had approved the Cancellation and submitted a request to the UKLA for the Cancellation to become effective on 16 August 2011. Accordingly, at the present time, following the Cancellation, the Company's Ordinary Shares are not traded on a public market.

The Company has entered into the Acquisition Agreement, pursuant to which it has conditionally agreed to acquire the entire issued share capital of Interpack for a maximum consideration of £4.1 million, comprising an initial consideration of £3.0 million, to be satisfied by £2.1 million in cash and £0.9 million by the issue of the Consideration Shares, and between £0.5 million and £1.1 million of Earnout Consideration, payable in cash, dependent on the profits of Interpack in the Earnout Accounts. Further details of the Acquisition Agreement are contained in paragraph 4.8 of this Part I and paragraph 17.1.1 of Part VI of this Document.

The Company is also seeking to raise £1.8 million by means of the Placing which, together with the Term Loan of £1.4 million, will enable the Company to satisfy the cash element of the consideration for the Acquisition and provide the Company with general working capital. Further details of the Placing are set

out in paragraph 8 of this Part I and paragraph 17.1.2 of Part VI of this Document and further details of the Term Loan are set out in paragraph 9 of this Part I and paragraph 17.1.4 of Part VI of this Document.

The Acquisition and the Placing are inter-conditional and are, *inter alia*, subject to the prior approval of Shareholders, which is to be sought at the General Meeting.

If the Resolutions are duly passed at the General Meeting, an application will be made for the Enlarged Share Capital to be admitted to trading on AIM and it is expected that dealings in the Enlarged Share Capital will commence on 6 September 2011. If the Resolutions are not passed, it is intended that the Company will seek admission of the Existing Ordinary Shares to trading on AIM, subject to the Company satisfying the Admission requirements, at a date to be determined.

The purpose of this Document, which comprises an admission document, is to explain the background to, and reasons for, the Proposals and why the Directors believe that the Proposals are in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the Resolutions.

The Directors consider the Acquisition, the Placing and Admission to be in the best interests of the Company and the Shareholders as a whole.

Your attention is drawn to the information set out in Parts II to VI of this Document, which contain important information in relation to the Proposals. The attention of Shareholders is also drawn to the section entitled "Forward Looking Statements" on page 2 of this Document.

## **2. REASONS FOR THE PROPOSALS**

The Company was listed on the main market of the London Stock Exchange from 13 April 1995 until 16 August 2011, during which time it produced fluctuating levels of profitability. In recent years, despite continuing to generate consistent annual revenues of over £12 million and positive cash flow, the Company has posted recurring losses. This is attributable to a decrease in demand for media packaging products, as media downloading has become increasingly popular, and the Company's depreciation charges. Further details on the history and performance of the Company are included in paragraph 3 of this Part I.

As announced on 22 June 2011 in the Company's preliminary results for the year ended 30 April 2011, the Company has adopted a new strategy which is intended to reduce its reliance on media packaging, the Company's primary product line, by increasing sales in new business areas. The strategy comprises organic sales growth and the acquisition of existing complementary businesses in the plastic packaging sector with sales in non-media plastic products.

In line with this strategy, Interpack fits the Company's acquisition profile as it is a profitable sales and distribution company with an experienced sales and marketing team concentrating on, but not exclusive to, food packaging products.

The acquisition of Interpack will result in an enlarged group with sales channels into complementary product areas and allow greater utilisation of the Company's manufacturing facility.

## **3. CORAL PRODUCTS PLC**

### **3.1 Overview**

The Company is a specialist in the design, manufacture and supply of injection-moulded plastic products, primarily in the media sector. The Company was incorporated in 1989 and operates from a leased industrial unit of approximately 100,000 sq. ft. in Haydock, Merseyside equipped with mechanised plant suitable for the supply of products to a wide range of customers. During the financial year ended 30 April 2011, the average number of employees of the Company was 88, comprising 73 in production, 11 in sales and distribution and 4 in administration.

The Company initially focused on serving the VHS market with a range of video cassette cases, which was later complemented by the production of plastic housewares manufactured for supermarkets' own label ranges. The early success of the Company led to its stock market flotation in April 1995 and it was listed on the premium segment of the Official List until 16 August 2011. Funds raised on flotation were reinvested into the business, including investment in a CD case production facility. In 2000, the Company commenced production of DVD cases.

The media packaging sector has been in decline in recent years due primarily to weakening demand resulting from an increase in media downloading. In reaction to this decline, the Company has sought to

diversify its product portfolio. In 2009, the Company launched a range of solutions for domestic recycled waste collection in the form of kerbside recycling boxes, food waste caddies and associated accessories. In addition, the Company has recently completed a prototype for a multifunctional rainwater recycling product.

The Company also provides trade moulding services for bespoke products, enabling plastic product suppliers to sub-contract production to the Company.

### **3.2 Summary of Financial Information**

In the 12 months ended 30 April 2011, the Company's revenue was £13.2 million (2010: £12.6 million; 2009: £13.6 million) and its loss before tax was £0.8 million (2010: £0.7 million; 2009: £1.5 million). Net assets at 30 April 2011 were £5.7 million (2010: £6.5 million; 2009: £7.1 million). These numbers have been extracted from the historical financial information on the Company set out in Part III of this Document. A trading update for the financial year to date is set out in paragraph 6.1 below.

### **3.3 Manufacturing Process**

The Company produces injection-moulded plastic products using a standardised manufacturing method which involves (i) injection-moulding machines; (ii) steel moulds; (iii) robotics; and (iv) raw plastic materials, further details of which are included below. The process involves raw thermoplastic materials being entered into the machine where they are heated and then forced into a steel mould to be shaped. The moulded product is then transferred from the mould for storage by bespoke robotics.

The Directors estimate that the Company's manufacturing plant is currently operating at 50 per cent. capacity and that there is, therefore, significant scope to increase manufacturing output without incurring substantial additional capital expenditure or operating costs. As the Company owns its own plant, the only significant additional capital expenditure required for manufacturing is in respect of moulds and robotics.

#### *Injection-moulding machines*

The Company owns 30 injection-moulding machines which it has acquired over the 21 years it has been in operation. These are capable of continuous operation (24 hours per day, 7 days per week), subject to production requirements, and of producing most injection-moulded plastic products provided that the mould for such product fits into the machine.

While the expected useful life of the machines is ten years, as per the Company's accounting policy, due to the efficient maintenance of the machines, many of these have exceeded this expected life term and the Directors believe that they will continue to do so.

#### *Steel moulds*

Basic designs for a mould are produced by the Company before being submitted for final design and manufacture by third parties according to the Company's product requirements. Once created, a single mould can reasonably be expected to produce several millions of units before it requires replacement, subject to maintenance. The costs for design and manufacture of moulds are borne by the Company except when used for trade mouldings, in which case the moulds are ordinarily provided by the customer.

#### *Robotics*

Robotic parts are attached to high-volume injection-moulding machines, when necessary, to remove the moulded plastic product from its mould and transfer it to storage. Since the design of each robotics system is dependent on the size and shape of the product it is used to transport, these are designed in conjunction with the steel moulds. The costs for design and manufacture of robotics are usually borne by the Company.

#### *Raw materials*

The raw materials used in this process are thermoplastics of which there are many varieties. The most commonly used by the Company are polypropylene, polystyrene and nylon. The choice of thermoplastic is dependent on the strength and function required for the intended product. The cost of these materials is volatile and is linked to the price of oil and its by-products.

The Company is accredited under ISO 9001 and ISO 14001 and has been awarded the Green Partner certification by Sony.

### **3.4 Products**

A description of the Company's product ranges is provided below:

#### *Media packaging*

The Company produces a range of CD and DVD library cases.

*CD jewel:* The industry standard case for CDs, of which the Directors believe the Company to be the sole UK manufacturer. The Company sells cases and case trays separately and these can be tailored as required to house single or multiple numbers of discs.

*DVD / Red Tag DVD:* The Company sells industry standard DVD cases designed for single or multiple DVDs, up to a maximum of 8 discs. The Company is also the sole licensee in the UK and most of Europe for the supply of standard cases fitted with the Red Tag anti-theft security system.

*Kidz Case:* A DVD carrying case designed for children.

#### *Recycling Containers*

The Company's recycling containers comprise kerbside boxes (44 litres and 55 litres), kerbside caddies (23 litres) and kitchen caddies (5 litres and 7 litres) for food waste and battery caddies. The Company also manufactures accessories for food waste caddies.

The Company has also completed the prototype for the Rainwater Terrace which is intended to be sold as an alternative to the traditional water butt. The Rainwater Terrace is expected to be launched for sale later this year, subject to interest and demand at trade shows.

#### *Trade Mouldings*

The Company provides trade moulding services for bespoke products. Customers supply the moulds and these are incorporated into the Company's existing machines to produce the desired product. This service enables the Company to utilise spare manufacturing capacity at the Company's premises and to generate incremental revenues with minimal additional fixed costs.

#### *New Products*

The Company is able to produce most injection-moulded plastic products, subject to the size and weight of the requisite mould. The Company intends to diversify its product portfolio further by manufacturing a range of plastic containers designed for food packaging. To this end, it is currently upgrading its premises to comply with the requisite food hygiene regulations, as described in paragraph 3.5 below. This is the product area which Interpack specialises in and will enable the Company to supply products to Interpack while utilising existing spare production capacity.

### **3.5 Strategy & Market Background**

The Board has recently approved a new strategy with the aim of significantly reducing the percentage of sales attributable to media packaging by generating increased revenues from other areas of the plastic packaging market through manufacture of alternative injection-moulded products with similar sales margins. The Company intends to focus on sales growth of its existing and new recycling container products and trade moulding operations and also plans to manufacture food packaging products and to acquire complementary businesses. Non-media sales represented 20 per cent. of the Company's total revenue in the year ended 30 April 2011.

#### *Media packaging*

The demand for media packaging products has fallen in recent years and the Directors expect this trend to continue. The decline is due primarily to the increase in popularity of media downloading. Notwithstanding this, recent research suggests that media in the form of DVDs and CDs will remain the dominant home media format until around 2020, when it is likely to be overtaken by media downloads. The Directors believe that the Company is the sole manufacturer of CD jewel cases in the UK and, as holder of licensing rights to supply Red Tag DVD cases in the UK and most of Europe, the Company is well positioned to continue to generate substantial revenues in this market. The Company's reported revenue from media packaging in the year ended 30 April 2011 was £10.5 million, representing 80 per cent. of the Company's total revenue.

### *Recycling Containers*

The market for recycling of household waste is driven by legislation and government policy, which has promoted greater recycling instead of disposal to landfill sites. In particular, the Household Waste and Recycling Act 2003 set out targets for local authorities in England on landfill, requiring them to collect at least two types of recyclable waste from all households in their area by 31 December 2010. It is estimated that, by 2009, 94 per cent. of local authorities had complied.

The future estimated value of the market is buoyed by the expectation for government legislation to be passed banning all food waste from landfill sites. This would require all households to be supplied with a food waste caddy or composter if they do not already have one. PDM Group (Prosper de Mulder Limited), which the Directors believe is the UK's largest food chain by-product recycler, published a manifesto earlier this year recommending a landfill ban and tax rebates in the meantime if the UK is to eliminate food waste from landfill by 2020.

As an increasing number of local authorities are expected to adopt a policy of greater kerbside sorted recycling, requiring households to use multiple crates for different types of recyclable waste, the target market for recycling container products is expected to increase. The Company's strategy is to gain a major and increasing share of this market.

### *Trade Mouldings*

In the year ended 30 April 2011, revenue from trade mouldings was £1.5 million, which represented approximately 11 per cent. of total revenue despite restricted sales resource. In June 2011, the Company entered into a commission-based agreement with an experienced agent to work specifically in this area with the target of increasing revenues in the next three years.

### *New Products*

Whilst there are many opportunities for growth in the plastic packaging market, the food packaging sector has been identified as a key growth area for the Company. In addition to the major users such as supermarkets and high street chain food outlets, there are many smaller independent packagers who require rapid response to meet changing market demands.

The Company's premises are well located close to the M6 motorway to serve potential new customers and are currently being upgraded to comply with the BRC global standard for food packaging. It is expected that the Company will obtain corresponding certification from BRC later this year.

The UK market for the manufacture and supply of food packaging products for sale to independent suppliers is substantial. The Company reported in the 2011 Annual Report that it had received a letter of intent from a company in the food packaging sector which is expected to generate sales of around £0.7 million in the first year and further significant sales in subsequent years. The letter of intent was received from Interpack and, once the Acquisition has been completed, is expected to represent the first of several contracts for supply of finished products.

## **3.6 Customers**

The Company has manufactured and supplied plastic products to organisations that operate in a range of markets, although predominantly in media packaging across the UK and Europe. The list below contains a selection of customers to which the Company has provided products, together with the market sector in which they operate:

<b><i>Market Sector</i></b>	<b><i>Customers</i></b>
Media packaging	Sony, Technicolor, Cinram, VDC, Sound Performance
Recycling containers	Local authorities, including district councils of West Oxfordshire, Epping Forest, North Devon, Colchester and city councils of Manchester and Edinburgh.

## **3.7 Suppliers**

The Company's manufacturing process, as described in paragraph 3.3 above, requires raw thermoplastic materials. These are purchased on a monthly basis mainly in the UK in Sterling. Raw materials prices are volatile and can vary substantially from month to month, depending on, *inter alia*, the supply and demand

of the materials and the price of oil and its by-products. The Company therefore sources the best priced suppliers each month and purchases according to production demand.

## **4. INTERPACK LIMITED**

### **4.1 Overview**

Interpack is a reseller and distributor of a range of approximately 300 plastic container products predominantly to the food manufacturing and food packaging sector.

Interpack was incorporated in 2003 by the Interpack Directors who identified a gap in the market for supplying smaller food processors and packagers who were unable to obtain the quality and speed of service they required from major packing manufacturers. Interpack commenced trading in early 2004.

Interpack has enjoyed almost uninterrupted revenue growth since incorporation, generating a compound annual growth rate of 32 per cent. over its 7 full years of trading and continues to widen its customer base significantly year on year. The only decrease in revenues was in 2009, when Interpack's market suffered from the severe economic recession. This did not affect profitability however, as Interpack posted increased profit due to its strategy of targeting sales of higher margin products.

Interpack's growth has been restricted by limited supplier capacity. The Directors see considerable opportunities to expand into new markets if Interpack were able to source the products it requires on appropriate terms from other manufacturers.

### **4.2 Summary of Financial Information**

In the 12 months ended 31 December 2010, Interpack's revenue was £4.3 million (2009: £3.6 million; 2008: £3.8 million) and its profit before tax and directors' and directors' wives' remuneration was £0.9 million (2009: £0.7 million; 2008: £0.5 million). Net assets at 31 December 2010 were £0.3 million (2009: £0.2 million; 2008: £0.2 million). These numbers have been extracted from the historical financial information set out in Part III of this Document. A trading update for the financial year to date is set out in paragraph 6.2 below.

### **4.3 Products**

Interpack sells a range of approximately 300 products which are manufactured by third parties. The products can be broadly summarised as follows:

- Plastic buckets;
- Small tamper-evident pots;
- Hinged lid containers;
- Confectionery, salad and sandwich filling containers; and
- Catering containers and platters.

Interpack's products are primarily designed for use in food manufacturing and packaging. However, a small proportion of these products are sold to customers in other markets, for example hardware and for pet food. This is estimated to comprise 10 per cent. of total revenues.

Whilst larger food producers tend to buy directly from packaging manufacturers, rather than through a reseller, Interpack's customer focus is primarily smaller food producers who do not purchase sufficient quantities to buy directly from the manufacturers and who also value the quality of service provided by Interpack.

The Directors believe that Interpack's ability to provide its products on short lead times and meet order deadlines has enabled it to achieve the growth that it has to date. Manufacturers tend to require much longer lead times and minimum order quantities.

### **4.4 Strategy**

Interpack is run by the Interpack Directors, comprising two sales directors and an operations director, who have worked in the packaging industry together as a team for over 20 years. Interpack employs six staff in sales, administration, warehousing and delivery functions.

Interpack's approach to sales and marketing is straightforward. No advertising brochures are produced and, although Interpack has a website which details the product range, the Interpack Directors believe



that very little revenue is created through e-commerce. Instead, sales are generated primarily by face to face and telephone contact with the two sales directors and the sales manager, who carry out all marketing operations.

New customers are sourced by the Interpack Directors' knowledge of the industry, through the trade press and local knowledge. The Interpack Directors also use databases and trade magazines to identify potential referrals and arrange face to face meetings, which they carry out personally. Some additional new business also derives from recommendations by existing customers.

Repeat orders from existing customers are driven by the fact that most customers have standard requirements and the Interpack Directors monitor their order patterns and contact customers when they believe that they are likely to require new stock, based on previous order patterns.

#### **4.5 Customers**

Interpack's customer base is located within the UK. Interpack's target market is primarily smaller food producers and packers who are unable to place orders for sufficient quantities directly with packaging manufacturers to be able to secure supplies from them, or are otherwise dissatisfied with service levels provided by packaging manufacturers and other distributors.

Interpack made sales to over 400 different customers during the year ended 31 December 2010, including to "blue chip" major food manufacturers and retailers. Interpack's sales growth has been achieved by adding new customers with average spend per customer remaining relatively constant. The top ten customers of Interpack comprised approximately 40 per cent. of its total turnover in the year ended 31 December 2010, although there was no reliance on any single customer.

Most goods are received into Interpack's warehouse and are then shipped on to the customer, either locally, using Interpack's own delivery vehicle, or nationally, using a local haulage company. A small proportion of supplies are shipped directly from the manufacturer to the customer.

#### **4.6 Suppliers**

All manufacturing of Interpack's products is outsourced and each product requires a unique mould for its production, for which tooling costs are financed by the manufacturer. One of Interpack's major suppliers is currently at full capacity and would not be able to meet any significant new demand.

#### **4.7 Head office and operations**

Interpack trades from an industrial unit of approximately 7,000 sq. ft. based on a trading estate in Luton, Bedfordshire comprising warehousing, finance, sales, distribution and administrative functions.

#### **4.8 Terms of the Acquisition**

The initial consideration payable for Interpack is £3.0 million, comprising £2.1 million to be paid in cash and £0.9 million to be satisfied by the issue of Consideration Shares, which will rank *pari passu* with the Existing Ordinary Shares and the Placing Shares. The Consideration Shares will be subject to the Lock-in Agreement, further details of which are set out in paragraph 17.1.3 of Part VI of this Document.

In addition, an Earnout Consideration of between £0.5 million and £1.1 million is payable in cash upon completion of Earnout Accounts based on Interpack's performance for the year ending 31 December 2011.

The Interpack Directors will be incentivised after the Acquisition by the Earnout Consideration in the short-term and the future performance of the Consideration Shares in the medium term, which will represent approximately 15.7 per cent. of the Enlarged Share Capital. Each of the Interpack Directors has entered into a service contract, further details of which are set out in paragraph 12 of Part VI of this Document. In addition, the Directors intend to take out key man insurance policies for Stephen Barber and Stuart Traylor shortly after Admission.

### **5. SYNERGIES BETWEEN CORAL AND INTERPACK**

The Directors believe that a number of synergies exist between the Company and Interpack.

#### **5.1 Vertical integration**

Interpack is an established seller and distributor of predominantly food packaging products. The Company manufactures plastic products and currently has significant unused production capacity to increase its levels of output. The Company has applied for BRC accreditation for the manufacture of food

packaging products, which will broaden its potential customer base in this market, and the Directors expect to increase the Company's manufacturing output at low incremental costs given its present unused capacity. Following the Acquisition, the Enlarged Group will be able to retain in-house the sales margins which would normally be paid by Interpack to manufacturers in respect of products which will be manufactured by the Company.

The Interpack Directors estimate that, due to the capacity constraints of Interpack's suppliers, there is significant unsatisfied demand for its products, which the Directors believe the Company will be able to meet using its underutilised production capacity.

## **5.2 Fast-track exposure to new market opportunity**

The Company's strategy of reducing its exposure to media packaging requires diversification into new markets. The acquisition of Interpack will facilitate the Company's exposure to the food packaging products market through Interpack's existing customer network with minimal additional post-Acquisition cost.

## **5.3 Improved marketing and sales team**

The Company's key strengths lie in manufacturing and, while it has an experienced sales director in Martin Watson, the Company expects to benefit significantly from a wider exposure of its service offering by virtue of its acquisition of a dedicated sales and distribution function.

# **6. CURRENT TRADING AND PROSPECTS FOR THE ENLARGED GROUP**

## **6.1 Coral's current trading**

The Company announced its preliminary results for the year ended 30 April 2011 on 22 June 2011. Since that date, trading has been in line with management's expectations.

## **6.2 Interpack's current trading**

Interpack's trading since 31 December 2010 has seen increased revenues which are in line with management's expectations.

## **6.3 Prospects for the Enlarged Group**

The Enlarged Group is expected to benefit from additional sales opportunities derived from Interpack making further use of the Company's unused manufacturing capacity. This is expected to have a positive impact on profits.

In addition, existing tax losses of £2.1 million within the Company are intended to be utilised against future expected profits of the Company.

# **7. FINANCIAL INFORMATION**

Financial information on the Company and Interpack is set out in Parts III and IV respectively of this Document. A pro forma net assets statement showing the hypothetical net assets of the Enlarged Group after the Acquisition and Placing is set out in Part V of this Document.

# **8. THE PLACING**

The Company is seeking to raise £1.8 million (before commissions and expenses) by the issue of the Placing Shares at the Placing Price. The Placing Price represents a premium of approximately 31.8 per cent. to the closing mid-market price of 11.38 pence on 29 June 2011, being the last Business Day on which the Company's shares were traded. The Company will utilise the proceeds from the Placing to satisfy part of the initial cash consideration for the Acquisition.

XCAP has conditionally agreed, pursuant to the Placing Agreement and as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Shares are being placed with institutional and other investors. The Placing Shares will represent 31.5 per cent. of the Enlarged Share Capital. The Placing has not been underwritten and is conditional, *inter alia*, on Admission occurring by 6 September 2011 and in any event no later than 30 September 2011 and on the conditions of the Placing Agreement. Further details of the Placing Agreement are set out in paragraph 17.1.2 of Part VI of this Document.

In the case of Placees requesting Placing Shares in uncertificated form, it is expected that the appropriate CREST accounts of Placees will be credited on or around 6 September 2011. In the case of Placees

requesting Placing Shares in certificated form, it is expected that certificates in respect of the Placing Shares will be despatched by post within seven days of the date of Admission.

The Placing Shares will, when allotted, be fully paid and rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and distributions paid or made in respect of the Placing Shares. The Placing Shares will be issued free from all liens, charges and encumbrances.

The Placing Agreement contains certain warranties from the Company and the Directors in favour of Cairn and XCAP in relation to, *inter alia*, the accuracy of the information contained in this Document and certain other matters relating to the Company, Interpack and their respective businesses.

## **9. BANK FACILITIES**

Barclays Bank PLC has granted the Company the Term Loan for the purpose of the Acquisition. The Term Loan will be available for drawdown in two tranches: £0.6 million to cover part of the initial cash consideration due to the Sellers from the Company on completion of the Acquisition in September 2011 and £0.8 million to cover all or part of the Earnout Consideration due to the Sellers from the Company in March 2012. Further details of the Term Loan are provided in paragraph 17.1.4 of Part VI of this Document.

Barclays Bank PLC has also granted the Company an extension of £1.0 million to its existing confidential invoice discounting facility of £1.5 million and has agreed to grant Interpack a new confidential invoice discounting facility capped at £0.9 million prior to Admission. This will bring the aggregate invoice discounting facility available to the Enlarged Group on Admission to £3.4 million. Further details of the Company's invoice discounting facility are provided in paragraph 17.1.5 of Part VI of this Document.

## **10. ADMISSION TO AIM AND DEALINGS IN ORDINARY SHARES**

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 6 September 2011.

Cairn has been appointed as the Company's nominated adviser and XCAP has been retained as the Company's financial adviser and broker in relation to Admission. Further details of Cairn's and XCAP's engagements are set out at paragraphs 17.1.6 and 17.1.7 respectively of Part VI of this Document.

## **11. DIRECTORS OF THE ENLARGED GROUP**

As announced on 5 April 2011, I will be retiring from the Board following the 2011 AGM and Joe Grimmond will be appointed as Non-Executive Chairman, subject to his election. The other Directors will retain their positions on the board of the Enlarged Group. Brief biographies of the Directors are set out below:

### ***Joseph (Joe) Grimmond, Non-Executive Chairman (age: 63)***

Joe Grimmond has held senior board positions at several listed manufacturing or industrial companies, most recently at Widney plc, an AIM-quoted designer and manufacturer of window systems for specialist vehicles and telescopic slides, where he was a Director from 2000 and Executive Chairman from 2002 to 2008. Mr Grimmond served from 1998 to 2000 as Non-Executive Chairman of Shalibane plc, an AIM-quoted engineering group, from 1990 to 1998 as Chief Executive of James Dickie plc, a fully listed industrial group, and from 1977 to 1990 as Chief Executive of Gold Star Holdings Limited, a private industrial company. Mr Grimmond is a Fellow of the Association of Accounting Technicians.

### ***Warren Ferster, Chief Executive Officer & Managing Director (age: 61)***

Warren Ferster is head of strategic planning at Coral, which he co-founded in 1989 with his brother Stuart, and has over 35 years' experience in the plastics industry having previously co-founded Gaynor Group plc ("Gaynor"), a manufacturing company, with his father in 1970. Mr Ferster was Managing Director at Gaynor, which was listed on USM in 1986 and became one of the largest British makers and printers of polyethylene carrier bags before being sold in 1988.

### ***Stephen (Steve) Fletcher, Finance Director & Company Secretary (age: 54)***

Steve Fletcher is a chartered accountant having qualified at KPMG in 1983. After reaching the position of Assistant Manager, he moved to Bodycote International plc in 1985 where he was Group Accountant responsible for acquisitions and consolidations and then Finance Director for the Coatings division. Mr

Fletcher joined Worthington Group plc as Finance Director in 2000 before moving to the Company in 2002 as Finance Director. Mr Fletcher is a Fellow of the Institute of Chartered Accountants in England and Wales.

***Stuart Ferster, Production Director (age: 56)***

Stuart Ferster co-founded the Company with his brother Warren and oversees all aspects of production and maintenance. He has over 30 years' experience in the plastics industry having previously worked from 1974 to 1989 at Gaynor, where he held the position of Production Director from 1985 until its sale in 1988.

***Martin Watson, Sales Director (age: 51)***

Martin Watson has spent his career in sales having held positions with Quaker Oats, Max Factor, Crown Berger and Whitbread. Mr Watson has over 20 years' experience in media packaging having previously worked for DuBois Limited for 15 years, where he was European Sales Manager, before joining the Company in 2006. More recently, he has led the Company's diversification into the recycling market.

***Jonathan Lever, Non-Executive Director (age: 74)***

Jonathan Lever joined the Company in 1995 and was previously Finance Director until 1997 and Company Secretary until 2006. Mr Lever is a Fellow of the Institute of Chartered Accountants in England and Wales and was, until 1997, the senior partner of Cassons, a leading independent firm of Chartered Accountants in the North West, which he joined in 1966.

## **12. DIRECTORS AND KEY MANAGEMENT OF INTERPACK**

Following completion of the Acquisition, Interpack will be a wholly owned subsidiary of the Company, of which operational control will be retained by the incumbent Interpack Directors. Brief biographies of the Interpack Directors and other key management are set out below:

***Stephen Barber, Sales Director (age: 53)***

Stephen Barber has worked in the packaging industry for almost 30 years, including for Jokey Plastik GmbH and HK Plastics BV, two major packaging manufacturers, from 1983 to 1990, before joining Fenton Packaging Limited ("Fenton"), a leading distributor. He left Fenton in 2003 to co-found Interpack, since when he has worked in sales, marketing and new product development and is now responsible for Interpack's overall sales operations.

***Stuart Traylor, Sales Director (age: 48)***

Stuart Traylor has over 25 years' experience in sales and distribution of plastic products having joined the sales team at Curver UK in 1984 before moving into plastic food packaging in 1990 at Fenton as a key accounts sales manager. In 2003, he left to set up Interpack, where his role has included the development of both major and minor accounts across the South of England.

***Michael Burke, Operations Director (age: 58)***

Michael Burke is responsible for the efficient operations of the business including purchasing, administration, IT functions and logistics. Mr Burke was a Director at Fenton for 9 years, managing the southern branch of the business and responsible for IT throughout the organisation, before leaving to establish Interpack in 2003.

***Martin Barber, Sales Manager (age: 30)***

Martin Barber has 9 years' sales experience and is responsible for all of Interpack's customers in the North of England. Mr Barber is the son of Stephen Barber and has been employed by Interpack for nearly four years. Prior to joining Interpack, Mr Barber was a sales executive for a car dealership in Blackburn.

## **13. LOCK-INS AND ORDERLY MARKET ARRANGEMENTS**

The Directors and the Interpack Directors have agreed for their respective shareholdings and the Consideration Shares respectively to be subject to lock-ins for a period of 12 months from the date of Admission and an orderly market agreement for a further period of 12 months thereafter. Further details of the Lock-in Agreement are set out in paragraph 17.1.3 of Part VI of this Document.

#### **14. WARRANTS AND OPTIONS**

The Company has agreed to issue warrants to subscribe for 120,000 Ordinary Shares and 360,000 Ordinary Shares at the Placing Price to Cairn and XCAP respectively on Admission. These warrants are exercisable at any time up to the second anniversary of Admission, at which time they will lapse. Further details of the Cairn Warrants and the XCAP Warrants are set out in paragraph 9 of Part VI of this Document.

The Company does not currently have any options in issue. However, it is the Directors' intention to implement an option scheme after Admission for Directors and employees of the Enlarged Group.

#### **15. DIVIDEND POLICY**

The Directors recognise the importance of dividend income to Shareholders and hence have adopted a progressive dividend policy subject to the availability of distributable reserves and the retention of funds required to finance future growth of the Enlarged Group.

#### **16. VCT AND EIS**

The Company has received advance assurance from HMRC that the Placing Shares placed with VCTs are expected to constitute a qualifying holding for VCTs. The assurance however applies only in respect of a VCT investment where the investment is of funds raised by the VCT prior to 5 April 2006. The Placing Shares will not be a qualifying investment under EIS, nor will they constitute a qualifying holding for VCTs where funds were raised after 5 April 2006.

#### **17. CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

Until 16 August 2011, the Company was listed on the premium segment of the Official List and as such has supported the highest standards of corporate governance and observed the requirements of the Combined Code during this time. Following Admission, the Directors will continue to observe these requirements to the extent they consider them to be appropriate to a company of Coral's size and will take into account the Quoted Companies Alliance Corporate Governance Guidelines for AIM Companies.

The Company will continue to hold board meetings as issues arise which require the attention of the Board. The Board is responsible for the management of the business of the Company, setting the strategic direction of the Company and establishing the policies of the Company. It is the Board's responsibility to oversee the financial position of the Company and monitor the business and affairs of the Company, on behalf of the Shareholders, to whom the Directors are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal control and the Company's approach to risk management.

The Company has a remuneration committee, a nominations committee and an audit committee with formally delegated duties and responsibilities.

The remuneration committee, which comprises the non-executive directors and the managing director and is chaired by me, is responsible for determining the Company's policy for the remuneration of the executive Directors. It regularly considers the compensation commitments of the Directors in the event of early termination of their service contracts.

The nominations committee, which comprises the non-executive directors and the managing director and is chaired by me, is responsible for the recommendation to the Board for the appointment of additional directors or replacement of current directors. It is also responsible for succession planning for the Company.

The audit committee, which comprises the non-executive directors and is chaired by me, meets on a regular basis under its terms of reference with the finance director and external auditors to review the financial statements and external financial announcements made by the Company. It has responsibility for reviewing and monitoring the external auditors' independence and objectivity and reviews supplies of all non-audit services provided by the external auditors to ensure that independence and objectivity are not compromised.

Following my retirement from the Board, Mr Grimmond will assume my responsibilities on these committees.

The Company operates a share dealing code governing the share dealings of the Directors and applicable employees with a view to ensuring compliance with the AIM Rules.

## **18. TAXATION**

General information regarding UK taxation is set out in paragraph 19 of Part VI of this Document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his tax position he should consult his own independent financial adviser immediately.

Shareholders should note that it is not possible to hold shares traded on AIM in ISAs. The Directors understand that, under current HMRC guidance, Shareholders will have 30 days from the effective date of Cancellation, being 16 August 2011, to decide whether to transfer their shareholding in the Company into their own name or to sell the holding and retain the proceeds within the relevant ISA.

## **19. CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

The Ordinary Shares will be eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB or by telephone on +44 (0) 20 7849 0000.

## **20. CITY CODE**

The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a quoted or unquoted public company which has its registered office in the United Kingdom and its central management is in the United Kingdom (and to certain categories of private limited companies). The Company is such a company and its Shareholders are entitled to the protection afforded by the City Code.

## **21. GENERAL MEETING**

You will find set out at the end of this Document a notice convening the General Meeting of the Company to be held at 12:15 p.m. on 5 September 2011 at the Haydock Thistle Hotel, Haydock, Merseyside WA11 9SG, at which the Resolutions, of which (a), (b) and (c) are inter-conditional, will be proposed for the purposes set out below.

The Resolutions will, if passed:

- (a) approve the Acquisition;
- (b) grant authority to the Directors to allot shares in the capital of the Company up to an aggregate nominal value of £67,119 and to allot the Consideration Shares, the Placing Shares and the Warrant Shares; and
- (c) disapply the pre-emption rights conferred by the Companies Act 2006 in connection with the allotment of shares in the Company up to an aggregate nominal value of £10,068, the Consideration Shares, the Placing Shares and the Warrant Shares; and
- (d) adopt new articles of association of the Company.

Resolutions (a) and (b) require a majority of not less than 50 per cent. and resolutions (c) and (d) require a majority of not less than 75 per cent. of Shareholders voting in person or by proxy in favour of the Resolutions.

## **22. RISK FACTORS**

Shareholders and other prospective investors in the Company should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part II of this Document.

### **23. FURTHER INFORMATION**

Shareholders should read the whole of this Document, which provides additional information on the Company, the Placing, the Acquisition and Admission and should not rely on summaries of, or individual parts only of, this Document. Your attention is drawn, in particular, to Parts II to VI of this Document.

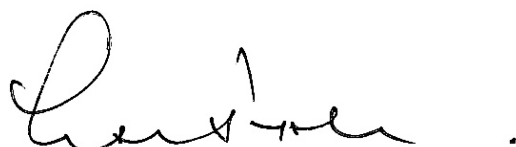
### **24. ACTION TO BE TAKEN**

A Proxy Form is enclosed for use by Shareholders at the General Meeting. Whether or not Shareholders intend to be present at the GM, they are asked to complete, sign and return the Proxy Form by post or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but in any event so as to arrive no later than 48 hours before the GM. The completion and return of a Proxy Form will not preclude a Shareholder from attending the GM and voting in person should he or she wish to do so.

### **25. RECOMMENDATION**

The Board is of the opinion that the Resolutions are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 8,295,801 Ordinary Shares, representing approximately 41.20 per cent. of the Existing Ordinary Shares.

Yours faithfully



Geoffrey Piper

*Chairman*

## PART II

### RISK FACTORS

This Document contains forward looking statements, which have been made after due and careful enquiry and are based on the Board's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward looking statements are subject to, *inter alia*, the risk factors described in this Part II of this Document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those discussed in this Part II of this Document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in this Document to reflect future events or developments.

There are significant risks associated with the Enlarged Group. Prior to making an investment decision in respect of the Ordinary Shares, prospective investors and Shareholders (as appropriate) should consider carefully all of the information within this Document, including the following risk factors. The Board believes the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority. Additionally, there may be risks not mentioned in this Document of which the Board is not aware or believes to be immaterial but which may, in the future, adversely affect the Enlarged Group's business and the market price of the Ordinary Shares.

If any of the following risks were to materialise, the Enlarged Group's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Company's Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Board, or which the Board currently deems immaterial, may also have an adverse effect upon the Enlarged Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Enlarged Group.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

#### **Risks specific to the Enlarged Group**

##### *Ability to generate revenues and profits*

At this stage, there is no certainty that the Enlarged Group will penetrate the recycling or food packaging markets to the extent that it intends to. Failure to do so and slower demand for the Enlarged Group's existing products may result in revenues growing more slowly than anticipated. In addition, even if the Enlarged Group does generate its anticipated sales, the profit margins achieved may not be enough to ensure the overall profitability of the Enlarged Group.

##### *Dependence on key executives and personnel*

The ability of the Enlarged Group to develop and implement its strategy is dependent upon the continued services and performance of its Directors, the Interpack Directors, senior management and other key personnel. The loss of the services of key personnel may have a material adverse impact on the performance of the Enlarged Group. In respect of Stephen Barber and Stuart Traylor, it is intended that key man insurance policies will be entered into shortly after Admission.

##### *Dependence on non-exclusive licensing agreement*

A significant proportion of the Company's revenue is derived from the non-exclusive licensing agreement with DuBois Limited, further details of which are set out in paragraph 17.1.8 of Part VI of this Document. Termination of this agreement would have a material adverse impact on the performance of the Company.



#### *Exposure to volatile raw materials prices*

The prices of raw materials used by the Company are dependent on a number of variables, including, *inter alia*, origin, supply and demand of individual suppliers and the global price of oil and its by-products. As a result, prices can vary substantially from month to month. The Company does not enter into fixed contracts for supply but instead orders raw materials on a monthly basis subject to production requirements and the price at which it can acquire them. When the prices of raw materials are inflated, the Company passes on the increased costs as far as possible to its customers. However, these increased prices cannot always be fully recovered and, subsequently, this can have an adverse effect on achievable margins.

#### *Exposure to exchange rate fluctuations*

The Company and Interpack are exposed to exchange rate fluctuations. At the present time, neither the Company nor Interpack has systems in place to hedge these fluctuations.

#### *Dependence on key customers*

The loss of a single major customer for either the Company or Interpack could have an adverse effect on profits of the Enlarged Group.

#### *Dependence on Interpack's key suppliers*

At present, a significant proportion of Interpack's finished products are supplied by two suppliers. While this is expected to be reduced when the Company commences the manufacturing of some of Interpack's products, there remains a risk of material impact in the short term on Interpack's ability to satisfy demand if one of its key suppliers were to fail.

#### *Legislative changes*

Nearly all of Interpack's products are sold as food containers and some of Interpack's larger customers require that these products meet food hygiene standards that are set by the BRC. While all of Interpack's suppliers have the necessary accreditations, and in some cases ISO 9001 accredited quality control processes (as in the case of the Company), changes in legislation may impact the ability of, or the cost at which, Interpack may supply products that are compliant with legislation.

#### *Segregation of duties*

Given the size of Interpack, segregation of duties, which might be possible in a larger company, is not currently possible. There is therefore an inherent risk of the potential for fraud arising from the lack of such segregation. However, a review of Interpack's financial procedures highlighted that these are closely monitored such that any potential wrongdoing would be identified. The application of the Company's systems and controls procedures to Interpack post-Acquisition and the appointment of two of the Directors onto the board of Interpack will help to further mitigate this risk.

#### *Ability to recruit and retain skilled personnel*

The ability of the Enlarged Group to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Enlarged Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon trading performance.

#### *Past performance*

The past performance of the Company and Interpack is not a guide to future performance of the Enlarged Group and no representation is made or warranty given regarding future performance of the Enlarged Group.

#### *Future financing*

Whilst the Directors have no current plans for raising additional capital immediately after Admission, it is possible that the Enlarged Group will need to raise extra capital in the future to develop its business or to take advantage of acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Enlarged Group or to the Shareholders. Further equity financing may be dilutive to the Shareholders or result in an issuance of securities whose rights, preferences and privileges are senior to the holders of Ordinary Shares. The Directors may seek further debt finance to fund all or part of any future acquisitions. There can be no

assurance that the Enlarged Group will be able to raise further debt funds, whether on acceptable terms or at all. Further debt financing may require the Enlarged Group to enter into covenants restricting its future operational and financial activities.

#### *Taxation*

The attention of potential investors is drawn to paragraph 19 of Part VI of this Document headed “United Kingdom Taxation”. Any change in the Enlarged Group’s tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Company. Representations in this Document concerning the taxation of the Enlarged Group and its investors are based upon current tax law and practice which is subject to change.

#### *VCT Status*

The Placing Shares placed with VCTs are expected to constitute a qualifying holding for VCTs in respect of funds raised by the VCT prior to 5 April 2006, as described in paragraph 16 of Part I of this Document. Although it is intended that the Company will be managed so as to continue to constitute a qualifying company for VCT, there is no guarantee that such status will be maintained. Changes in the Company’s circumstances may result in the qualifying status being withdrawn, in which case investors who had participated in the Placing as a VCT investment may lose the tax benefits associated with such an investment and may be required to repay the 30 per cent. income tax relief received.

#### *Dividends*

The declaration, payment and amount of any future dividends of the Enlarged Group are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the Directors and will depend upon, amongst other things, the earnings, financial position, cash requirements and availability of profits of the Enlarged Group as well as provisions of relevant laws or generally accepted accounting principles from time to time.

#### *Further issues of Ordinary Shares could impact the market price*

It is possible that the Company may decide to offer additional Ordinary Shares in the future, although the Company has no current plans to do so (save in relation to satisfy the exercise of any warrants). An additional offering of Ordinary Shares by the Company or the public perception that an offering or sale may occur, could have an adverse effect on the market price of Ordinary Shares.

#### *Future sales of Ordinary Shares*

The Board cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial numbers of Ordinary Shares in the public market, or the perception or any announcement that such sales could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for Shareholders to sell their Ordinary Shares at a time and price which they deem appropriate.

### **General Risks**

#### *Investment in AIM Securities*

Although the Company is applying for the admission of its Enlarged Share Capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. An investment in shares traded on AIM may be less liquid and is perceived to involve a higher degree of risk than an investment in a company whose shares are listed on the Official List. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group. Investors may therefore realise less than, or lose all of, their investment.

#### *AIM Rules for Companies*

The AIM Rules for Companies are less onerous than those of the Official List. Neither the FSA nor the London Stock Exchange has examined or approved the content of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

### *Volatility of share price*

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Enlarged Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Enlarged Group's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Enlarged Group's performance.

### *Exposure to economic cycle*

Market conditions may affect the value of the Company's share price regardless of operating performance. The Enlarged Group could be affected by unforeseen events outside its control including economic and political events and trends, inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and an investment in the Company could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Enlarged Group may operate. Deterioration in the economic climate could result in a delay or cancellation of clients' projects and the recently announced spending cuts by the UK government and local authorities could adversely affect the Enlarged Group's performance.

### *Force majeure events*

There is a risk that the markets in which the Enlarged Group currently operates could be affected or cancelled by events such as war, civil war, riot or armed conflict, acts of terrorism, floods, explosions or other catastrophes, epidemics or quarantine restrictions, which are outside of the Directors' control and generally not covered by insurance. Such events could have a variety of materially adverse consequences for the Enlarged Group, including risks and costs related to decline in revenues or reputational damage, and injury or loss of life, as well as litigation related thereto.

### *Suitability*

A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this Document. Prospective investors are advised to consult a person authorised by the FSA (or, if outside the UK, another appropriate regulatory body) before making their decision.

### **PART III**

#### **HISTORICAL FINANCIAL INFORMATION ON CORAL PRODUCTS PLC**

The historical financial information on the Company set out below comprises the independent auditors' report, the financial statements and notes to the financial statements for the three years ended 30 April 2011. The historical financial information has been extracted from the 2009 Annual Report, 2010 Annual Report and 2011 Annual Report, copies of which are available on the Company's website at [www.coralproducts.com](http://www.coralproducts.com).

# Independent Auditors' Report to the Shareholders of Coral Products PLC

## Income Statement

for the year ended 30th April 2009

We have audited the financial statements of Coral Products PLC for the year ended 30 April 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Director's responsibilities on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members as a body in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.ifc.org.uk/apb/scope/ukp](http://www.ifc.org.uk/apb/scope/ukp)

### Opinion on financial statements

In our opinion, the financial statements:

- 1) give a true and fair view, of the state of the company's affairs as at 30 April 2009 and of its loss for the year then ended;
- 2) been properly prepared in accordance with IFRS's as adopted by the European Union; and
- 3) have been prepared in accordance with the requirement of the Companies Act 2006.

### Opinion on either matters prescribed the Companies Act 2006

In our opinion:

- 1) the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 2) the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Notes on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law or not made; or
- we have not received all the information and explanations we require for our audit.

Under the listing rules, we are required to review:

- the director's statement in relation to going concern, set out on page 8; and
- the part of the Corporate Governance statement relating to the company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Helen Besant-Roberts (Senior Statutory Auditor)

for and on behalf of

**Hurst & Company Accountants LLP**

Chartered Accountants and Registered Auditors, Stockport

24 July 2009

	2009	2008
	£'000	£'000
<b>Continuing operations</b>		
<b>Revenue</b>	13,567	14,389
Cost of sales	(11,230)	(11,935)
<b>Gross profit</b>	2,337	2,454
<b>Operating costs</b>		
Distribution costs	(440)	(534)
Administrative expenses	(3,224)	(3,419)
Profit on sale of property	-	718
<b>Operating loss</b>	(1,327)	(781)
Finance costs	(136)	(222)
<b>Loss before taxation</b>	(1,463)	(1,003)
Taxation	165	500
<b>Loss for the financial year</b>	(1,298)	(503)
<b>Loss per share</b>		
Basic loss per ordinary share	(6.45)p	(2.50)p
Diluted loss per ordinary share	(6.45)p	(2.50)p

## Statement of Changes in Shareholders' Equity

for the year ended 30th April 2009

	2009	2008
	£'000	£'000
<b>Opening shareholders' equity</b>	8,416	8,924
Loss for the financial year	(1,298)	(503)
Net expense recognised directly in equity	(1,298)	(503)
Share based payment charge	-	(5)
Changes in equity in the year	(1,298)	(508)
<b>Closing shareholders' equity</b>	7,118	8,416

# Balance Sheet

as at 30th April 2009

	note	2009 £'000	2008 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	261	295
Property, plant and equipment	13	5,647	7,019
Rental deposit	14	250	250
		<b>6,158</b>	<b>7,564</b>
<b>Current assets</b>			
Inventories	15	846	1,222
Trade and other receivables	16	2,653	3,909
Cash and cash equivalents	17	56	351
		<b>3,555</b>	<b>5,482</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities - borrowings	19	533	485
Trade and other payables	18	1,811	3,458
		<b>2,344</b>	<b>3,943</b>
<b>Net current assets</b>			
		<b>1,211</b>	<b>1,539</b>
<b>Non-current liabilities</b>			
Financial liabilities - borrowings	19	251	522
Deferred tax liabilities	20	-	165
		<b>251</b>	<b>687</b>
<b>NET ASSETS</b>			
		<b>7,118</b>	<b>8,416</b>
<b>SHAREHOLDERS' EQUITY</b>			
Ordinary shares	21	201	201
Share premium	22	4,558	4,558
Other reserves	22	7	7
Retained earnings	22	2,352	3,650
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,118</b>	<b>8,416</b>

The financial statements on pages 16 to 32 were approved by the Board of Directors on 24 July 2009 and were signed on its behalf by:

**Warren Ferster** } Directors  
**Stephen Fletcher** }

# Cash Flow Statement

for the year ended 30th April 2009

	2009 £'000	2008 £'000
<b>Cash inflows from operating activities</b>		
Bank and loan interest paid	498	641
Interest element of finance lease rentals	(37)	(35)
Exchange loss on finance leases	(38)	(45)
Tax received	(61)	(142)
	-	35
<b>Net cash from operating activities</b>	<b>362</b>	<b>454</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(426)	(252)
Purchase of intangible assets	(8)	(2)
Rental deposit held in escrow	-	(250)
Proceeds from disposal of property, plant and equipment	-	2,802
<b>Net cash (used in)/generated by investing activities</b>	<b>(434)</b>	<b>2,298</b>
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(85)	(453)
Proceeds of new asset finance	-	21
Finance lease principal payments	(343)	(350)
<b>Net cash used in financing activities</b>	<b>(428)</b>	<b>(812)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		
Cash and cash equivalents at 1st May 2008	(500)	1,940
Cash and cash equivalents at 30th April 2009	351	(1,589)
	(149)	351
<b>Cash and cash equivalents consist of:</b>		
Cash at bank	56	351
Bank overdraft	(205)	-
	(149)	351
<b>Reconciliation of operating loss to net cash inflow from operating activities</b>		
Operating loss	(1,327)	(761)
Profit on disposal of property, plant and equipment	-	(718)
Depreciation of property, plant and equipment	1,798	1,980
Amortisation of intangible assets	42	46
Share based payments	-	(5)
Decrease in inventories	376	185
Decrease/(increase) in trade and other receivables	1,256	(606)
(Decrease)/increase in trade and other payables	(1,647)	540
<b>Cash inflows from operating activities</b>	<b>498</b>	<b>641</b>

# Notes to the Financial Statements

for the year ended 30th April 2009

## 1. GENERAL INFORMATION

Coral Products plc is a Company incorporated in the United Kingdom under the Companies Act 1985. The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is given on page 5. The nature of the Company's activities and its principle activities are set out in the Financial Review on pages 3 to 4 and the Directors' Report on pages 6 to 9.

As at the date of authorisation of these financial statements, the following Standards and Interpretations, issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), have not been adopted by the Company:

IAS1	Presentation of Financial Statements (revised 2007)
IAS23	Borrowing costs (revised)
IAS27	Consolidated and separate Financial Statements (revised 2008)
IFRS3	Business combinations (revised 2008)
IFRS8	Operating segments
IFRIC13	Customer loyalty programmes
IFRIC15	Agreements for the construction of Real Estate
IFRIC16	Hedges of a Net Investment in a Foreign Operation
IFRIC17	Distributions of Non-Cash Assets to Owners

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

New standards, amendments to published standards and interpretations to existing standards effective in 2009 adopted by the company

- IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008). There is no impact on the Company in relation to this standard.
- IFRIC 14, The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for accounting periods beginning on or after 1 January 2008). There is no impact on the Company in relation to this standard.

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based upon management's best knowledge actual results ultimately may differ from those estimates.

A summary of the Company's principal accounting policies is set out below. These policies have been applied consistently to all the years presented.

### Going concern

The Directors have prepared the accounts on a going concern basis, which they believe to be appropriate due to the following factors:

- the Company has renewed its Invoice Discounting Line and overdraft facility extending over the next 12 months.
- the Directors have prepared financial forecasts for the forthcoming 12 months which show that the company can operate within its facilities.

### Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments. The Directors consider the Company's operations as one business segment.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company considers it operates in one geographical segment.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are shipped and title has passed.

### Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the period.

### Pension contributions

The Company contributes to defined contribution pension schemes and the pension charge represents the amount payable for that period. The Company has no defined benefit arrangements in place.

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

## Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost, on a 'first in first out' basis, less residual value of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Moulds	-	10-25%
Plant and machinery	-	10%
Fixtures and fittings	-	10-33%
Buildings	-	2%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

## Intangible assets

Intangible assets comprise primarily licence fees paid in advance for the use of trade marks and technology. Such assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over their estimated useful lives of 10 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

## Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods manufactured includes appropriate materials, labour and production overhead expenditure. Net realisable value is the estimated selling price less the costs of disposal. Provision is made to write down obsolete or slow-moving inventory to their net realisable value.

## Financial Assets

Financial assets are recognised at fair value on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

## Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, e.g. trade receivables. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.



# Notes to the Financial Statements

for the year ended 30th April 2009 continued

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents include cash in hand deposits held at call with banks. The Company has no bank overdraft at the year end.

## Financial Liabilities

Financial liabilities include the following items:-

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding;
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

## Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## Leased Assets

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term.

## Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances together with bank overdrafts that are repayable on demand.

## Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are outlined below.

### Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these estimated lives requires the exercise of management judgement.

### Inventory valuation

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment, and inventory loss trends.

## 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company is exposed through its operations to one or more of the following financial risks:

- Market price risk
  - Fair value or cash flow interest rate risk
  - Foreign currency risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Finance Director. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

### Principal Financial Instruments

The principal financial instruments used by the Company, from which financial risk arises, are as follows:

- Trade receivables
- Cash at bank
- Trade and other payables
- Interest rate swaps
- Forward currency contracts
- Finance leases, operating leases and hire purchase agreements.

### Market Risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

### Interest rate risk

The Company is exposed to movements in interest rates in currencies in which it has borrowings, namely sterling and euros, and this risk is controlled by managing the proportion of fixed to variable rates within limits. Interest rate swaps are used to achieve the desired mix. If the board consider the proportion to be outside the limits. The Company uses a mixture of fixed and variable rate loan and finance lease facilities in order to mitigate its interest rate exposure. In addition, interest rate swaps are used in order to manage interest rate risk.

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

## Foreign currency risk

The Company conducts business in both sterling and euros. As a result, the Company is exposed to foreign exchange risks, which will affect transaction costs and the translation of debtor and creditor balances. A significant amount of the Company's raw material purchases are in euros and this helps to provide a natural match to the exposure from sales of that currency. In addition, when forecasts indicate that sales in euros will be significantly above purchases, the Company will look to hedge foreign currency transactional exposures by taking out forward foreign exchange contracts. Further hedging has been obtained by acquiring finance lease facilities in euros which offset euro capital expenditure and income flows.

## Liquidity Risk

Borrowing facilities are monitored against the Company's forecast requirements and the Company mitigates financial risk by staggering the maturity of borrowings and by maintaining undrawn committed facilities.

## Credit Risk

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. The Company regularly monitors the credit ratings of its counterparties and controls the amount of credit risk by adhering to limits set by the board. The Company has credit insurance in place to safeguard it from potential bad debt losses from customers. The Company maintains debtor levels within the insured limits unless it has strong grounds for allowing increases. As a consequence of these controls, the probability of material loss is considered to be at an acceptable level.

## Capital Disclosures

Capital comprises share capital, share premium and other reserves.

The Company's objective when maintaining capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## Sensitivity Analysis

Whilst the Company takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates will have an impact on profit.

The annualised effect of a 1% increase in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables being held constant, have resulted in a decrease of the Company's post-tax profit for the year of £5,000. A 1% decrease in the interest rate would, on the same basis, have increased post-tax profits by the same amount.

The Company's foreign exchange risk is dependent on the movement in the euro to sterling exchange rate. The effect of a 5% strengthening in the euro against sterling at the balance sheet date on the euro denominated debt at the date and on the annualised interest on that amount would, all other variables being held constant, have resulted in a decrease in the post-tax profit for the year of £40,000. A 5% weakening in the exchange rate would, on the same basis, have increased post-tax profit by £44,000.

## 5. REVENUE

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

	2009 £'000	2008 £'000
Continuing operations	10,219	10,232
UK	3,348	4,157
Rest of Europe	13,567	14,369

## 6. FINANCE COSTS

	2009 £'000	2008 £'000
Interest payable on bank borrowings	35	12
Interest payable on other loans	2	23
Interest payable on finance leases	38	45
Exchange loss on finance leases	61	142
	136	222

## 7. LOSS BEFORE TAXATION

	2009 £'000	2008 £'000
This is stated after charging the following:		
Staff costs (note 8)	2,027	2,192
Bad debt provision – expense	4	14
Cost of inventories recognised as expense	7,954	9,008
Profit on disposal of property, plant and equipment	-	718
<b>Depreciation of property, plant and equipment:</b>		
- owned assets	1,663	1,485
- under finance leases	135	495
Amortisation of intangibles	42	46
<b>Rentals under operating leases</b>		
- hire of plant and machinery	31	29
- land and buildings	313	209
Auditors' remuneration for statutory audit services	21	21
Auditors' fees for non-audit services-tax compliance	2	5

## 8. STAFF COSTS

	2009 £'000	2008 £'000
Average number of employees comprised:		
Production	66	69
Selling and distribution	11	10
Administration	4	5
	81	84

Their aggregate remuneration comprised:

	2009 £'000	2008 £'000
Wages and salaries	1,800	1,953
Social security costs	177	188
Other pension costs	50	56
Equity settled share based payments - SAVE	-	(5)
	2,027	2,192

Key management are considered the executive Directors whose remuneration is set out on page 14.

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

## 9. TAXATION

The charge for taxation on the profit for the financial year is as follows:

	2009 £'000	2008 £'000
<b>Current tax</b>		
UK corporation tax at 28% (2008: 30%)	-	-
Adjustment in respect of prior years	-	-
Total current tax	(165)	(500)
Deferred tax	(165)	(500)
Total taxation credit		
<b>Reconciliation of tax credit</b>		
Loss on ordinary activities before tax	(1,463)	(1,003)
Tax on loss on ordinary activities at 28% standard rate of tax (2008: 30%)	(410)	(301)
Effects of temporary differences	245	(199)
Total taxation credit	(165)	(500)

## 10. EARNINGS PER ORDINARY SHARE

The basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders for the financial period by the weighted average number of shares in issue. In calculating the diluted profit share, share options outstanding have been taken into account.

	2009	2008
Loss for the year (£'000)	(1,298)	(503)
Weighted average number of shares (number)	20,135,609	20,135,609
Basic loss per share	(6.45p)	(2.50p)
Diluted loss per share	(6.45p)	(2.50p)

## 11. DIVIDENDS PAID AND PROPOSED

No dividend has been declared and paid during the year ended 30 April 2009 (2008: nil).  
No dividend has been proposed (2008: £nil).

## 12. INTANGIBLE ASSETS

	2009 £'000	2008 £'000
<b>Cost</b>		
At 1st May 2008	464	462
Additions	8	2
At 30th April 2009	472	464
<b>Amortisation</b>		
At 1st May 2008	169	123
Charge in the year	42	46
At 30th April 2009	211	169
<b>Net book value</b>		
At 30th April 2009	261	295
At 30th April 2008	295	339

## 13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1st May 2008	341	24,817	25,158
Additions	8	418	426
At 30th April 2009	349	25,235	25,584
<b>Depreciation</b>			
At 1st May 2008	299	17,840	18,139
Charge in the year	14	1,784	1,798
At 30th April 2009	313	19,624	19,937
<b>Net book value</b>			
At 30th April 2009	36	5,611	5,647
At 30th April 2008	42	6,977	7,019

The net book value of plant and equipment includes £981,800 (2008: £2,904,800) in respect of assets held under finance leases.

## 14. RENTAL DEPOSIT

	2009 £'000	2008 £'000
Amount held in escrow as rental deposit	250	250

This represents an amount held in escrow as a rental deposit over the lease of the property. This deposit is repayable to the company on the expiry of the term of the lease.

## 15. INVENTORIES

	2009 £'000	2008 £'000
Raw materials	407	422
Finished goods and goods for resale	439	800
	846	1,222

## 16. TRADE AND OTHER RECEIVABLES

	2009 £'000	2008 £'000
<b>Current</b>		
Trade receivables	2,441	3,697
Less: provision for impairment of trade receivables	(4)	(5)
	2,437	3,692
Prepayments and accrued income	216	217
	2,653	3,909

The fair value of trade and other receivables approximates to book value at 30 April 2009 and 2008.

## Notes to the Financial Statements

for the year ended 30th April 2009 continued

The Company is exposed to credit risk with respect to trade receivables due from its customers. The Company currently has around 40 customers predominantly in the manufacturing and retail sectors. Provisions for bad debts are made based on management's assessment of the risk, taking into account the credit insurance levels, the ageing profile, experience and circumstance. The Directors consider that no further credit provision is required other than the provision for impairment of £4,000 (2008: £5,000).

As at 30th April 2009 trade receivables of £236,000 (2008: £131,000) were past due but not impaired. These relate to customers against whom no provision was considered necessary. The ageing analysis of these receivables is as follows:

	2009 £'000	2008 £'000
Up to 3 months	185	56
3 months to 6 months	51	73
	<b>236</b>	<b>131</b>

As at 30th April 2009 trade receivables of £4,000 (2008: £5,000) were past due, impaired and provided against. There are no significant receivables included within this provision. The Company takes a prudent view in assessing the risk of non-payment and considers provision for all debts more than 3 months in arrears unless there are specific circumstances to indicate that there is little or no risk of non-payment of these older debts.

The carrying amount of the Company's trade and other receivables are denominated in the following currencies:

	2009 £'000	2008 £'000
Sterling	2,226	3,094
Euros	427	815
	<b>2,653</b>	<b>3,909</b>

Movements on the Company provision for impairment of trade receivables are as follows:

	2009 £'000	2008 £'000
At beginning of year	5	27
Provided during the year	-	14
Amounts written-off in year	(1)	(96)
At end of year	<b>4</b>	<b>5</b>

The movement on the provision for impaired receivables has been included in administrative expenses in the accounts. Other classes of financial assets included within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above. The Company did not hold any interest swaps or forward foreign exchange contracts at the year end.

## 17. CASH AND CASH EQUIVALENTS

	2009 £'000	2008 £'000
Cash at bank	56	351

## Notes to the Financial Statements

for the year ended 30th April 2009 continued

## 18. TRADE AND OTHER PAYABLES

	2009 £'000	2008 £'000
Trade payables	1,504	3,130
Other taxes and social security	130	145
Accruals and deferred income	177	183
	<b>1,811</b>	<b>3,458</b>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The average credit period taken for trade purchases is 62 days (2008: 66 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The fair value of trade and other payables approximates to book value at 30 April 2009 and 2008.

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost, is as follows:

	2009 £'000	2008 £'000
Up to 3 months	1,811	3,458

## 19. BORROWINGS

	2009 £'000	2008 £'000
<b>Current</b>	<b>205</b>	<b>-</b>
Bank overdraft	-	85
Bank loans	328	400
Finance lease liabilities	533	485
<b>Non-current</b>	<b>251</b>	<b>522</b>
Finance lease liabilities	251	522

The effective interest rates at the balance sheet date are as follows:

	2009	2008
Bank overdraft	3.9%	6.25%
Bank loans	N/A	5.69%
Finance leases - sterling	N/A	6.0%
- euros	<b>0.8% over euribor</b>	0.8% over euribor

The bank loans and overdraft are secured by a fixed and floating charge over the Company's assets. Finance lease liabilities are secured on the assets to which the contracts relate. All borrowings are in pounds sterling apart from finance leases to the value of £571,000 (2008: £907,000) which are in euros. The Directors estimate that the fair value of the Company's borrowings is the same as the above book values as at 30th April 2009 and as at 30th April 2008.

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

# Notes to the Financial Statements

for the year ended 30th April 2009 continued

The maturity profile of the non-current borrowings as at 30th April 2009 is set out below:

	2009 £'000	2008 £'000
In more than one year but not more than two years:		
Finance lease liabilities	251	288
	251	288
In more than two years but not more than five years:		
Finance lease liabilities	-	234
	-	234

## Finance Leases

Future minimum lease payments under finance leases are as follows:

	2009 £'000	2008 £'000
Not later than one year	328	400
After one year but not more than five years	251	522
	579	922
The present value of minimum lease payments is as follows:		
Not later than one year	295	376
After one year but not more than five years	203	445
	498	821

## 20. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28%.

The movement on the deferred tax account is as follows:

	2009 £'000	2008 £'000
At 1st May 2008	165	665
Credit to profit and loss account	(165)	(500)
At 30th April 2009	-	165

## 21. SHARE CAPITAL

### Authorised:

22,500,000 (2008: 22,500,000) ordinary shares of 1p each

	2009 £'000	2008 £'000
	225,000	225,000

### Allotted, called up and fully paid:

20,135,609 (2008: 20,135,609) ordinary shares of 1p each

	2009 £'000	2008 £'000
	201,356	201,356

There was no movement in the year in the allotted share capital.

### Options

Share option under the Coral Products plc Approved Executive Share Option Scheme are in place for the directors as shown below:

	Date of grant	Option price	Number of options	Exercise date
Martin Watson	25/10/2006	20.0p	100,000	25/09/2009
Stephen Fletcher	29/11/2006	18.0p	100,000	29/11/2009

## 22. RECONCILIATION OF MOVEMENTS IN EQUITY

	Ordinary shares £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000
At 1st May 2008	201	4,558	7	3,650
Accumulated loss for the year	-	-	-	(1,298)
At 30th April 2009	201	4,558	7	2,352

### Capital redemption reserve

The capital redemption reserve arose when the company redeemed shares out of distributable profits.

## 23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009 £'000	2008 £'000
Net (decrease)/increase in cash and cash equivalents	(500)	1,940
Repayment of bank loans	85	453
Proceeds of new asset finance	-	(21)
Finance lease principal payments	343	380
Movement in net debt for the period	(72)	2,752
Net debt at beginning of period	(656)	(3,408)
Net debt at end of period	(728)	(656)

## 24. OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2009 £'000	Plant and machinery 2008 £'000
- within one year	301	146
- in the second to fifth year	730	1,191
- after five years	-	-
	1,031	1,337
	108	29

# Independent Auditors' Report to the Shareholders of Coral Products PLC

## Income Statement

for the year ended 30th April 2010

We have audited the financial statements of Coral Products PLC for the year ended 30 April 2010 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

### Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' responsibilities on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members as a body in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.ifrc.org.uk/apb/scope/ukp](http://www.ifrc.org.uk/apb/scope/ukp)

### Opinion on financial statements

In our opinion, the financial statements:

- 1) give a true and fair view of the state of the company's affairs as at 30 April 2010 and of its loss for the year then ended;
- 2) have been properly prepared in accordance with IFRS as adopted by the European Union; and
- 3) have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- 1) the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 2) the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Notes on matters which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law or not made; or
- we have not received all the information and explanations we require for our audit.

Under the listing rules, we are required to review:

- the Directors' statement in relation to going concern, set out on page 8; and
- the part of the Corporate Governance statement relating to the company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Helen Besant-Roberts (Senior Statutory Auditor)  
for and on behalf of

### Hurst & Company Accountants LLP

Chartered Accountants and Registered Auditors, Stockport

27 July 2010

	2010	2009
	£'000	£'000
<b>Continuing operations</b>		
<b>Revenue</b>	<b>12,601</b>	<b>13,567</b>
Cost of sales	(9,856)	(11,230)
<b>Gross profit</b>	<b>2,745</b>	<b>2,337</b>
<b>Operating costs</b>		
Distribution costs	(362)	(440)
Administrative expenses	(3,004)	(3,224)
<b>Operating loss</b>	<b>(621)</b>	<b>(1,327)</b>
Finance costs	(30)	(136)
<b>Loss before taxation</b>	<b>(651)</b>	<b>(1,463)</b>
Taxation	-	165
<b>Loss for the financial year</b>	<b>(651)</b>	<b>(1,298)</b>
<b>Loss per share</b>		
Basic loss per ordinary share	(3.23)p	(6.45)p
Diluted loss per ordinary share	(3.23)p	(6.45)p

## Statement of Changes in Shareholders' Equity

for the year ended 30th April 2010

	2010	2009
	£'000	£'000
<b>Opening shareholders' equity</b>	<b>7,118</b>	<b>8,416</b>
Loss for the financial year	(651)	(1,298)
Net expense recognised directly in equity	(651)	(1,298)
Share based payment charge	-	-
Changes in equity in the year	(651)	(1,298)
<b>Closing shareholders' equity</b>	<b>6,467</b>	<b>7,118</b>

# Balance Sheet

as at 30th April 2010

	note	2010 £'000	2009 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	243	261
Property, plant and equipment	13	4,626	5,647
Rental deposit	14	100	250
		<u>4,969</u>	<u>6,158</u>
<b>Current assets</b>			
Inventories	15	1,152	846
Trade and other receivables	16	2,391	2,653
Cash and cash equivalents	17	102	56
		<u>3,645</u>	<u>3,555</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities - borrowings	19	962	533
Trade and other payables	18	1,115	1,811
		<u>2,077</u>	<u>2,344</u>
<b>Net current assets</b>			
		1,568	1,211
<b>Non-current liabilities</b>			
Financial liabilities - borrowings	19	70	251
		<u>70</u>	<u>251</u>
<b>NET ASSETS</b>			
		<u>6,467</u>	<u>7,118</u>
<b>SHAREHOLDERS' EQUITY</b>			
Ordinary shares	21	201	201
Share premium	22	4,558	4,558
Other reserves	22	7	7
Retained earnings	22	1,701	2,352
		<u>6,467</u>	<u>7,118</u>

The financial statements on pages 17 to 33 were approved by the Board of Directors on 27 July 2010 and were signed on its behalf by:

Warren Ferster }  
Directors  
Stephen Fletcher }

# Cash Flow Statement

for the year ended 30th April 2010

	2010 £'000	2009 £'000
<b>Cash inflows from operating activities</b>		
Bank interest paid	222	498
Interest element of finance lease rentals	(8)	(37)
Exchange loss on finance leases	(29)	(38)
	(15)	(61)
<b>Net cash from operating activities</b>	<u>170</u>	<u>362</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(493)	(426)
Purchase of intangible assets	(29)	(8)
<b>Net cash used in investing activities</b>	<u>(522)</u>	<u>(434)</u>
<b>Cash flows from financing activities</b>		
Receipt from repayment of rental deposit	150	-
Repayment of bank loans	-	(85)
Proceeds of new asset finance	150	-
Finance lease principal payments	(314)	(343)
<b>Net cash used in financing activities</b>	<u>(14)</u>	<u>(428)</u>
<b>Net decrease in cash and cash equivalents</b>		
Cash and cash equivalents at 1st May 2009	(366)	(500)
Cash and cash equivalents at 30th April 2010	(149)	351
	<u>(515)</u>	<u>(149)</u>
<b>Cash and cash equivalents consist of:</b>		
Cash at bank	102	56
Bank overdraft	(617)	(205)
	<u>(515)</u>	<u>(149)</u>
<b>Reconciliation of operating loss to net cash inflow from operating activities</b>		
Operating loss	(621)	(1,327)
Depreciation of property, plant and equipment	1,514	1,798
Amortisation of intangible assets	47	42
(Increase)/decrease in inventories	(306)	376
Decrease in trade and other receivables	262	1,256
Decrease in trade and other payables	(674)	(1,647)
<b>Cash inflows from operating activities</b>	<u>222</u>	<u>498</u>

# Notes to the Financial Statements

for the year ended 30th April 2010

## 1. GENERAL INFORMATION

Coral Products plc is a public limited company ('Company') incorporated in the United Kingdom under the Companies Act 1985. The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is given on page 6. The nature of the Company's activities and its principle activities are set out in the Financial Review on pages 4 to 5 and the Directors Report on pages 7 to 10.

As at the date of authorisation of these financial statements, the following Standards and Interpretations, issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), have not been adopted by the Company:

IAS24	Related Party Disclosures
IAS27	Consolidated and separate Financial Statements (revised 2008)
IAS32	Financial Instruments: Presentation
IFRS2	Group cash-settled Share Based Payment Transactions (amendment)
IFRS3	Business combinations (revised 2008)
IFRS9	Financial Instruments
IFRIC14	The Limit on Defined Benefits Asset (amendment)
IFRIC17	Distributions of Non-Cash Assets to Owners
IFRIC18	Transfer of Assets from Customers
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

New standards, amendments to published standards and interpretations to existing standards effective in 2009-2010 adopted by the company

- Amendments to IAS 1 Presentation of Financial Statements. These amendments revise requirements for the presentation of the financial statements and do not affect the company's overall reported results.
- Improvements to IFRSs (2008). The amendments to IAS 1 clarify the classification of derivative financial instruments as current or non-current. This does not impact on the company's reported position.
- Amendments to IFRS 7 Financial Instruments: Disclosure. These amendments require additional disclosure of the basis of fair value measurements and liquidity risks.
- IFRS 8 Operating Segments. This standard amends the requirements for disclosure of segmental performance and does not have any effect on the company's overall reported results.
- Amendments to IAS 23 Borrowing Costs. The amendment generally eliminates the option to expense borrowing costs attributable to the acquisition, construction or production of a qualifying asset as incurred, and instead requires the capitalisation of eligible borrowing costs as part of the cost of the specific asset. There is no impact to the company's reported position.
- IFRIC 13 Customer Loyalty Programmes. This is not relevant to Coral Products Plc.
- IFRIC 15 Agreements for the Construction of Real Estate. This is not relevant to Coral Products Plc.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The company does not have any foreign operations.

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based upon management's best knowledge actual results ultimately may differ from those estimates.

A summary of the Company's principal accounting policies is set out below. These policies have been applied consistently to all the years presented.

### Going concern

The Directors have prepared the accounts on a going concern basis, which they believe to be appropriate due to the following factors:

- the Company has renewed its Invoice Discounting Line and overdraft facility extending over the next 12 months.
- the Directors have prepared financial forecasts for the forthcoming 12 months which show that the company can operate within its facilities.

### Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments. The Directors consider the Company's operations as one business segment.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company considers it operates in one geographical segment.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are shipped and title has passed.

### Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the period.

### Pension contributions

The Company contributes to defined contribution pension schemes and the pension charge represents the amount payable for that period. The Company has no defined benefit arrangements in place.



# Notes to the Financial Statements

for the year ended 30th April 2010 continued

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

## Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost, on a 'first in first out' basis, less residual value of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Moulds	-	10-25%
Plant and machinery	-	10%
Fixtures and fittings	-	10-33%
Buildings	-	2%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

## Intangible assets

Intangible assets comprise primarily licence fees paid in advance for the use of trade marks and technology. Such assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over their estimated useful lives of 10 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

## Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods manufactured includes appropriate materials, labour and production overhead expenditure. Net realisable value is the estimated selling price less the costs of disposal. Provision is made to write down obsolete or slow-moving inventory to their net realisable value.

## Financial Assets

Financial assets are recognised at fair value on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

## Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally from the provision of goods and services to customers, e.g. trade receivables. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents include cash in hand deposits held at call with banks. The Company has no bank overdraft at the year end.

## Financial Liabilities

Financial liabilities include the following items:-

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding;
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

## Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## Leased Assets

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term.

## Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances together with bank overdrafts that are repayable on demand.

## Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are outlined below.

### Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these estimated lives requires the exercise of management judgement.

### Inventory valuation

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment, and inventory loss trends.

## 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company is exposed through its operations to one or more of the following financial risks:

- Market price risk
  - Fair value or cash flow interest rate risk
  - Foreign currency risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Finance Director. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

### Principal Financial Instruments

The principal financial instruments used by the Company, from which financial risk arises, are as follows:

- Trade receivables
- Cash at bank
- Trade and other payables
- Interest rate swaps
- Forward currency contracts
- Finance leases, operating leases and hire purchase agreements.

### Market Risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

### Interest rate risk

The Company is exposed to movements in interest rates in currencies in which it has borrowings, namely sterling and euros, and this risk is controlled by managing the proportion of fixed to variable rates within limits. Interest rate swaps are used to achieve the desired mix if the board consider the proportion to be outside the limits. The Company uses a mixture of fixed and variable rate loan and finance lease facilities in order to mitigate its interest rate exposure. In addition, interest rate swaps are used in order to manage interest rate risk.

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

## Foreign currency risk

The Company conducts business in both sterling and euros. As a result, the Company is exposed to foreign exchange risks, which will affect transaction costs and the translation of debtor and creditor balances. A significant amount of the Company's raw material purchases are in euros and this helps to provide a natural match to the exposure from sales of that currency. In addition, when forecasts indicate that sales in euros will be significantly above purchases, the Company will look to hedge foreign currency transactional exposures by taking out forward foreign exchange contracts. Further hedging has been obtained by acquiring finance lease facilities in euros which offset euro capital expenditure and income flows.

## Liquidity Risk

Borrowing facilities are monitored against the Company's forecast requirements and the Company mitigates financial risk by staggering the maturity of borrowings and by maintaining undrawn committed facilities.

## Credit Risk

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. The Company regularly monitors the credit ratings of its counterparties and controls the amount of credit risk by adhering to limits set by the board. The Company has credit insurance in place to safeguard it from potential bad debt losses from customers. The Company maintains debtor levels within the insured limits unless it has strong grounds for allowing increases. As a consequence of these controls, the probability of material loss is considered to be at an acceptable level.

## Capital Disclosures

Capital comprises share capital, share premium and other reserves.

The Company's objective when maintaining capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## Sensitivity Analysis

Whilst the Company takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates will have an impact on profit.

The annualised effect of a 1% increase in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables being held constant, have resulted in a decrease of the Company's post-tax profit for the year of £5,000.

A 1% decrease in the interest rate would, on the same basis, have increased post-tax profits by the same amount.

The Company's foreign exchange risk is dependent on the movement in the euro to sterling exchange rate. The effect of a 5% strengthening in the euro against sterling at the balance sheet date on the euro denominated debt at the date and on the annualised interest on that amount would, all other variables being held constant, have resulted in a decrease in the post-tax profit for the year of £40,000. A 5% weakening in the exchange rate would, on the same basis, have increased post-tax profit by £44,000.

## 5. REVENUE

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

	2010 £'000	2009 £'000
Continuing operations		
UK	9,700	10,219
Rest of Europe	2,901	3,348
	<b>12,601</b>	<b>13,567</b>

## 6. FINANCE COSTS

	2010 £'000	2009 £'000
Interest payable on bank borrowings	16	35
Interest receivable on tax reclaim	(30)	-
Interest payable on other loans	-	2
Interest payable on finance leases	29	38
Exchange loss on finance leases	15	61
	<b>30</b>	<b>136</b>

## 7. LOSS BEFORE TAXATION

This is stated after charging the following:

	2010 £'000	2009 £'000
Staff costs (note B)	2,151	2,027
Bad debt provision – expense	(4)	4
Cost of inventories recognised as expense	7,155	7,954
Exchange rate (loss)/gain on currencies	(23)	118
<b>Depreciation of property, plant and equipment:</b>		
- owned assets	1,289	1,663
- under finance leases	225	135
Amortisation of intangibles	47	42
<b>Rentals under operating leases</b>		
- hire of plant and machinery	31	31
- land and buildings	254	313
Auditors' remuneration for statutory audit services	20	21
Auditors' fees for non-audit services-tax compliance	2	5

## 8. STAFF COSTS

Average number of employees comprised:

	2010 £'000	2009 £'000
Production	66	66
Selling and distribution	11	11
Administration	4	4
	<b>81</b>	<b>81</b>

Their aggregate remuneration comprised:

	2010 £'000	2009 £'000
Wages and salaries	1,915	1,800
Social security costs	183	177
Other pension costs	53	50
	<b>2,151</b>	<b>2,027</b>

Details of Directors' emoluments are shown in the Directors' Remuneration Report. Share options under the Coral Products plc Approved Executive Share Option Scheme are in place for the Directors as shown in the Directors' Report on page 7. Key management are considered the executive Directors whose remuneration is set out on page 15.

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

## 9. TAXATION

The charge for taxation on the profit for the financial year is as follows:

	2010 £'000	2009 £'000
<b>Current tax</b>		
UK corporation tax at 28% (2008:30%)	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax	-	(165)
Total taxation credit	-	(165)
<b>Reconciliation of tax credit</b>		
Loss on ordinary activities before tax	(651)	(1,463)
Tax on loss on ordinary activities at 28% standard rate of tax (2008: 28%)	(182)	(410)
Effects of temporary differences	182	245
Total taxation credit	-	(165)

## 10. EARNINGS PER ORDINARY SHARE

The basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders for the financial period by the weighted average number of shares in issue. In calculating the diluted profit share, share options outstanding have been taken into account.

	2010	2009
Loss for the year (£'000)	(651)	(1,298)
Weighted average number of shares (number)	20,135,609	20,135,609
Basic loss per ordinary share	(3.23)p	(6.45)p
Diluted loss per ordinary share	(3.23)p	(6.45)p

## 11. DIVIDENDS PAID AND PROPOSED

No dividend has been declared and paid during the year ended 30 April 2010 (2009: nil).  
No dividend has been proposed (2009: £nil).

## 12. INTANGIBLE ASSETS

	2010 £'000	2009 £'000
<b>Cost</b>		
At 1st May 2009	472	464
Additions	29	8
At 30th April 2010	501	472
<b>Amortisation</b>		
At 1st May 2009	211	169
Charge in the year	47	42
At 30th April 2010	258	211
<b>Net book value</b>		
At 30th April 2010	243	261
At 30th April 2009	261	295

Intangible assets represent the cost of licences acquired for the production of media cases.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1st May 2009	349	25,235	25,584
Additions	11	482	493
Disposals	(256)	(416)	(672)
At 30th April 2010	104	25,301	25,405
<b>Depreciation</b>			
At 1st May 2009	313	19,624	19,937
Charge in the year	19	1,495	1,514
Eliminated on disposal	(256)	(416)	(672)
At 30th April 2010	76	20,703	20,779
<b>Net book value</b>			
At 30th April 2010	28	4,598	4,626
At 30th April 2009	36	5,611	5,647

The net book value of plant and equipment includes £1,165,300 (2009: £981,800) in respect of assets held under finance leases.

	Fixtures and Fittings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1st May 2008	341	24,817	25,158
Additions	8	418	426
At 30th April 2009	349	25,235	25,584
<b>Depreciation</b>			
At 1st May 2008	299	17,840	18,139
Charge in the year	14	1,784	1,798
At 30th April 2009	313	19,624	19,937
<b>Net book value</b>			
At 30th April 2009	36	5,611	5,647
At 30th April 2008	42	6,977	7,019

## 14. RENTAL DEPOSIT

	2010 £'000	2009 £'000
Amount held in escrow as rental deposit	100	250

This represents an amount held in escrow as a rental deposit over the lease of the property. This deposit is repayable to the company on the expiry of the term of the lease.

## 15. INVENTORIES

	2010 £'000	2009 £'000
Raw materials	566	407
Finished goods and goods for resale	586	439
	1,152	846

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

## 16. TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
<b>Current</b>		
Trade receivables	2,205	2,441
Less: provision for impairment of trade receivables	-	(4)
	<b>2,205</b>	<b>2,437</b>
Prepayments and accrued income	186	216
	<b>2,391</b>	<b>2,653</b>

The fair value of trade and other receivables approximates to book value at 30 April 2010 and 2009.

The Company is exposed to credit risk with respect to trade receivables due from its customers. The Company currently has around 40 customers predominantly in the manufacturing and retail sectors. Provisions for bad debts are made based on management's assessment of the risk, taking into account the credit insurance levels, the ageing profile, experience and circumstance. The Directors consider that no further credit provision is required other than the provision for impairment of nil (2009: £4,000).

As at 30th April 2010 trade receivables of £207,000 (2009: £236,000) were past due but not impaired. These relate to customers against whom no provision was considered necessary. The ageing analysis of these receivables is as follows:

	2010 £'000	2009 £'000
Up to 3 months	135	185
3 months to 6 months	72	51
	<b>207</b>	<b>236</b>

As at 30th April 2010 trade receivables of nil (2009: £4,000) were past due, impaired and provided against. There are no significant receivables included within this provision. The Company takes a prudent view in assessing the risk of non-payment and considers provision for all debts more than 3 months in arrears unless there are specific circumstances to indicate that there is little or no risk of non-payment of these older debts.

The carrying amount of the Company's trade and other receivables are denominated in the following currencies:

	2010 £'000	2009 £'000
Sterling	2,062	2,226
Euros	329	427
	<b>2,391</b>	<b>2,653</b>

Movements on the Company provision for impairment of trade receivables are as follows:

	2010 £'000	2009 £'000
At beginning of year	4	5
Provided during the year	-	-
Amounts written-off in year	(4)	(1)
At end of year	-	4

The movement on the provision for impaired receivables has been included in administrative expenses in the accounts. Other classes of financial assets included within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above. The Company did not hold any interest swaps or forward foreign exchange contracts at the year end.

## 17. CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Cash at bank	102	56

## 18. TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Trade payables	883	1,504
Other taxes and social security	167	130
Accruals and deferred income	65	177
	<b>1,115</b>	<b>1,811</b>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The average credit period taken for trade purchases is 42 days (2009: 62 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The fair value of trade and other payables approximates to book value at 30 April 2010 and 2009.

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost, is as follows:

	2010 £'000	2009 £'000
Up to 3 months	1,115	1,811

## 19. BORROWINGS

<b>Current</b>		
Bank overdraft	617	205
Finance lease liabilities	345	328
	<b>962</b>	<b>533</b>
<b>Non-current</b>		
Finance lease liabilities	70	251
	<b>70</b>	<b>251</b>

The effective interest rates at the balance sheet date are as follows:

	2010	2009
Bank overdraft	3.5%	3.9%
Finance leases - sterling	7.6%	N/A
Finance leases - euros	0.8% over euribor	0.8% over euribor

The bank loans and overdraft are secured by a fixed and floating charge over the Company's assets. Finance lease liabilities are secured on the assets to which the contracts relate. All borrowings are in pounds sterling apart from finance leases to the value of £289,000 (2009: £571,000) which are in euros. The Directors estimate that the fair value of the Company's borrowings is the same as the above book values as at 30th April 2010 and as at 30th April 2009.

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

# Notes to the Financial Statements

for the year ended 30th April 2010 continued

The maturity profile of the non-current borrowings as at 30th April 2010 is set out below:

	2010 £'000	2009 £'000
In more than one year but not more than two years:		
Finance lease liabilities	50	251
	<u>50</u>	<u>251</u>
In more than two years but not more than five years:		
Finance lease liabilities	20	-
	<u>20</u>	<u>-</u>

### Undrawn Borrowing Facilities

The company has a maximum Invoice Discounting Facility of £1.5m, subject to debtor levels and restrictions, together with a £50,000 bank overdraft facility. At the year end £0.69m of the Invoice Discounting Facility and all the overdraft facility was undrawn.

### Finance Leases

Future minimum lease payments under finance leases are as follows:

	2010 £'000	2009 £'000
Not later than one year	345	328
After one year but not more than five years	70	251
	<u>415</u>	<u>579</u>
The present value of minimum lease payments is as follows:		
Not later than one year	320	295
After one year but not more than five years	61	203
	<u>381</u>	<u>498</u>

### 20. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28%.

The movement on the deferred tax account is as follows:

	2010 £'000	2009 £'000
At 1st May 2009	-	165
Credit to profit and loss account	-	(165)
At 30th April 2010	<u>-</u>	<u>-</u>

### 21. SHARE CAPITAL

#### Authorised:

22,500,000 (2009: 22,500,000) ordinary shares of 1p each

225,000 225,000

#### Allotted, called up and fully paid:

20,135,609 (2009: 20,135,609) ordinary shares of 1p each

201,356 201,356

There was no movement in the year in the allotted share capital.

### Options

Share option under the Coral Products plc Approved Executive Share Option Scheme are in place for the Directors as shown below:

	Date of grant	Option price	Number of options	Exercise period
Martin Watson	25/10/2006	20.0p	100,000	25/10/09 to 25/10/16
Stephen Fletcher	29/11/2006	18.0p	100,000	29/11/09 to 29/11/16

### 22. RECONCILIATION OF MOVEMENTS IN EQUITY

	Ordinary shares £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000
At 1st May 2009	201	4,558	7	2,352
Accumulated loss for the year	-	-	-	(651)
At 30th April 2010	<u>201</u>	<u>4,558</u>	<u>7</u>	<u>1,701</u>
At 1st May 2008	201	4,558	7	3,650
Accumulated loss for the year	-	-	-	(1,298)
At 30th April 2009	<u>201</u>	<u>4,558</u>	<u>7</u>	<u>2,352</u>

### Capital redemption reserve

The capital redemption reserve arose when the company redeemed shares out of distributable profits.

### 23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2010 £'000	2009 £'000
Net decrease in cash and cash equivalents	(366)	(500)
Repayment of bank loans	-	85
Proceeds of new asset finance	(150)	-
Finance lease principal payments	314	343
Movement in net debt for the period	(202)	(72)
Net debt at beginning of period	(728)	(656)
Net debt at end of period	<u>(930)</u>	<u>(728)</u>

### 24 . OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2010 £'000	Plant and machinery 2009 £'000
- within one year	152	301
- in the second to fifth year	965	730
- after five years	<u>2,947</u>	<u>-</u>
	<u>4,064</u>	<u>78</u>

The company is a lessee of both land and buildings and plant and machinery. During the year the company agreed a new 15 year operating lease over the rental of its land and buildings. Lease payments recognised in the Income Statement in the year are shown in note 7 on page 27.

# Independent Auditors' Report to the Shareholders of Coral Products PLC

We have audited the financial statements of Coral Products PLC for the year ended 30 April 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

## Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' responsibilities on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.ifc.org/apb/scope/private.cfm](http://www.ifc.org/apb/scope/private.cfm)

## Opinion on financial statements

In our opinion, the financial statements:

- 1) give a true and fair view of the state of the company's affairs as at 30 April 2011 and of its loss for the year then ended;
- 2) have been properly prepared in accordance with IFRS as adopted by the European Union; and
- 3) have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- 1) the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 2) the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Notes on matters which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law or not made; or
- we have not received all the information and explanations we require for our audit.

Under the listing rules, we are required to review:

- the Directors' statement in relation to going concern, set out on page 11; and
  - the part of the Corporate Governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.
- certain elements of the report to the shareholders by the Board on Directors remuneration.

Helen Besant-Roberts (Senior Statutory Auditor)

for and on behalf of

**Hurst & Company Accountants LLP**

Chartered Accountants and Statutory Auditors, Stockport

5 August 2011

## Income Statement

for the year ended 30th April 2011

	2011	2010
	£'000	£'000
<b>Continuing operations</b>		
Revenue	13,194	12,601
Cost of sales	(10,755)	(9,856)
<b>Gross profit</b>	<b>2,439</b>	<b>2,745</b>
<b>Operating costs</b>		
Distribution costs	(996)	(362)
Administrative expenses	(2,743)	(3,004)
<b>Operating loss</b>	<b>(700)</b>	<b>(621)</b>
Finance costs	(53)	(30)
<b>Loss before taxation</b>	<b>(753)</b>	<b>(651)</b>
Taxation	-	-
<b>Loss for the financial year</b>	<b>(753)</b>	<b>(651)</b>
<b>Loss per share</b>		
Basic loss per ordinary share	(3.74)p	(3.23)p
Diluted loss per ordinary share	(3.74)p	(3.23)p

## Statement of Changes in Shareholders' Equity

for the year ended 30th April 2011

	2011	2010
	£'000	£'000
<b>Opening shareholders' equity</b>	<b>6,467</b>	<b>7,118</b>
Loss for the financial year	(753)	(651)
<b>Closing shareholders' equity</b>	<b>5,714</b>	<b>6,467</b>

## Statement of Comprehensive Income

for the year ended 30th April 2011

	2011	2010
	£'000	£'000
Loss for the financial year	(753)	(651)
<b>Total comprehensive income for the year</b>	<b>(753)</b>	<b>(651)</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

**Balance Sheet**  
as at 30th April 2011

Company reference: 2429784

**Cash Flow Statement**  
for the year ended 30th April 2011

	2011	2010
	£'000	£'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	217	243
Property, plant and equipment	3,894	4,626
Rental deposit	50	100
	<b>4,261</b>	<b>4,969</b>
<b>Current assets</b>		
Inventories	1,689	1,152
Trade and other receivables	2,596	2,391
Cash and cash equivalents	5	102
	<b>4,290</b>	<b>3,645</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities - borrowings	893	962
Trade and other payables	1,925	1,115
	<b>2,818</b>	<b>2,077</b>
<b>Net current assets</b>	<b>1,472</b>	<b>1,568</b>
<b>Non-current liabilities</b>		
Financial liabilities - borrowings	19	70
	<b>19</b>	<b>70</b>
<b>NET ASSETS</b>	<b>5,714</b>	<b>6,467</b>
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares	201	201
Share premium	4,558	4,558
Other reserves	7	7
Retained earnings	948	1,701
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,714</b>	<b>6,467</b>
The financial statements on pages 19 to 35 were approved by the Board of Directors on 5 August 2011 and were signed on its behalf by:		
<b>Warren Ferster</b>		Directors
<b>Stephen Fletcher</b>		
The accompanying accounting policies and notes form an integral part of these financial statements.		

	2011	2010
	£'000	£'000
<b>Cash inflows from operating activities</b>	<b>670</b>	<b>222</b>
Bank interest paid	(25)	(8)
Interest element of finance lease rentals	(10)	(29)
Exchange loss on finance leases	(18)	(15)
<b>Net cash from operating activities</b>	<b>617</b>	<b>170</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(614)	(493)
Purchase of intangible assets	(30)	(29)
<b>Net cash used in investing activities</b>	<b>(644)</b>	<b>(522)</b>
<b>Cash flows from financing activities</b>		
Receipt from repayment of rental deposit	50	150
Proceeds of new asset finance	-	150
Finance lease principal payments	(356)	(314)
<b>Net cash used in financing activities</b>	<b>(306)</b>	<b>(14)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(333)</b>	<b>(366)</b>
Cash and cash equivalents at 1st May 2010	<b>(515)</b>	<b>(149)</b>
Cash and cash equivalents at 30th April 2011	<b>(848)</b>	<b>(515)</b>
<b>Cash and cash equivalents consist of:</b>		
Cash at bank	5	102
Bank overdraft	(853)	(617)
	<b>(848)</b>	<b>(515)</b>
<b>Reconciliation of operating loss to net cash inflow from operating activities</b>		
Operating loss	(700)	(621)
Depreciation of property, plant and equipment	1,246	1,514
Amortisation of intangible assets	56	47
(Increase) in inventories	(537)	(306)
(Increase) / decrease in trade and other receivables	(205)	262
Increase / (decrease) in trade and other payables	810	(674)
<b>Cash inflows from operating activities</b>	<b>670</b>	<b>222</b>



# Notes to the Financial Statements

for the year ended 30th April 2011

## 1. GENERAL INFORMATION

Coral Products plc is a public limited company ('Company') incorporated in the United Kingdom under the Companies Act 1985. The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is given on page 8. The nature of the Company's activities and its principle activities are set out in the Financial Review on pages 6 to 7 and the Directors Report on pages 9 to 12.

The Directors have considered all new and amended Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Reporting Interpretations Committee (IFRIC). No standards or interpretations have had a material impact on the preparations of the financial statements.

As at the date of authorisation of these financial statements, the following Standards and Interpretations, have been issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), but are not yet effective and, therefore, have not been adopted by the Company:

### Standards

IFRS 9	-	Financial Instruments (Issued Nov 2009)
IFRS 10	-	Consolidated Financial Statements (Issued May 2011)
IFRS 11	-	Joint Arrangements (Issued May 2011)
IFRS 12	-	Disclosures of Interests in Other Entities (Issued May 2011)
IFRS 13	-	Fair Value Measurement (Issued May 2011)
IAS 27	-	Separate Financial Statements (Issued May 2011)
IAS 28	-	Investments in Associates and Joint Ventures (Issued May 2011)

### Amendments

Amendments to IFRS 7 Financial Instruments: Disclosures (Issued Oct 2010)  
 Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12)  
 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendments to IFRS 1)

# Notes to the Financial Statements

for the year ended 30th April 2011 continued

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based upon management's best knowledge actual results ultimately may differ from those estimates.

A summary of the Company's principal accounting policies is set out below. These policies have been applied consistently to all the years presented.

### Going concern

In adopting the going concern basis for preparing the financial statements, the Board have considered the business activities as set out in the Operating Review and the Financial Review as well as the Company's principal risks and uncertainties as set out in the Corporate Governance Statement. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company will be able to operate within the level of its facilities for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing its financial statements. The Company has renewed its Invoice Discounting Line and overdraft facility extending over the next 12 months.

### Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments. The Directors have considered the different business activities undertaken by the company. The company is organised around the separating segment that being its core market, therefore its operations have been reported as being one business segment.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company considers it operates in one geographical segment.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are shipped and title has passed.

### Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the period.

### Pension contributions

The Company contributes to defined contribution pension schemes and the pension charge represents the amount payable for that period. The Company has no defined benefit arrangements in place.

# Notes to the Financial Statements

for the year ended 30th April 2011 continued

# Notes to the Financial Statements

for the year ended 30th April 2011 continued

## Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The unrecognised deferred tax asset relates to losses carried forward.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost less residual value of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Moulds	-	10-25%
Plant and machinery	-	10%
Fixtures and fittings	-	10-33%
Buildings	-	2%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

## Intangible assets

Intangible assets comprise primarily licence fees paid in advance for the use of trade marks and technology. Such assets are defined as having finite useful lives and the costs are amortised on a straight-line basis over their estimated useful lives of 10 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

## Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods manufactured includes appropriate materials, labour and production overhead expenditure. Net realisable value is the estimated selling price less the costs of disposal. Provision is made to write down obsolete or slow-moving inventory to their net realisable value.

## Financial Assets

Financial assets are recognised at fair value on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

## Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, e.g. trade receivables. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's loans and receivables comprise trade and other receivables.

Cash and cash equivalents include cash in hand deposits held at call with banks. The Company has no bank overdraft at the year end.

### Financial Liabilities

Financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding;
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Leased Assets

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances together with bank overdrafts that are repayable on demand.

### Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are outlined below.

#### Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these estimated lives requires the exercise of management judgement.

#### Inventory valuation

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment, and inventory loss trends.

### 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company is exposed through its operations to one or more of the following financial risks:

- Market price risk
  - Fair value or cash flow interest rate risk
  - Foreign currency risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Finance Director. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### Principal Financial Instruments

The principal financial instruments used by the Company, from which financial risk arises, are as follows:

- Trade receivables
- Cash at bank
- Trade and other payables
- Finance leases, operating leases and hire purchase agreements.

#### Market Risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

#### Interest rate risk

The Company is exposed to movements in interest rates in currencies in which it has borrowings, namely sterling and euros, and this risk is controlled by managing the proportion of fixed to variable rates within limits. Interest rate swaps are used to achieve the desired mix if the board consider the proportion to be outside the limits. The Company uses a mixture of fixed and variable rate loan and finance lease facilities in order to mitigate its interest rate exposure. In addition, interest rate swaps are used in order to manage interest rate risk.

# Notes to the Financial Statements

for the year ended 30th April 2011 continued

# Notes to the Financial Statements

for the year ended 30th April 2011 continued

## Foreign currency risk

The Company conducts business in both sterling and euros. As a result, the Company is exposed to foreign exchange risks, which will affect transaction costs and the translation of debtor and creditor balances. A significant amount of the Company's raw material purchases are in euros and this helps to provide a natural match to the exposure from sales of that currency. In addition, when forecasts indicate that sales in euros will be significantly above purchases, the Company will look to hedge foreign currency transactional exposures by taking out forward foreign exchange contracts. Further hedging has been obtained by acquiring finance lease facilities in euros which offset euro capital expenditure and income flows.

## Liquidity Risk

Borrowing facilities are monitored against the Company's forecast requirements and the Company mitigates financial risk by staggering the maturity of borrowings and by maintaining undrawn committed facilities.

## Credit Risk

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. The Company regularly monitors the credit ratings of its counterparties and controls the amount of credit risk by adhering to limits set by the board. The Company has credit insurance in place to safeguard it from potential bad debt losses from customers. The Company maintains debtor levels within the insured limits unless it has strong grounds for allowing increases. As a consequence of these controls, the probability of material loss is considered to be at an acceptable level.

## Capital Disclosures

Capital comprises share capital, share premium and other reserves.

The Company's objective when maintaining capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## Sensitivity Analysis

Whilst the Company takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates will have an impact on profit.

The annualised effect of a 1% increase in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables being held constant, have resulted in a decrease of the Company's post-tax profit for the year of £5,000.

A 1% decrease in the interest rate would, on the same basis, have increased post-tax profits by the same amount.

The Company's foreign exchange risk is dependent on the movement in the euro to sterling exchange rate. The effect of a 5% strengthening in the euro against sterling at the balance sheet date on the euro denominated debt at the date and on the annualised interest on that amount would, all other variables being held constant, have resulted in a decrease in the post-tax profit for the year of £40,000. A 5% weakening in the exchange rate would, on the same basis, have increased post-tax profit by £44,000.

## 5. REVENUE

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

	2011 £'000	2010 £'000
Continuing operations		
UK	11,092	9,700
Rest of Europe	2,102	2,901
	<u>13,194</u>	<u>12,601</u>

## 6. FINANCE COSTS

	2011 £'000	2010 £'000
Interest payable on bank borrowings	25	16
Interest receivable on tax reclaim	-	(30)
Interest payable on finance leases	10	29
Exchange loss on finance leases	18	15
	<u>53</u>	<u>30</u>

## 7. LOSS BEFORE TAXATION

	2011 £'000	2010 £'000
This is stated after charging the following:		
Staff costs (note 8)	2,324	2,151
Bad debt provision – expense	-	(4)
Cost of inventories recognised as expense	7,923	7,155
Exchange rate loss on currencies	18	(23)
<b>Depreciation of property, plant and equipment:</b>		
- owned assets	1,156	1,289
- under finance leases	90	225
Amortisation of intangibles	56	47
<b>Rentals under operating leases</b>		
- hire of plant and machinery	31	31
- land and buildings	152	254
Auditors' remuneration for statutory audit services	24	20
Auditors' fees for non-audit tax compliance	-	2

## 8. STAFF COSTS

	2011 £'000	2010 £'000
Average number of employees comprised:		
Production	73	66
Selling and distribution	11	11
Administration	4	4
	<u>88</u>	<u>81</u>
Their aggregate remuneration comprised:		
Wages and salaries	2,072	1,915
Social security costs	198	183
Other pension costs	54	53
	<u>2,324</u>	<u>2,151</u>

Details of Directors' emoluments are shown in the Directors' Remuneration Report on page 17. Key management are considered the executive Directors.

**9. TAXATION**

The charge for taxation on the profit for the financial year is as follows:

	2011 £'000	2010 £'000
<b>Current tax</b>		
UK Corporation Tax at 28% (2010:28%)	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax	-	-
Total taxation	-	-
<b>Reconciliation of tax credit</b>		
Loss on ordinary activities before tax	(753)	(651)
Tax on loss on ordinary activities at 28% standard rate of tax (2010: 28%)	(211)	(182)
Effects of temporary differences	211	182
Total taxation credit	-	-

The Company has not recognised a deferred tax asset of £600,000 (2010: £650,000) in relation to tax losses carried forward.

**10. EARNINGS PER ORDINARY SHARE**

The basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders for the financial period by the weighted average number of shares in issue. In calculating the diluted profit share, share options outstanding have been taken into account.

	2011	2010
Loss for the year (£'000)	(753)	(651)
Weighted average number of shares (number)	20,135,609	20,135,609
Basic loss per ordinary share	(3.74)p	(3.23)p
Diluted loss per ordinary share	(3.74)p	(3.23)p

The Company has not recognised a deferred tax asset of £600,000 (2010: £650,000) in relation to tax losses carried forward.

**11. DIVIDENDS PAID AND PROPOSED**

No dividend has been declared and paid during the year ended 30 April 2011 (2010: £nil).  
No dividend has been proposed (2010: £nil).

**12. INTANGIBLE ASSETS**

	2011 £'000	2010 £'000
<b>Cost</b>		
At 1st May 2010	501	472
Additions	30	29
At 30th April 2011	531	501
<b>Amortisation</b>		
At 1st May 2010	258	211
Charge in the year	56	47
At 30th April 2011	314	258
<b>Net book value</b>		
At 30th April 2011	217	243
At 30th April 2010	243	261

Intangible assets represent the cost of licences acquired for the production of media cases and design costs for new products.

**13. PROPERTY, PLANT AND EQUIPMENT**

	Fixtures and Fittings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1st May 2010	104	25,301	25,405
Additions	2	612	614
At 30th April 2011	106	25,913	26,019
<b>Depreciation</b>			
At 1st May 2010	76	20,703	20,779
Charge in the year	18	1,228	1,246
At 30th April 2011	94	21,931	22,025
<b>Net book value</b>			
At 30th April 2011	12	3,982	3,994
At 30th April 2010	28	4,598	4,626

The net book value of plant and equipment includes £941,000 (2010: £1,165,300) in respect of assets held under finance leases.

	Fixtures and Fittings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1st May 2009	349	25,235	25,584
Additions	11	482	493
Disposals	(256)	(416)	(672)
At 30th April 2010	104	25,301	25,405
<b>Depreciation</b>			
At 1st May 2009	313	19,624	19,937
Charge in the year	19	1,495	1,514
Eliminated on disposal	(256)	(416)	(672)
At 30th April 2010	76	20,703	20,779
<b>Net book value</b>			
At 30th April 2010	28	4,598	4,626
At 30th April 2009	36	5,611	5,647

**14. RENTAL DEPOSIT**

	2011 £'000	2010 £'000
Amount held in escrow as rental deposit	50	100

This represents an amount held in escrow as a rental deposit over the lease of the property. This deposit is repayable to the company on the expiry of the term of the lease.

**15. INVENTORIES**

	2011 £'000	2010 £'000
Raw materials	608	566
Finished goods and goods for resale	1,081	586
	1,689	1,152

# Notes to the Financial Statements

for the year ended 30th April 2011 continued

## 16. TRADE AND OTHER RECEIVABLES

	2011 £'000	2010 £'000
<b>Current</b>		
Trade receivables	2,409	2,205
Less: provision for impairment of trade receivables	-	-
	<b>2,409</b>	<b>2,205</b>
Prepayments and accrued income	187	186
	<b>2,596</b>	<b>2,391</b>

The fair value of trade and other receivables approximates to book value at 30 April 2011 and 2010.

The Company is exposed to credit risk with respect to trade receivables due from its customers. The Company currently has around 30 customers predominantly in the manufacturing and retail sectors. Provisions for bad debts are made based on management's assessment of the risk, taking into account the credit insurance levels, the ageing profile, experience and circumstance. The Directors consider that no credit provision is required and no provision for impairment (2010: £nil).

As at 30th April 2011 trade receivables of £42,000 (2010: £207,000) were past due but not impaired. These relate to customers against whom no provision was considered necessary. The ageing analysis of these receivables is as follows:

	2011 £'000	2010 £'000
Up to 3 months	40	135
3 months to 6 months	2	72
	<b>42</b>	<b>207</b>

As at 30th April 2011 trade receivables of nil (2010: £nil) were past due, impaired and provided against. There are no significant receivables included within this provision. The Company takes a prudent view in assessing the risk of non-payment and considers provision for all debts more than 3 months in arrears unless there are specific circumstances to indicate that there is little or no risk of non-payment of these older debts.

The carrying amount of the Company's trade and other receivables are denominated in the following currencies:

	2011 £'000	2010 £'000
Sterling	1,797	2,062
Euros	612	329
	<b>2,409</b>	<b>2,391</b>

Movements on the Company provision for impairment of trade receivables are as follows:

	2011 £'000	2010 £'000
At beginning of year	-	4
Provided during the year	-	-
Amounts written-off in year	-	(4)
At end of year	-	-

The movement on the provision for impaired receivables has been included in administrative expenses in the accounts. Other classes of financial assets included within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above. The Company did not hold any interest swaps or forward foreign exchange contracts at the year end.

# Notes to the Financial Statements

for the year ended 30th April 2011 continued

## 17. CASH AND CASH EQUIVALENTS

	2011 £'000	2010 £'000
Cash at bank	5	102

## 18. TRADE AND OTHER PAYABLES

	2011 £'000	2010 £'000
Trade payables	1,597	883
Other taxes and social security	172	65
Accruals and deferred income	156	167
	<b>1,925</b>	<b>1,115</b>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days (2010: 42 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value. The fair value of trade and other payables approximates to book value at 30 April 2011 and 2010.

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost, is as follows:

	2011 £'000	2010 £'000
Up to 3 months	1,925	1,115

## 19. BORROWINGS

	2011 £'000	2010 £'000
<b>Current</b>		
Bank overdraft	853	617
Finance lease liabilities	40	345
	<b>893</b>	<b>962</b>
<b>Non-current</b>		
Finance lease liabilities	19	70
	<b>19</b>	<b>70</b>

The effective interest rates at the balance sheet date are as follows:

	2011	2010
Bank overdraft	2.8%	2.8%
Finance leases - sterling	7.6%	7.6%
- euros	0.8% over euribor	0.8% over euribor

The bank loans and overdraft are secured by a fixed and floating charge over the Company's assets. Finance lease liabilities are secured on the assets to which the contracts relate. All borrowings are in pounds sterling apart from finance leases to the value of £nil (2010: £289,000) which are in euros. The Directors estimate that the fair value of the Company's borrowings is the same as the above book values as at 30th April 2011 and as at 30th April 2010.

The maturity profile of the non-current borrowings as at 30th April 2010 is set out below:

	2011 £'000	2010 £'000
In more than one year but not more than two years: Finance lease liabilities	19	50
In more than two years but not more than five years: Finance lease liabilities	-	20

#### Undrawn Borrowing Facilities

The company has a maximum Invoice Discounting Facility of £1.5m, subject to debtor levels and restrictions, together with a £50,000 bank overdraft facility. At the year end £0.69m of the Invoice Discounting Facility and all the overdraft facility was undrawn.

#### Finance Leases

Future minimum lease payments under finance leases are as follows:

	2011 £'000	2010 £'000
Not later than one year	40	345
After one year but not more than five years	19	70
The present value of minimum lease payments is as follows: Not later than one year	35	320
After one year but not more than five years	17	61
	52	381

#### 20. SHARE CAPITAL

	2011 £	2010 £
<b>Authorised:</b>		
22,500,000 (2010:22,500,000) ordinary shares of 1p each	225,000	225,000
<b>Allotted, called up and fully paid:</b>		
20,135,609 (2010:20,135,609) ordinary shares of 1p each	201,356	201,356

There was no movement in the year in the allotted share capital.

#### 21. RECONCILIATION OF MOVEMENTS IN EQUITY

	Ordinary shares £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000
At 1st May 2010	201	4,558	7	1,701
Accumulated loss for the year	-	-	-	(753)
At 30th April 2011	201	4,558	7	948
At 1st May 2009	201	4,558	7	2,352
Accumulated loss for the year	-	-	-	(651)
At 30th April 2010	201	4,558	7	1,701

#### Capital redemption reserve

The capital redemption reserve arose when the company redeemed shares out of distributable profits.

#### 22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011 £'000	2010 £'000
Net decrease in cash and cash equivalents	(333)	(366)
Proceeds of new asset finance	-	(150)
Finance lease principal payments	356	314
Movement in net debt for the period	23	(202)
Net debt at beginning of period	(930)	(728)
Net debt at end of period	(907)	(930)

#### 23. OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2011 £'000	Land and buildings 2010 £'000	Plant and machinery 2010 £'000
- within one year	183	152	31
- in the second to fifth year	1,266	965	47
- after five years	2,337	2,947	77
	3,786	4,064	108

The company is a lessee of both land and buildings and plant and machinery. Lease payments recognised in the Income Statement in the year are shown in note 7 on page 29.

#### 24. POST BALANCE SHEET EVENT

On 18 July 2011 a Special Resolution was passed by the Company's shareholders to approve the proposed cancellation of admission to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and proposed admission to trading on AIM. This is to facilitate its future strategy of expansion into associated areas of the existing business in order to develop a more broadly based manufacturing group, both from organic growth and through identification of suitable acquisitions.

**PART IV**  
**ACCOUNTANTS' REPORT**  
**&**  
**HISTORICAL FINANCIAL INFORMATION ON INTERPACK LIMITED**

**Section A: Accountants' Report on the financial information of Interpack Limited**

The Directors  
Coral Products Plc  
North Florida Road  
Haydock Industrial Estate  
Haydock  
Merseyside  
WA11 9TP

The Partners  
Cairn Financial Advisers LLP  
61 Cheapside  
London  
EC2V 6AX

The Directors  
XCAP Securities plc  
24 Cornhill  
London  
EC2V 3ND

19 August 2011

Dear Sirs

**Interpack Limited (“Interpack”)**

We report on the financial information of Interpack Limited (“Interpack”), which has been prepared for inclusion in the AIM Admission Document (the “Admission Document”) dated 19 August 2011 of Coral Products Plc (the “Company”), on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph 20.1 of Annex 1 of the Prospectus Rules as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies (the “AIM Rules”) and is given for the purposes of complying with the AIM Rules and for no other purpose.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the Admission Document dated 19 August 2011 of the Company.

**Responsibilities**

The directors are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.



**Basis of Opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Basis of Qualified Opinion on Financial Information**

With respect to stock included in the statement of financial position at each of the dates stated, the audit evidence available to us was limited because we did not observe the physical counting of stock, since that was prior to our appointment as reporting accountants to the company and no audit was carried out on the financial statements of Interpack for any of the years set out in the financial information.

Owing to the nature of Interpack's accounting records, we were unable to obtain sufficient appropriate audit evidence regarding stock quantities by using other audit procedures.

**Qualified Opinion on Financial Information**

In our opinion, except for the possible effects of the matters referred to in the Basis of Qualified Opinion paragraph, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Interpack as at the dates stated and of the statement of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows for the periods then ended in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with IFRS.

**Declaration**

For the purposes of paragraph 20.1 of Annex 1 of the Prospectus Rules as applied by paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Hazlewoods LLP**

Windsor House  
Bayshill Road  
Cheltenham  
GL50 3AT

## Section B - Historical Financial Information on Interpack Limited

The historical financial information set out below for Interpack Limited for the three years ended 31 December 2010 has been prepared by the directors on the basis of preparation set out in note 2 and was authorised for issue by the directors on 19 August 2011.

### Income Statement and Statement of Comprehensive Income for the three years ended 31 December 2010

	Notes	2008 £	2009 £	2010 £
<b>CONTINUING OPERATIONS</b>				
<b>Revenue</b>	5	3,772,066	3,625,407	4,268,094
Cost of sales		(2,910,869)	(2,474,189)	(2,878,025)
<b>Gross profit</b>		861,197	1,151,218	1,390,069
Administrative expenses		(660,640)	(654,936)	(1,024,104)
<b>Operating profit</b>		200,557	496,282	365,965
Finance income	6	2,275	314	2,462
<b>Profit before taxation</b>		202,832	496,596	368,427
Taxation	10	(45,051)	(126,521)	(86,019)
<b>Profit and comprehensive income for the financial year</b>		157,781	370,075	282,408

### Statement of Changes in Shareholders' Equity for the three years ended 31 December 2010

	Share Capital £	Retained Earnings £	Total Equity £
<b>Balance as at 1 January 2008</b>	300	200,106	200,406
Total profit and comprehensive income for the year	–	157,781	157,781
Transactions with owners:			
Dividends	–	(180,000)	(180,000)
<b>Balance as at 31 December 2008</b>	300	177,887	178,187
Total profit and comprehensive income for the year	–	370,075	370,075
Transactions with owners:			
Dividends	–	(309,000)	(309,000)
<b>Balance as at 31 December 2009</b>	300	238,962	239,262
Total profit and comprehensive income for the year	–	282,408	282,408
Transactions with owners:			
Dividends	–	(216,000)	(216,000)
<b>Balance as at 31 December 2010</b>	300	305,370	305,670

## Statement of Financial Position as at 31 December

	Notes	2008 £	2009 £	2010 £
<b>ASSETS</b>				
<b>Current assets</b>				
Inventories	13	62,399	72,436	61,097
Trade and other receivables	14	632,085	559,075	682,315
Cash and cash equivalents	15	189,164	227,981	295,441
		<u>883,648</u>	<u>859,492</u>	<u>1,038,853</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	16	(705,461)	(620,230)	(733,183)
<b>Net current assets</b>		<u>178,187</u>	<u>239,262</u>	<u>305,670</u>
<b>NET ASSETS</b>		<u>178,187</u>	<u>239,262</u>	<u>305,670</u>
<b>SHAREHOLDERS' EQUITY</b>				
Ordinary shares	17	300	300	300
Retained earnings		177,887	238,962	305,370
		<u>178,187</u>	<u>239,262</u>	<u>305,670</u>

## Cash Flow Statement for the three years ended 31 December 2010

	2008 £	2009 £	2010 £
<b>Cash inflows from operating activities</b>	149,456	405,342	389,190
Tax paid	(51,178)	(57,839)	(108,192)
<b>Net cash from operating activities</b>	<u>98,278</u>	<u>347,503</u>	<u>280,998</u>
<b>Cash flows from investing activities</b>			
Bank interest received	2,275	314	2,462
<b>Net cash generated by investing activities</b>	<u>2,275</u>	<u>314</u>	<u>2,462</u>
<b>Cash flows from financing activities</b>			
Dividends paid	(180,000)	(309,000)	(216,000)
<b>Net cash absorbed by financing activities</b>	<u>(180,000)</u>	<u>(309,000)</u>	<u>(216,000)</u>
<b>Net increase in cash and cash equivalents</b>	(79,447)	38,817	67,460
Cash and cash equivalents at 1 January	268,611	189,164	227,981
<b>Cash and cash equivalents at 31 December</b>	<u>189,164</u>	<u>227,981</u>	<u>295,441</u>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank	<u>189,164</u>	<u>227,981</u>	<u>295,441</u>

**Reconciliation of Operating Profit to Net Cash Flow from Operating Activities for the three years ended 31 December 2010**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Operating profit</b>	200,557	496,282	365,965
Depreciation	203	–	–
Decrease/(increase) in inventories	32,030	(10,037)	11,339
Decrease/(increase) in trade and other receivables	(2,703)	73,010	(123,240)
Increase/(decrease) in trade and other payables	(80,631)	(153,913)	135,126
<b>Cash inflows from operating activities</b>	<u>149,456</u>	<u>405,342</u>	<u>389,190</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Interpack Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Unit 9, Stadium Estate, Cradock Road, Luton LU4 0JF. The principal activity of the company is that of importers and distributors of plastic containers.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of accounting**

This financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial information has been prepared under the historical cost convention.

The preparation of financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based upon management's best knowledge, actual results ultimately may differ from those estimates.

A summary of the company's principal accounting policies is set out below. These policies have been applied consistently to all the years presented. This is the first financial information that the company has prepared under IFRS. No changes were required for those amounts previously reported under UK Generally Accepted Accounting Practice to those prepared under IFRS.

#### **Going concern**

The directors have prepared the accounts on a going concern basis, which they believe to be appropriate due to the fact that they have prepared financial forecasts for the forthcoming 12 months which show that the company will have sufficient resources to fund its operations.

#### **Segmental reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments. The directors consider the company's operations as one business segment. The board of directors are considered to be the chief operating decision makers and use financial information as presented in these financial statements to make management decisions in the business.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The company considers it operates in one geographical segment.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when the entity has transferred to the buyer the risks and rewards of ownership of the goods, the amount of revenue can be measured reliably, the company retains no effective control of the goods, it is probable that the economic benefits will flow to the company and costs incurred or to be incurred can be measured reliably.

#### **Foreign currencies**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the period.

## **Taxation**

The tax expense represents the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost of the assets, less any residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Plant and machinery: 50%

Office equipment: 25%

Any gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

## **Impairment of tangible assets**

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the costs of disposal. Provision is made to write down obsolete or slow moving inventory to their net realisable value.

## **Financial assets**

Financial assets are recognised at fair value on the company's balance sheet when the company becomes a party to the contractual provision of the instrument.

### **Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, eg trade receivables. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents include cash in hand deposits held at call with banks. The company has no bank overdraft at the year end.

### **Financial liabilities**

Financial liabilities include trade payables and other short term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### **Standards and interpretations**

As at the date of authorisation of the financial information, the following standards and interpretations, issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), have not been adopted by the Company:

IAS12	Deferred tax: recovery of underlying assets
IAS24	Related party disclosures (revised)
IAS32	Classification of rights issues (amendment)
IFRS9	Financial instruments: classification and measurement
IFRIC14	Prepayments of a minimum funding requirement
IFRIC19	Extinguishing financial liabilities with equity instruments
IFRS10	Consolidated financial statements

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial information under IFRS requires the company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below. The directors do not believe there are any critical accounting estimates or judgements required in the preparation of this financial information.

#### **4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT**

The company is exposed through its operations to one or more of the following financial risks:

- Market price foreign currency risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the board of directors. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

##### **Principal financial instruments**

The principal financial instruments used by the company, from which financial risk arises, are as follows:

- Trade receivables
- Cash at bank
- Trade and other payables
- Operating leases

##### **Market risk**

Market risk arises from the company's use of foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk) and other market factors (other price risk).

##### **Foreign currency risk**

The company acquires goods for re-sale in Sterling, Euros and Polish Zloty. As a result, the company is exposed to foreign exchange risks, which will affect transaction costs and the translation of debtor and creditor balances.

##### **Liquidity risk**

The company has no borrowings or borrowing facilities, based on its financial forecasts, the directors are of the opinion that the company has sufficient cash resources.

##### **Credit risk**

Cash deposits and financial transactions give rise to credit risk in the event that counterparties fail to perform under the contract. The company regularly monitors the credit rating of its counterparties and controls the amount of credit risk by adhering to limits set by the Board. The company checks and monitors all customers using risk software. As a consequence of these controls, the probability of material loss is considered to be at an acceptable level. There is no concentration of credit risk other than cash on deposit, which is held at a bank with a strong credit rating.

##### **Capital risk management**

Capital comprises share capital and retained profits only.

The company's objective when maintaining capital is to safeguard the company's ability to continue as a going concern so that it can provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

##### **Sensitivity analysis**

Whilst the company takes steps to minimise its exposure to foreign exchange risk as described above, changes in foreign exchange rates will have an impact on profit.

The company's foreign exchange risk is dependent on the movement in the Euro and Polish Zloty to Sterling exchange rates. The effect of a 5 per cent. strengthening in the Euro against Sterling at the balance sheet date on the Euro denominated trade payables at the date would, all other



variables being held constant, have resulted in a decrease in the pre-tax profit for the year ended 31 December 2010 of £9,801 (2009: £8,463 decrease, 2008: £13,178 decrease). The effect of a 5 per cent. strengthening in the Polish Zloty against Sterling at 31 December 2010 on the Polish Zloty denominated trade payables at the date would, all other variables being held constant, have resulted in a decrease in the post-tax profit for the year ended 31 December 2010 of £790 (2009: £146 decrease).

#### Carrying amount of financial instruments

The carrying amount of the company's financial instruments, all of which are considered to approximate to fair values are as follows:

Financial assets (all of which are loans and receivables)

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Trade and other receivables</b>	632,085	558,715	681,346
<b>Cash</b>	189,164	227,981	295,441
	<u>821,249</u>	<u>786,696</u>	<u>976,787</u>
<b>Financial liabilities</b>			
<b>Trade payables</b>	451,064	379,473	419,658
	<u>451,064</u>	<u>379,473</u>	<u>419,658</u>

Financial assets exclude prepayments. Financial liabilities exclude taxation liabilities and accruals for staff bonuses. All of which do not constitute financial instruments,

All financial assets and liabilities are denominated in pounds sterling, except certain trade payables. An analysis of trade payables by currency is set out below:

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Euro</b>	263,569	169,259	196,021
<b>Zloty</b>	–	2,910	15,792
<b>Sterling</b>	187,495	207,304	207,845
	<u>451,064</u>	<u>379,473</u>	<u>419,658</u>

#### 5. REVENUE

All operations are based in the United Kingdom. The revenue is generated in the UK.

#### 6. FINANCE INCOME

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Bank interest received	<u>2,275</u>	<u>314</u>	<u>2,462</u>

## 7. PROFIT BEFORE TAXATION

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Profit before taxation is stated after charging the following:			
Staff costs	366,484	342,888	706,115
Bad debts	5	16,279	1,515
Rentals under operating leases:			
- hire of plant and machinery	53,840	62,961	58,241
- land and buildings	45,200	47,460	47,460
	<u>366,484</u>	<u>342,888</u>	<u>706,115</u>

No remuneration was paid to auditors as the company was previously exempt from the requirement to appoint auditors under UK company legislation.

## 8. STAFF COSTS

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>No</b>	<b>No</b>	<b>No</b>
Average number of employees comprised:			
Sales	3	3	3
Administration	6	6	6
Warehouse and distribution	1	2	2
	<u>10</u>	<u>11</u>	<u>11</u>

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Their aggregate remuneration comprised:			
Wages and salaries	320,355	299,996	620,894
Social security costs	41,181	37,173	78,739
Health insurance	4,948	5,719	6,482
	<u>366,484</u>	<u>342,888</u>	<u>706,115</u>

## 9. DIRECTORS' REMUNERATION

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Directors' emoluments (including benefits in kind)	<u>124,612</u>	<u>147,964</u>	<u>249,414</u>

The highest paid director received remuneration of £83,740 (2009: £50,195, 2008: £41,881). The directors are considered to be the key management in the business.

## 10. TAXATION

The charge for taxation on the profit for the financial year is as follows:

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Current tax:			
UK corporation tax charge on profit for the year	45,051	126,521	86,019
Reconciliation of tax charge:			
Profit on ordinary activities before tax	202,832	496,596	368,427
Tax on profits on ordinary activities at 28% standard rate of tax (2009: 28%, 2008: 28%)	56,793	139,047	103,160
Non-deductible expenses	2,963	4,737	2,505
Marginal rate relief	(14,705)	(17,263)	(19,646)
	<u>45,051</u>	<u>126,521</u>	<u>86,019</u>

## 11. DIVIDENDS PAID

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Dividends paid on equity capital	<u>180,000</u>	<u>309,000</u>	<u>216,000</u>
Dividends per share	<u>600</u>	<u>1,030</u>	<u>720</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Plant and machinery</b>	<b>Furniture, fittings and equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2008, 31 December 2008, 31 December 2009 and 31 December 2010	<u>1,100</u>	<u>5,267</u>	<u>6,367</u>
<b>Depreciation</b>			
At 1 January 2008	(1,100)	(5,064)	(6,164)
Charge for year	<u>-</u>	<u>(203)</u>	<u>(203)</u>
<b>At 31 December 2008, 31 December 2009 and 31 December 2010</b>	<u>(1,100)</u>	<u>(5,267)</u>	<u>(6,367)</u>
<b>Net book value</b>			
At 31 December 2008	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2009	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>

## 13. INVENTORIES

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<u>62,399</u>	<u>72,436</u>	<u>61,097</u>

The total value of inventory expensed through the income statement in the year was £2,859,686 (2009: £2,444,607; 2008: £2,885,070).

#### 14. TRADE AND OTHER RECEIVABLES

	2008 £	2009 £	2010 £
Trade receivables	574,473	545,464	667,319
Prepayments and accrued income	–	360	969
Other receivables	57,612	13,251	14,027
	<u>632,085</u>	<u>559,075</u>	<u>682,315</u>

The fair value of trade and other receivables approximates to book value at 31 December 2010, 2009 and 2008.

The company is exposed to credit risk with respect to trade receivables due from its customers. Provisions for bad debts are made based on management's assessment of the risk, taking into account the credit insurance levels, the ageing profile, experience and circumstance. The directors consider that no provision is required for impairment of trade receivables (2009 and 2008: £Nil).

As at 31 December 2010 trade receivables of £36,008 (2009: £39,061; 2008: £24,682) were past due but not impaired. These relate to customers against whom no provision was considered necessary. The ageing analysis of these receivables is as follows:

	2008 £	2009 £	2010 £
Up to 3 months	24,682	37,043	33,253
3 to 6 months	–	2,018	2,755
	<u>24,682</u>	<u>39,061</u>	<u>36,008</u>

The carrying amount of the company's trade and other receivables are all denominated in sterling.

#### 15. CASH AND CASH EQUIVALENTS

	2008 £	2009 £	2010 £
Cash at bank	<u>189,164</u>	<u>227,981</u>	<u>295,441</u>

#### 16. TRADE AND OTHER PAYABLES

	2008 £	2009 £	2010 £
Trade payables	451,064	379,473	419,658
Corporation tax	45,051	113,733	91,560
Other taxes and social security	146,059	127,024	221,965
Other payables	63,287	–	–
	<u>705,461</u>	<u>620,230</u>	<u>733,183</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2009: 53 days, 2008: 59 days). The directors consider that the carrying amount of trade payables approximates to their fair value. The fair value of trade and other payables approximates to book value at 31 December 2010, 2009 and 2008.

All liabilities are payable within one year.

## 17. SHARE CAPITAL

	2008	2009	2010
	£	£	£
Allotted, called up and fully paid:			
85 (2009, 2008: 95) Ordinary A shares of £1 each	95	95	85
85 (2009, 2008: 95) Ordinary B shares of £1 each	95	95	85
85 (2009, 2008: 95) Ordinary C shares of £1 each	95	95	85
45 (2009, 2008: 15) Ordinary D shares of £1 each	15	15	45
	<u>300</u>	<u>300</u>	<u>300</u>

There was no movement in the year in the allotted share capital.

## 18. OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2008	2009	2010
	£	£	£
Within one year	51,199	58,560	58,494
Between two and five years	16,847	122,747	72,199
	<u>68,046</u>	<u>181,307</u>	<u>130,693</u>

## 19 RELATED PARTY TRANSACTIONS

Staff costs include remuneration paid to the wives of the directors as employees of the company and to the son of one of the directors, who is sales manager. Amounts charged against profit in each financial year were as follows:

	2008	2009	2010
	£	£	£
Wives of directors	124,778	90,020	289,899
Son of director	38,960	43,637	46,581
	<u>163,738</u>	<u>133,657</u>	<u>336,480</u>

There were no amounts owing to the above related parties at the end of any of the above financial periods.

Dividends paid by the company are all paid to the directors and their spouses, who own the entire share capital of the company.

## PART V

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The following is an unaudited pro forma consolidated statement of net assets of the Enlarged Group, following the Acquisition and the Placing and has been prepared on the basis of the notes set out below.

The pro forma, which has been prepared for illustrative purposes only, addresses a hypothetical situation and, therefore, does not represent the actual net asset position of the Enlarged Group.

It has been prepared to provide information about the impact of the Acquisition and the Placing.

	<b>Interpack Limited 31 December 2010 (Note 1) £'000</b>	<b>Coral Products Plc 30 April 2011 (Note 2) £'000</b>	<b>Acquisition Adjustments (Note 3) £'000</b>	<b>Transaction Costs (Note 4) £'000</b>	<b>Financing Adjustments (Note 5) £'000</b>	<b>Pro-Forma Balance Sheet £'000</b>
<b>Non-current assets</b>						
Intangible assets	–	217	3,789	–	–	4,006
Plant and Equipment	–	3,994	–	–	–	3,994
Rental deposit	–	50	–	–	–	50
<b>Total non-current assets</b>	<b>–</b>	<b>4,261</b>	<b>3,789</b>	<b>–</b>	<b>–</b>	<b>8,050</b>
<b>Current assets</b>						
Inventories	61	1,689	–	–	–	1,750
Trade and other receivables	682	2,596	–	–	–	3,278
Cash at bank	295	5	–	–	–	300
<b>Total current assets</b>	<b>1,039</b>	<b>4,290</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,329</b>
<b>Total assets</b>	<b>1,039</b>	<b>8,551</b>	<b>3,789</b>	<b>–</b>	<b>–</b>	<b>13,379</b>
<b>Current liabilities</b>						
Trade other payables and borrowings	733	1,925	–	–	–	2,658
Bank overdraft	–	893	2,100	500	(3,200)	293
<b>Total current liabilities</b>	<b>733</b>	<b>2,818</b>	<b>2,100</b>	<b>500</b>	<b>(3,200)</b>	<b>2,951</b>
<b>Non-current liabilities</b>						
Convertible loan notes	–	–	–	–	–	–
Borrowings	–	19	–	–	1,400	1,419
Deferred purchase consideration	–	–	1,095	–	–	1,095
Provision for liabilities	–	–	–	–	–	–
<b>Total non-current assets</b>	<b>–</b>	<b>19</b>	<b>1,095</b>	<b>–</b>	<b>1,400</b>	<b>2,514</b>
<b>Net assets/(liabilities)</b>	<b>306</b>	<b>5,714</b>	<b>594</b>	<b>(500)</b>	<b>1,800</b>	<b>7,914</b>

#### NOTES TO THE PRO FORMA STATEMENT OF NET ASSETS

##### 1 INTERPACK LIMITED

The net assets of Interpack as at 31 December 2010 have been extracted from the historical financial information as set out in Part IV of this Document.

##### 2 CORAL PRODUCTS PLC

The net assets of the Company as at 30 April 2011 have been extracted from audited financial statements of the Company as at 30 April 2011.

### 3 ACQUISITION ADJUSTMENTS

	<b>£'000</b>
<b>Consideration:</b>	
Cash	2,100
Issue of the Consideration Shares	900
Deferred cash consideration with payment dependent on the results of Interpack for the year ending 31 December 2011 and to be paid on approval of the financial statements for that year	1,095
	<hr/>
	4,095
Net assets of Interpack at 31 December 2010	(306)
	<hr/>
Pro forma adjustment to intangible assets	3,789
	<hr/> <hr/>

No adjustment has been made to reflect any fair value adjustments to the assets and liabilities of Interpack as at 31 December 2010. Additionally, no adjustment has been made to allocate the intangible assets arising from the accounting for the acquisition between goodwill and other intangible assets.

### 4 TRANSACTION COSTS

	<b>£'000</b>
Cost of the Placing, the Acquisition and Admission to be paid in cash	500
	<hr/> <hr/>

### 5 FINANCING ADJUSTMENTS

	<b>£'000</b>
Financing adjustments comprise:	
Bank term loan to be advanced at completion	1,400
Issue of the Placing Shares for cash	1,800
	<hr/>
	3,200
	<hr/> <hr/>

## PART VI

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY STATEMENT

The Company and the Directors, details of which or whom appear on page 5 of this Document, accept responsibility both individually and collectively in accordance with the AIM Rules for Companies for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales on 5 October 1989 under the Companies Act 1985 (as amended) with registered number 02429784 as a private company limited by shares with the name 'Strongart Limited'. On 23 November 1989 the Company changed its name to 'Coral Products Limited'. On 29 March 1995 the Company re-registered as a public company limited by shares and changed its name to 'Coral Products plc'.
- 2.2 The Company was admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities on 13 April 1995. The Company cancelled its listing, following approval by its shareholders on 18 July 2011, on 16 August 2011.
- 2.3 The principal legislation under which the Company operates is the Companies Act 2006 and the liability of the members of the Company is limited.
- 2.4 The Company's registered office and principal place of business is in England and Wales and is located at North Florida Road, Haydock Industrial Estate, Haydock, Merseyside WA11 9TP, telephone number +44 (0)1942 272882. The Company is domiciled in England. The Company's website is at [www.coralproducts.com](http://www.coralproducts.com).
- 2.5 The principal activity of the Company is the manufacture of injection-moulded plastic products.
- 2.6 The accounting reference date of the Company is 30 April.
- 2.7 Following completion of the Acquisition, Interpack will become a wholly owned subsidiary of the Company. The Company has no other subsidiaries or associated undertakings.
- 2.8 Interpack was incorporated and registered in England and Wales on 20 August 2003 under the Companies Act 1985 (as amended). The address of Interpack's registered office is Faulkner House, Victoria Street, St Albans, Hertfordshire AL1 3SE. The principal activity of Interpack is that of importers and distributors of plastic containers.

#### 3. THE DIRECTORS

- 3.1 The full names of the Directors and their respective positions are as follows:

<b>Name</b>	<b>Function</b>	<b>Age</b>
Geoffrey Steuart Fairfax Piper	Non-Executive Chairman	68
Warren Dennis Ferster	Chief Executive	61
Stephen George Fletcher	Finance Director	54
Martin Ian Watson	Sales Director	51
Stuart Jeffrey Ferster	Production Director	56
Joseph Grimmond	Non-Executive Director	63
Jonathan Braham Lever	Non-Executive Director	74

- 3.2 The business address of each of the Directors is North Florida Road, Haydock Industrial Estate, Haydock, Merseyside WA11 9TP.
- 3.3 Further details on the Directors are set out in paragraphs 10, 11 and 13 of this Part VI.



#### 4. INTERPACK DIRECTORS

4.1 The full names of the Interpack Directors and their respective positions are as follows:

<b>Name</b>	<b>Function</b>	<b>Age</b>
Stephen John Barber	Sales Director	53
Stuart Paul Traylor	Sales Director	48
Michael James Burke	Operations Director	58

4.2 The business address of each of the Interpack Directors is Unit 9, Stadium Estate, Cradock Road, Luton, Bedfordshire LU4 0JF.

#### 5. SHARE CAPITAL

5.1 The authorised share capital of the Company on incorporation was 1,000 ordinary shares of £1 each.

5.2 By special resolution on 19 March 1990 the authorised share capital of the Company was increased by £9,000 to £10,000 by the creation of 9,000 ordinary shares of £1 each.

5.3 By special resolution on 15 February 1991 the authorised share capital of the Company was increased by £15,000 to £25,000 by the creation of 15,000 ordinary shares of £1 each.

5.4 By special resolution on 29 March 1995 the share capital was sub-divided into ordinary shares of £0.01 each and the authorised share capital of the Company was increased from £25,000 to £225,000 by the creation of 20,000,000 ordinary shares of £0.01 each, resulting in authorised share capital of £225,000 divided into 22,500,000 ordinary shares of £0.01 each.

5.5 There have been no changes in the issued share capital of the Company during the period covered by the historical financial information set out in this Document.

5.6 All Ordinary Shares in the capital of the Company are registered, may be held in either certificated or uncertificated form and rank *pari passu* in all respects.

5.7 None of the Company's major Shareholders has, or will following Admission have, any different voting rights from any other Shareholders.

5.8 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

5.9 Save as set out in this Document, none of the Existing Ordinary Shares is convertible, exchangeable or under option or warrant.

5.10 As at the date of this Document the share capital of the Company is as follows:

<b>Class of shares</b>	<b>Authorised (fully paid)</b>		<b>Issued (fully paid)</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
Ordinary shares of £0.01 each	22,500,000	225,000	20,135,609	201,356

5.11 The issued share capital of the Company immediately following Admission will be as follows (assuming that the Cairn Warrants and the XCAP Warrants are not exercised on Admission):

<b>Class of shares</b>	<b>Issued (fully paid)</b>	
	<b>Number</b>	<b>£</b>
Ordinary shares of £0.01 each	38,135,609	381,356

5.12 The percentage by which holders of Existing Ordinary Shares who do not participate in the Placing will be diluted as a result of the issue of the New Ordinary Shares, is (following Admission) 47.20 per cent..

5.13 The reconciliation of issued share capital as required in accordance with the AIM Rules is as follows:

<b>Date of issue</b>	<b>Number of Ordinary Shares issued</b>	<b>Par Value (£)</b>	<b>Cumulative total (Number)</b>
05/10/1989 (Incorporation)	2	£1.00	2
19/03/1990 (Share issue)	9,998	£1.00	10,000
15/02/1991 (Share issue)	15,000	£1.00	25,000
29/03/1995 (Share capital reorganisation)	–	£0.01	2,500,000
12/04/1995 (Placing)	12,830,000	£0.01	15,330,000
04/03/1997 (Rights issue)	5,110,000	£0.01	20,440,000
28/02/2002 (Repurchase of shares)	(75,000)	£0.01	20,365,000
24/10/2002 (Repurchase of shares)	(70,000)	£0.01	20,295,000
11/12/2002 (Repurchase of shares)	(150,000)	£0.01	20,145,000
04/11/2002 (Repurchase of shares)	(20,000)	£0.01	20,125,000
18/02/2003 (Repurchase of shares)	(95,000)	£0.01	20,030,000
04/04/2003 (Repurchase of shares)	(65,000)	£0.01	19,965,000
09/10/2003 (Repurchase of shares)	(175,000)	£0.01	19,790,000
01/04/2004 (Repurchase of shares)	(50,000)	£0.01	19,740,000
28/09/2004 (Exercise of options)	19,927	£0.01	19,759,927
01/11/2000 - 01/10/2003 (Exercise of options)	375,682	£0.01	20,135,609
<i>As at the date of this Document</i>	–	£0.01	20,135,609
06/09/2011 (Consideration Shares)	6,000,000	£0.01	26,135,609
06/09/2011 (Placing Shares)	12,000,000	£0.01	38,135,609

## **6. MEMORANDUM AND ARTICLES OF ASSOCIATION**

- 6.1 The objects of the Company are set out in full in clause 4 of its memorandum of association which, under section 28 of the Companies Act 2006, is treated as a provision of the Company's Articles and include the carrying on of business as a general commercial company.
- 6.2 The Articles, which were adopted pursuant to a special resolution passed at an extraordinary general meeting of the Company on 29 March 1995, and subsequently amended by special resolution at an annual general meeting of the Company on 25 August 2010, contain, *inter alia*, provisions to the following effect:

### 6.2.1 Allotment of shares

Subject to the provisions of the Companies Act 2006 and any other laws applicable to the Company regarding pre-emption rights and any resolution of the Company, all of the shares of the Company for the time being unissued shall be under the control of the directors of the Company who may generally and unconditionally allot, grant options over, offer or otherwise deal with or dispose of the same to or in favour of such persons, on such terms and conditions, at a premium or at par and at such times as the directors of the Company think fit. The Company may increase or reduce its share capital by ordinary resolution.

### 6.2.2 Redeemable shares

The Company may, subject to the provisions of the Companies Act 2006 and any other laws applicable to the Company and by special resolution of its shareholders, create shares which are redeemable and shall also make such alterations to these Articles to specify the terms on which any such shares shall be redeemed.

### 6.2.3 Variation of rights

If the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class may be varied (i) in such manner as may be provided by such rights; or (ii) with either the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class.

### 6.2.4 Transfer of shares

- (a) All transfer of shares may be effected by transferring in writing in any form acceptable to the directors of the Company. The instrument of transfer shall be signed by the transferor and the transferee. The transferor shall remain the holder of the shares until the name of the transferee is entered in the Register.
- (b) The directors of the Company have discretion to refuse to register any transfer of shares unless (i) it is in respect of a fully paid share; (ii) it is in respect of a share on which the Company does not have a lien; (iii) it is in respect of only one class of shares; (iv) it is in favour of not more than four joint holders as transferees or renouces; (v) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the directors of the Company to be exempt from stamp duty; and (vi) any additional conditions which the articles of association may impose have been satisfied in respect thereof. If the directors of the Company refuse to register a transfer, they shall send a notice of such refusal to the transferee.

### 6.2.5 Conversion of shares into stock

The Company may from time to time by ordinary resolution convert all or any fully paid-up shares into stock of the same class as the shares which shall be so converted and may from time to time in like manner reconvert such stock into fully paid-up shares of the same class and of any denomination.

### 6.2.6 Purchase of own shares

The Company may purchase its own shares (including any redeemable shares) but so that no such purchase shall take place save in accordance with the Companies Act 2006 and any other laws applicable to the Company.

### 6.2.7 General meetings of shareholders

#### (a) Notice of meetings

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by not less than twenty one days' notice in writing and all other extraordinary general meetings shall be called by not less than fourteen days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and hour of the meeting and, in the case of special business, the general nature of it. The notice shall be given to the members, to the directors of the Company and to the Company's auditors. A notice calling an annual general meeting shall specify the

meeting as such and the notice convening a meeting to pass a special resolution or an extraordinary resolution, as the case may be, shall specify the intention to propose the resolution as such.

(b) Proceedings at general meetings

For all purposes the quorum for a general meeting shall be not less than two members present in person or by proxy and entitled to vote. No business shall be transacted unless the requisite quorum is present. If within thirty minutes from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved.

(c) Votes of members

- (i) Every member present at a general meeting in person shall, upon a show of hands, have one vote for every share of which the member is holder.
- (ii) At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded.
- (iii) A member of the Company shall not be entitled to attend general meetings or to vote if either (i) any calls or other moneys due and payable in respect of the shares held by the member remain unpaid; or (ii) the member has been duly served with a notice lawfully requiring the provision to the Company of information regarding any of such shares and the member is in default in complying with the notice.
- (iv) In the case of an equality of votes, the chairman shall, both on a show of hands and at a poll, have a casting vote in addition to the votes to which he may be entitled as a member.

#### 6.2.8 Directors of the Company

- (a) Number of directors of the Company
- (b) Unless otherwise determined by the Company in general meeting, the number of directors of the Company shall be not less than two and there shall be no maximum limit on the number of directors of the Company.

#### 6.2.9 Remuneration

Fees for directors may be paid provided that such fees do not in aggregate exceed the sum of £100,000 per annum or such other figure as the Company may determine.

#### 6.2.10 Rotation and retirement of Directors

At each annual general meeting, one-third of the Directors who are subject to retirement by rotation shall retire from office. A Director retiring shall retain office until the dissolution of such meeting. The Directors to retire shall be the Directors who wish to retire and not offer themselves for re-election.

#### 6.2.11 Powers and duties of directors of the Company:

- (a) The business of the Company shall be managed by the directors of the Company who, in addition to the powers and authorities by these Articles or otherwise expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Company.
- (b) The directors of the Company may exercise the voting powers conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company in such manner in all respects as they think fit.
- (c) The directors of the Company may establish any local or divisional board to manage the affairs of the Company in a specified locality and may appoint and delegate positions on such boards and at a local level more generally.

#### 6.2.12 Borrowing powers

Subject to the provisions of the Companies Act 2006 and any other laws applicable to the Company and as provided in the Articles, the directors of the Company may exercise all the powers of the Company to borrow money, to mortgage or charge its undertakings, property

and assets (present and future) and uncalled capital. The directors of the Company shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate amount at any one time owing by the Enlarged Group in respect of moneys borrowed shall not at any time exceed a sum equal to two times the aggregate of (i) the nominal capital of the Company for the time being issued and paid-up or credited as paid-up; and (ii) the amounts standing to the credit of the consolidated reserves of the Company and its subsidiary undertakings.

#### 6.2.13 Proceedings of the directors of the Company and committees

- (a) The directors of the Company may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and determine the quorum necessary for the transaction of business. Two directors of the Company shall constitute a quorum. Questions arising at any meeting shall be determined by a majority of votes and in case of an equality of votes, the chairman shall have a second or casting vote.
- (b) The directors of the Company may elect a chairman and one or more deputy chairmen of their meetings and determine the period for which he is or they are to hold office. If no chairman or deputy chairman is elected or if at any meeting neither the chairman nor a deputy chairman is present at the time appointed for holding the same, the directors of the Company present shall choose someone of their number to be chairman of such meeting.
- (c) A duly convened meeting of the directors of the Company for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles.
- (d) A resolution in writing signed by all the directors of the Company entitled to receive notice of a meeting of the directors of the Company or by all members of a committee of the directors of the Company shall be as valid and effective for all purposes as a resolution of those directors of the Company passed at a meeting duly convened and held.

#### 6.2.14 Dividends

- (a) The Company may declare a dividend to be paid to its members by ordinary resolution in general meeting according to their respective rights and interest in the profits. No dividend shall bear interest as against the Company unless otherwise provided by the rights attached to the share.
- (b) Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of this Article as paid up on the share. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share carries any particular rights as to dividends, such share shall rank for dividend accordingly.
- (c) All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any period in respect of which the dividend is paid.
- (d) Directors of the Company may declare and pay such interim dividends as appear to be justified by the profits of the Company available for distribution.
- (e) Every dividend shall belong and be paid to those members who shall be on the register of members of the Company at the day fixed for the purpose of determining the persons entitled to such dividend. Any entitlement to a dividend shall lapse after twelve year and will revert back to the Company.

#### 6.2.15 Indemnity

Every director, auditor and other officer of the Company for the time being shall be indemnified against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of such appointment or office. Any such person shall be

indemnified against any liability incurred by him in defending any proceedings in relation to the affairs of the Company in which judgment is given in his favour.

## **7. KEY DIFFERENCES BETWEEN THE CURRENT ARTICLES AND THE NEW ARTICLES OF ASSOCIATION**

7.1 The Company is proposing to adopt new articles of association in which (i) all of the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the articles of association of the Company, are no longer reflected; and (ii) the articles are updated to reflect the changes introduced by the Companies Act 2006. Key changes are set out below.

### **7.2 Objects clause**

Under the Companies Act 2006 the objects clause and all other provisions which are contained in the Company's memorandum of association are deemed to be contained in the Company's articles of association but the Company can remove these provisions by special resolution. The Companies Act 2006 states that unless a company's articles of association state otherwise, the Company's objects are unrestricted, thus abolishing the need for the Company to have an objects clause.

### **7.3 Authorised share capital restriction**

Under the Companies Act 2006 the Company is no longer required to maintain an authorised share capital and so the Company is proposing to remove this limit.

### **7.4 Electronic communication**

The new articles of association allow electronic communication with shareholders and electronic voting by shareholders.

### **7.5 Conversion of shares into stock**

This provision has been removed as such conversion is no longer allowed under the Companies Act 2006. The ability of a company to re-convert existing stock into paid-up shares of any nominal value by means of an ordinary resolution of the Company's members is still preserved by the Companies Act 2006.

### **7.6 Extraordinary general meetings**

The Companies Act 2006 repealed the provisions relating to extraordinary general meetings as contained in the Companies Act 1985 and the new articles of association reflect this change, using the term "general meeting" instead.

### **7.7 Borrowing powers**

The amount that the Company can borrow is increased in the new articles to a sum the greater of £10,000,000 or fifteen times the aggregate of the nominal capital of the Company and the amounts standing to the credit of the consolidated reserves of the Company.

### **7.8 Directors' interests**

The new articles of association include provisions on the authorisation of directors' interests to avoid a potential conflict of interest. Authorisation will only be effective if the matter is proposed in writing, quorum requirements are met and the matter is agreed without the interested director's vote counting.

## **8. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares have been made eligible for settlement in CREST in accordance with the CREST Regulations. The Company has applied for the New Ordinary Shares to be admitted to CREST.

## **9. TERMS OF THE WARRANTS**

9.1 Under the Cairn Warrant Instrument dated 19 August 2011, the Company has agreed to issue warrants to subscribe for 120,000 Ordinary Shares at the Placing Price to Cairn on Admission. The Cairn Warrants will be exercisable (in whole or in part) at any time up to the second anniversary of Admission, at which time they will lapse.

9.2 Under the XCAP Warrant Instrument dated 19 August 2011, the Company has agreed to issue warrants to subscribe for 360,000 Ordinary Shares at the Placing Price to XCAP on Admission. The XCAP Warrants will be exercisable (in whole or in part) at any time up to the second anniversary of Admission, at which time they will lapse.

### 9.3 General

Ordinary Shares allotted pursuant to an exercise of the Cairn Warrants and the XCAP Warrants shall rank *pari passu* in all respects (including the ranking for dividends declared, made or paid, and other distributions) with the Ordinary Shares in issue on the date of exercise.

### 9.4 Exercise price

The exercise price is the Placing Price.

### 9.5 Effect of winding-up of the Company

If an order is made or an effective resolution is passed on or before the final exercise date of the Cairn Warrants and the XCAP Warrants, for the winding up of the Company, Cairn and XCAP will be entitled to be treated as though they each had, immediately before the date of the order or the passing of the resolution, exercised all of the Cairn Warrants and the XCAP Warrants.

### 9.6 General offers

If at any time while the Cairn Warrants and/or the XCAP Warrants remain capable of being exercised a general offer is made to the holders of the Ordinary Shares in issue at the time to acquire the whole or part of the issued Ordinary Shares, then each of Cairn and XCAP shall be entitled to exercise the Cairn Warrants and/or the XCAP Warrants within 28 days of such offer being made.

### 9.7 Variation of rights

All or any of the rights attaching to the Cairn Warrants and the XCAP Warrants may from time to time be altered or amended with the prior sanction of a resolution passed by holders of not less than seventy-five per cent. of the issued warrants at such time and the agreement of the Company.

### 9.8 Variation of share capital

The number of Cairn Warrants and XCAP Warrants shall be adjusted in the event of, *inter alia*, a rights issue, a sub-division, consolidation or reclassification of the Ordinary Shares in such manner as the Company's auditors certify to be reasonable.

### 9.9 Transferability

The Cairn Warrants and the XCAP Warrants are transferable to any member of Cairn and/or XCAP's group or a partner, member, employee of Cairn or XCAP, as applicable.

## 10. ADDITIONAL INFORMATION ON THE DIRECTORS

10.1 In addition to directorships of the Company, the table below states the names of all companies and partnerships of which the Directors have been a director or partner at any time within the five years immediately preceding the date of this Document:

<b>Name</b>	<b>Current directorships / partnerships</b>	<b>Past directorships / partnerships:</b>
Geoffrey Steuart Fairfax Piper	North West Business Leadership Team Limited N.W.B.L.T. Enterprises Limited Sustainability North West	The Mersey Partnership
Warren Dennis Ferster	Interactive Technology Corporation Limited Club World Casinos Limited	Coral Property Investments Limited
Stephen George Fletcher	None	None
Martin Ian Watson	Aylesbury High School	None

<b>Name</b>	<b>Current directorships / partnerships</b>	<b>Past directorships / partnerships:</b>
Stuart Jeffrey Ferster	Interactive Technology Corporation Limited Club World Casinos Limited	Coral Property Investments Limited
Joseph Grimmond	Widney plc	Newall International Limited Theobald Holdings Limited
Jonathan Braham Lever	None	None

- 10.2 Widney plc, of which Joseph Grimmond is a director, went into creditors' voluntary liquidation on 14 October 2009.
- 10.3 Save as disclosed in this Document at paragraph 10.2 above, none of the Directors has been a director of a company or a partner in a partnership which has been placed in receivership, administration or insolvent liquidation (including a company or partnership voluntary arrangement) whilst he was a director of that company or a partner in that partnership or during the 12 months preceding such events.
- 10.4 None of the Directors (i) has any unspent convictions; (ii) is or has been bankrupt or made any voluntary arrangement; (iii) has been the subject of public criticism by a statutory or regulatory authority (including recognised professional bodies); or (iv) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.
- 10.5 There are no potential conflicts of interest between any duties to the Company and their private interests and/or other duties in relation to the Directors.
- 10.6 No Director or member of a Director's family has a related financial product referenced to the Ordinary Shares being admitted.

## **11. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT**

- 11.1 The following service agreements and letters of appointment have been entered into between the Directors and the Company:
- 11.1.1 a service agreement dated 5 April 1995 between the Company and Warren Ferster under which Mr Ferster is employed, full-time, as managing director at a salary of £75,000 per annum (which has since been increased to £122,268 per annum) and other benefits commensurate with his position, terminable on 12 months' notice by either party. Mr Ferster is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of his engagement with the Company and to confidentiality undertakings. These terms were last revised on 1 October 2010;
- 11.1.2 a service agreement dated 5 April 1995 between the Company and Stuart Ferster under which Mr Ferster is employed, full-time, as production director at a salary of £75,000 per annum (which has since been increased to £122,268 per annum) and other benefits commensurate with his position, terminable on 12 months' notice by either party. Mr Ferster is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of his engagement with the Company and to confidentiality undertakings. These terms were last revised on 1 October 2010;
- 11.1.3 a service agreement dated 20 September 2002 between the Company and Stephen Fletcher under which Mr Fletcher is employed, full-time, as finance director at a salary of £74,000 per annum (which has since been increased to £82,012 per annum) and other benefits commensurate with his position, terminable on 6 months' notice by either party. Mr Fletcher is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of his engagement with the Company and to confidentiality undertakings. These terms were last revised on 1 October 2010;



- 11.1.4 a service agreement dated 1 March 2006 between the Company and Martin Watson under which Mr Watson is employed, full-time, as sales director at a salary of £60,000 per annum (which has since been increased to £61,509 per annum) and commission of 1 per cent. on new sales (subject to a maximum of £24,360 per annum) and other benefits commensurate with his position, terminable on 3 months' notice by Mr Watson and 5 months' notice by the Company. Mr Watson is subject to non-compete and non-solicitation covenants for a period of 12 months following termination of his engagement with the Company and to confidentiality undertakings. These terms were last revised on 1 October 2010;
- 11.1.5 a letter of appointment dated 25 March 1995 pursuant to which Geoffrey Piper is appointed as non-executive director of the Company on a rolling one-year basis at an annual fee of £10,000 (exclusive of VAT) (which has since been increased to £27,679 per annum (exclusive of VAT)). These terms were last revised on 1 October 2010;
- 11.1.6 a letter of appointment dated 5 April 1995 pursuant to which Jonathan Lever is appointed as finance director of the Company (which has since been changed to non-executive director) at an annual fee of £25,000 (plus VAT, if applicable) (which has since been decreased to £20,503 per annum (plus VAT, if applicable)), terminable on 6 months' notice by either party. These terms were last revised on 1 October 2010; and
- 11.1.7 a letter of appointment dated 25 February 2011 pursuant to which Joseph Grimmond is appointed as non-executive director of the Company for an initial term of 1 year from 5 February 2011. Mr Grimmond is not paid any remuneration. Following the 2011 AGM, Mr Piper will retire as chairman of the Company and Mr Grimmond will take up this role and will be paid an annual fee of £20,000 (plus VAT, if applicable).
- 11.2 Warren Ferster is due to retire by rotation at the 2011 AGM but, being eligible, will offer himself for re-election.
- 11.3 Jonathan Lever is due to retire by rotation at the 2011 AGM but, being eligible, will offer himself for re-election.
- 11.4 Joseph Grimmond will offer himself for election at the 2011 AGM.
- 11.5 Geoffrey Piper will retire following the 2011 AGM.
- 11.6 For the year ended 30 April 2011 the aggregate remuneration (including benefits) paid to the Directors by the Company was £515,000.
- 11.7 The Company has entered into the following contracts of employment with persons who it considers to be key to its business operations:
- 11.7.1 a contract of employment dated 17 March 2004 between the Company and Adrian Hazelden, under which Mr Hazelden is employed, full-time, as chief engineer at a rate of £15.92 per hour (which has since been increased to £17.91 per hour) with other benefits commensurate with his position, terminable on 3 months' notice by either party. Mr Hazelden is subject to non-compete and non-solicitation covenants for a period of 6 months following termination of his engagement with the Company. These terms were last revised on 1 October 2010;
- 11.7.2 a contract of employment dated 17 March 2006 between the Company and Tony Gee, under which Mr Gee is employed, full-time, as factory manager at a rate of £13.00 per hour (which has since been increased to £17.91 per hour) with other benefits commensurate with his position, terminable on 3 months' notice by either party. Mr Gee is subject to non-compete and non-solicitation covenants for a period of 6 months following termination of his engagement with the Company. These terms were last revised on 1 October 2010; and
- 11.7.3 a contract of employment dated 24 July 2009 between the Company and Chris Heeley, under which Mr Heeley is employed, full-time, as sales executive at a salary of £30,000 per annum (which has since been increased to £30,300 per annum). Mr Heeley is entitled to commission of 1 per cent. on new sales and other benefits commensurate with his position. The contract is terminable on 2 months' notice by Mr Heeley and 1 month's notice by the Company. These terms were last revised on 1 October 2010.

## 12. SERVICE CONTRACTS FOR INTERPACK DIRECTORS

Each of Michael Burke, Stephen Barber and Stuart Traylor will, on completion of the Acquisition, enter into a service contract with Interpack. Their term of appointment will initially be for 2 years. Interpack may give not less than 3 months' notice in writing on or after the expiry of the initial 2-year term and, notwithstanding the initial 2-year term, the relevant director may give not less than 3 months' notice in writing, expiring on or after the first anniversary of the service contract. Each director will be employed full-time at a salary of £50,000 per annum and will be entitled to benefits commensurable with his position.

## 13. DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

13.1 On completion of the Placing and Admission, the number of shares held by the Directors (all of which are held beneficially except as shown below) in the existing share capital of the Company and (so far as is known to the Directors, having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with section 252 of the Companies Act 2006) will be as follows:

Name	Number of Ordinary Shares		per cent. of Ordinary Shares (%)	
	as at the date of this Document	immediately following Admission	as at the date of this Document	immediately following Admission
Warren Ferster*	1,943,181	3,143,181	9.65	8.24
Stuart Ferster*	2,098,367	3,298,367	10.42	8.65
Joseph Grimmond	3,991,670	4,538,337	19.82	11.90
Stephen Fletcher	32,000	72,000	0.16	0.19
Martin Watson	25,000	90,000	0.12	0.24
Jonathan Lever	50,000	150,000	0.25	0.39
Geoffrey Piper**	9,583	9,583	0.05	0.03
<b>Total</b>	<b>8,149,801</b>	<b>11,301,468</b>	<b>40.47</b>	<b>29.64</b>

\* In addition, the Coral Products Pension Scheme, of which Warren Ferster and Stuart Ferster are trustees and beneficiaries, holds 146,000 Ordinary Shares as at the date of this Document and will hold 371,000 Ordinary Shares immediately following Admission, representing 0.97 per cent. of the Enlarged Share Capital.

\*\* Geoffrey Piper will retire following the 2011 AGM.

13.2 On Admission, assuming that no further Ordinary Shares are issued as a result of the exercise of any warrant for Ordinary Shares, the Directors (excluding Mr Piper, who is due to retire following the 2011 AGM) will hold, in aggregate, 11,662,885 Ordinary Shares, representing 30.58 per cent. of the Enlarged Share Capital of the Company.

13.3 Save as disclosed in paragraph 13.1, none of the Directors has any interests, in the issued share capital or loan capital of any member of the Enlarged Group, nor do (so far as is known to the Directors, having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with section 252 of the Companies Act 2006).

13.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## 14. RELATED PARTY TRANSACTIONS

There are no material 'related party transactions' required to be disclosed under the accounting standards applicable to the Company, to which the Company was a party during the period of 12 months preceding this Document.

## **15. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO THE ORDINARY SHARES**

### 15.1 Mandatory bid

The City Code applies to the Company. Under the City Code, where:

15.1.1 any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which he is already interested, and in which persons acting in concert with him are interested) carry 30 per cent or more of the voting rights of a company; or

15.1.2 any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent of the voting rights of a company but does not hold shares carrying more than 50 per cent of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested;

such person shall, except in limited circumstances, be obliged to extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the City Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable; the Panel should be consulted in advance in such cases.

### 15.2 Squeeze-out

Under sections 979 to 982 of the Companies Act 2006, if an offeror were to acquire 90 per cent. Of the Ordinary Shares it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares, provided that no such notice may be served after the end of (a) the period of three months beginning with the day after the last day on which the offer can be accepted, or (b) if earlier, and the offer is not one to which section 943(1) of the Companies Act 2006 applies, the period of six months beginning with the date of the offer.

Six weeks following service of the notice, the offeror must send a copy of it to the Company together with the consideration for the Ordinary Shares to which the notice relates, and an instrument of transfer executed on behalf of the outstanding Shareholder(s) by a person appointed by the offeror.

The Company will hold the consideration on trust for the outstanding Shareholders.

### 15.3 Sell-out

Sections 983 to 985 of the Companies Act 2006 also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. Of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period, or, if longer a period of three months from the date of the notice.

If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **16. SIGNIFICANT SHAREHOLDINGS**

16.1 Save for the holdings disclosed in paragraph 13.1 above and as set out below, as at the date of this Document, the Company has not been notified of any holding which will, following Admission and completion of the Placing, represent more than three per cent. of the Enlarged Share Capital of the Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally exercises or could exercise control over the Company:

<b>Name</b>	<b>Number of Ordinary Shares</b>	<b>per cent. of Enlarged Share Capital (%)</b>
Thomas Anderson	4,135,000	10.84
Stephen Barber*	2,000,000	5.24
Michael Burke*	2,000,000	5.24
Stuart Traylor*	2,000,000	5.24
Discretionary Unit Fund Managers Ltd**	2,000,000	5.24
Rights & Issues Investment Trust PLC**	2,000,000	5.24
XCAP Nominees Limited	1,333,333	3.50
Barclays Wealth	1,250,000	3.28

\* in each of these instances, 300,000 Ordinary Shares are held indirectly by the Shareholder's spouse, as detailed in paragraph 17.1.1 (e) below.

\*\* Discretionary Unit Fund Managers Ltd is the fund manager of Rights & Issues Investment Trust PLC.

## **17. MATERIAL CONTRACTS**

17.1 The following are all the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the companies within the Enlarged Group (i) within the two years immediately preceding the date of this Document and which are, or may be, material to the Enlarged Group; or (ii) at any time containing obligations or entitlements which are, or may be, material to the Enlarged Group as at the date of this Document:

### **17.1.1 Acquisition Agreement**

- (a) A sale and purchase agreement between (1) Michael Burke, (2) Carol Burke, (3) Stuart Traylor, (4) Lucy Traylor, (5) Stephen Barber, (6) Carol Barber and (7) the Company, entered into on 17 August 2011, pursuant to which the Sellers have conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of Interpack for a maximum consideration of £4.1 million, comprising an initial consideration of £3.0 million, to be satisfied by the payment of £2.1 million in cash and £0.9 million by the issue of the Consideration Shares, and between £0.5 million and £1.1 million of Earnout Consideration, payable in cash on completion of the Earnout Accounts and dependent upon the net profit before tax achieved by Interpack in the Earnout Accounts.
- (b) In the event that net profit before tax of Interpack for the year ending 31 December 2011 as shown in the Earnout Accounts ("2011 Profit") is £0.8 million, the Earnout Consideration will be £0.9 million. The Deferred Consideration shall be reduced at a rate of £6.50 for every £1 by which the 2011 Profit is below £0.8 million (subject to a maximum reduction of £390,000) and increased at a rate of £6.50 for every £1 by which the 2011 Profit exceeds £0.8 million (subject to a maximum increase of £195,000).
- (c) Part of the cash element due to the Sellers in respect of the Acquisition shall be satisfied by the funds raised by the Placing and the Term Loan. The agreement provides for Interpack to have sufficient working capital on completion of the Acquisition to fund its business operations going forward.
- (d) The agreement contains warranties from the Sellers to the Company in relation to Interpack's business and restrictive covenants on the Sellers ending on the later of the second anniversary of the agreement and 12 months from the termination date of any Seller's employment with Interpack.
- (e) The Acquisition is conditional upon, *inter alia*, (i) the Company completing a simultaneous fundraising on terms satisfactory to the Company; and (ii) the Company passing certain of the Resolutions. The number of Ordinary Shares to be allocated to each of the Sellers pursuant to the Acquisition Agreement is as follows:

<b>Seller</b>	<b>Number of Consideration Shares</b>	<b>Value of Consideration Shares at the Placing Price (£)</b>
Michael Burke	1,700,000	255,000
Carol Burke	300,000	45,000
Stuart Traylor	1,700,000	255,000
Lucy Traylor	300,000	45,000
Stephen Barber	1,700,000	255,000
Carol Barber	300,000	45,000
<b>Total</b>	<b>6,000,000</b>	<b>900,000</b>

#### 17.1.2 Placing Agreement

- (a) Under the Placing Agreement dated 19 August 2011, XCAP has agreed (conditionally, *inter alia*, on the Acquisition and Admission taking place no later than 5:00 p.m. on 6 September 2011 or such later date as the Company, Cairn and XCAP may agree, being in any event not later than 5:00 p.m. on 30 September 2011) as agent for the Company to procure subscribers for the Placing Shares at the Placing Price.
- (b) Under the Placing Agreement and subject to it becoming unconditional, the Company has agreed:
  - (i) in relation to Cairn (a) to pay Cairn a corporate finance fee of £80,000 and (b) to issue Cairn a warrant to subscribe for 120,000 Ordinary Shares at the Placing Price; and
  - (ii) in relation to XCAP (a) to pay XCAP a corporate finance fee of £80,000, (b) a placing commission of 1 per cent. and 5 per cent. respectively of the aggregate value of the Placing Shares placed by the Company and placed by XCAP at the Placing Price and (c) to issue XCAP a warrant to subscribe for 360,000 Ordinary Shares at the Placing Price.
- (c) The Placing Agreement contains representations, warranties and indemnities given by the Company and warranties given by the Directors to Cairn and XCAP as to the accuracy of the information contained in this Document and other matters relating to the Company, Interpack and their respective businesses. Cairn and XCAP are entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

#### 17.1.3 Lock-in Agreement

- (a) The Company, Cairn and XCAP have entered into a lock-in and orderly market agreement dated 19 August 2011 with the Locked-in Persons, under which, save in the event of an offer for the Company or other limited circumstances, each of the Locked-in Persons has undertaken not to dispose of any Ordinary Shares or rights over Ordinary Shares for a period of 12 months from the date of Admission. For a further 12 months, any disposals by the Locked-in Persons are to be made, save in certain circumstances, following consultation with Cairn, through the Company's broker.
- (b) The lock-in arrangement described above will apply in respect of 46.34 per cent. of the Enlarged Share Capital.

#### 17.1.4 Term Loan

- (a) Pursuant to a facility agreement dated 17 August 2011, Barclays Bank PLC has granted the Company the Term Loan for the purpose of the Acquisition. The Term Loan will be available for drawdown in two tranches: £0.6 million to cover part of the initial cash consideration due to the Sellers from the Company on completion of the Acquisition in September 2011 and £0.8 million to cover all or part of the Earnout Consideration due to the Sellers from the Company in March 2012.
- (b) The Term Loan is subject to the condition that £2.7 million of equity funding is raised by the Company on Admission and will be secured by the existing debenture given by the Company in favour of Barclays Bank PLC and a cross-guarantee between, and debentures from each of, the Company and Interpack.

- (c) The Term Loan is subject to certain financial covenants in relation to the Enlarged Group and repayable over two years, with interest charged at two per cent. above Barclays Bank PLC's base rate from time to time, increasing to 2.5 per cent. on drawdown of the second tranche. An arrangement fee of £28,000 is payable on the drawdown of the first tranche.

#### 17.1.5 Invoice discounting facility

Pursuant to an agreement dated 17 August 2011, Barclays Bank PLC has granted the Company an extension of £1.0 million to its existing confidential invoice discounting facility of £1.5 million. As part of the extension, the facility's advance rate has been amended to 70 per cent. and Barclays Bank PLC may implement a reserve in the sum of £1.4 million in respect of the Term Loan. The level of this reserve can be amended and reduced as the balance on the Term Loan is reduced. The facility is subject to certain financial covenants in relation to the Enlarged Group and a fee of £10,000 (plus VAT) is payable by the Company for the facility amendment.

#### 17.1.6 Nominated adviser agreement

The Company is party to a nominated adviser agreement dated 17 August 2011 made between (1) the Company and (2) Cairn, pursuant to which the Company has appointed Cairn to act as nominated adviser for the purposes of the AIM Rules. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations and is subject to termination, after a fixed period of 12 months, on 3 months' rolling notice by either party.

#### 17.1.7 Broker agreement

The Company is party to a broker agreement dated 17 August 2011 made between (1) the Company and (2) XCAP, pursuant to which the Company has appointed XCAP as broker for the purposes of the AIM Rules. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations and is subject to termination, after a fixed period of 12 months, on 3 months' rolling notice by either party.

#### 17.1.8 Licensing agreement

- (a) On 1 April 2005 the Company entered into an agreement with DuBois Limited ("**DuBois**") pursuant to which DuBois granted the Company non-exclusive licences in relation to the patents, registered designs, the copy right and design rights in the know-how to make and use products described as polypropylene DVD library cases. The licences apply to cases of certain dimensions for packaging of up to two discs, incorporating the Red Tag anti-theft security system for these DVD boxes.
- (b) The Company was granted the right to sell these products in most European countries and the agreement contains conditions on the Company to promote DuBois' trade mark (as contained in the licences) and the licences products themselves in the Company's licensed territories. The agreement also sets out the various territories the licences apply to, the trade marks, patents, registered designs and product drawings and markings, specifications and standards, as well as testing criteria and instruction that the Company must adhere to in the manufacture of the DVD cases.
- (c) Either party may terminate the agreement by giving no less than six months' notice, provided that the agreement cannot be terminated before 1 April 2015 unless e.g. a party is in breach of the agreement.
- (d) The agreement was amended on 25 February 2008 to deal with technical alterations.
- (e) On 11 November 2008 the Company and DuBois entered into a supplemental agreement which provided for the 'twin tray, 3 disc Red Tag product' to be included in the original agreement.
- (f) On 7 September 2010 the Company and DuBois entered into a further supplemental agreement which added a further product to the licence agreement to enable the Company to take advantage of certain intellectual property rights that DuBois has relating to a 'rib' feature to be embodied in a lightweight DVD library case.

17.2 Other than the service contract which each of Michael Burke, Stephen Barber and Stuart Traylor will enter into on completion of the Acquisition, details of which are set out in paragraph 12 of this Part VI, there are no material contracts in relation to Interpack which are required to be disclosed in this Document.

## **18. LITIGATION**

No member of the Enlarged Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this Document, a significant effect on the Enlarged Group's financial position or profitability nor are the Directors aware of such proceedings, pending or threatened, against any member of the Enlarged Group.

## **19. UNITED KINGDOM TAXATION**

19.1 The following paragraphs are intended as a general summary for individual Shareholders who are domiciled, resident and ordinarily resident in the United Kingdom for tax purposes and who hold Ordinary Shares in the Company as investments (rather than as dealing stock). The summary does not apply to shareholders who acquire Ordinary Shares following the exercise of a share option or otherwise in connection with their employment. This summary is based on existing tax legislation and current HMRC practice. Any person who is in any doubt as to his tax position, whether in the United Kingdom or in any other jurisdiction in which he may be liable to tax, and any person subject to tax in any other jurisdiction should consult, and rely upon, the advice of his own professional adviser in respect of the tax consequences of an investment in the Ordinary Shares.

### **19.2 Taxation of Dividends**

19.2.1 Under current United Kingdom tax legislation, no taxation should be withheld at source from dividend payments made by the Company to its Shareholders.

19.2.2 For UK tax resident individuals, dividends are treated as income and taxed at the top slice of that income subject to and with the benefit of a tax credit equivalent to 1/9th of the dividend. The effect of the tax credit means that for tax year 2011/2012 a basic rate tax payer has an effective tax rate of 10 per cent. applying to the dividend but as this is met by the tax credit there is no further liability to tax. Higher rate tax payers are liable to pay tax at an effective tax rate of 32.5 per cent. on that part of the dividend falling above the higher rate limit and an additional rate tax payer an effective tax rate of 42.5 per cent. on that part of the dividend falling above the additional rate limit.

19.2.3 United Kingdom resident corporate Shareholders will generally not be subject to corporation tax in respect of dividends received from the Company unless the Shareholder is carrying on a trade of dealing in shares.

### **19.3 Taxation on chargeable gains**

If an individual Shareholder who is resident and ordinarily resident for tax purposes in the United Kingdom disposes of some or all of his Ordinary Shares, such a disposal may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. In computing a chargeable gain, the Shareholder should be entitled to deduct from the disposal proceeds the cost to him of acquiring the Ordinary Shares as well as utilising any available exemptions, allowances or reliefs. Capital gains tax is charged at a rate of 28 per cent. for higher and additional rate earners and 18 per cent. for basic rate earners. United Kingdom resident corporate Shareholders may be subject to corporation tax on chargeable gains.

### **19.4 Stamp duty and stamp duty reserve tax**

19.4.1 No stamp duty or stamp duty reserve tax (“**SDRT**”) will generally be payable on the issue by the Company of the Ordinary Shares.

19.4.2 Transfers of Ordinary Shares for value will give rise to a liability to ad valorem stamp duty or SDRT at the rate of 0.5 per cent. of the consideration (in the case of stamp duty, rounded up to the nearest £5 and subject to an exemption where the consideration payable is less than £1,000 and the transaction is not part of a larger transaction).

19.4.3 No stamp duty or SDRT should arise on the transfer of the Ordinary Shares to CREST for conversion into uncertificated form, unless the transfer is for consideration. Transfers under

the CREST system for paperless transfers of shares will generally be liable to SDRT at the rate of 0.5 per cent. of the consideration. CREST is obliged to collect SDRT from the transferee in relation to transfers settled through the CREST system.

19.5 The above statements are intended as a general guide only to the current taxation regime in the United Kingdom and are not exhaustive. Any person who is in any doubt as to his taxation position, or is subject to tax in a jurisdiction other than the United Kingdom, should consult his own professional adviser.

## **20. MISCELLANEOUS**

20.1 In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Enlarged Group will be sufficient for its present requirements and for at least twelve months from the date of Admission.

20.2 There has been no significant change in the financial or trading position of the Company since 30 April 2011, the date to which the last audited annual report for the Company was drawn up.

20.3 There has been no significant change in the financial or trading position of Interpack since 31 December 2010, the date to which the last unaudited financial information for Interpack contained in this Document was drawn up.

20.4 The financial information set out in Parts III and IV of this Document does not constitute statutory accounts for the Company or Interpack, respectively.

20.5 Hurst & Co Accountants LLP is registered in England and Wales under number OC307113 and its registered office is at Lancashire Gate, 21 Tiviot Dale, Stockport, Cheshire SK1 1TD. Hurst & Co Accountants LLP, registered as an auditor with the Institute of Chartered Accountants in England & Wales, was appointed as auditor of the Company on 4 June 2007 and has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.

20.6 Hazlewoods LLP is registered in England and Wales under number OC311817 and its registered office is at Staverton Court, Staverton, Cheltenham, Gloucestershire GL51, 0UX. Hazlewoods LLP, registered as an auditor with the Institute of Chartered Accountants in England & Wales, has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.

20.7 Cairn Financial Advisers LLP is registered in England and Wales under number OC351689 and its registered office is at 61 Cheapside, London EC2V 6AX. Cairn Financial Advisers LLP is authorised and regulated by the FSA. Cairn Financial Advisers LLP has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.

20.8 XCAP Securities plc is registered in England and Wales under number 06920660 and its registered office is at 24 Cornhill, London EC3V 3ND. XCAP Securities plc is authorised and regulated by the FSA. XCAP Securities plc has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.

20.9 Information in this Document which has been sourced from third parties has been accurately reproduced and, so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

20.10 The total costs, charges and expenses payable by the Company in connection with Admission and the Placing are estimated to be £0.5 million (exclusive of VAT). The net proceeds of the Placing will be £1.3 million.

20.11 There has been no person (excluding professional advisers named in this Document or trade suppliers) who has (i) received, directly or indirectly, from the Company within the 12 months preceding the date of the application for Admission; or (ii) entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly from the Company on or after Admission, any of the following: (a) fees of £10,000 or more, (b) securities in the Company of £10,000 or more value or (c) any other benefit with a value of £10,000 or more as at the date of Admission.



- 20.12 The Directors and the Company are not aware of the existence of any takeover offers by third parties in respect of the share capital of the Company.
- 20.13 Other than the protections afforded to shareholders under the City Code (details of which are set out at paragraph 20 of Part I of this Document), there are no controls in place to ensure that any Shareholder having a controlling interest in the Company does not abuse that interest.
- 20.14 Save as disclosed in this Document, the Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 20.15 Save as set out in this Document, the Company is not dependent on patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business
- 20.16 Save as disclosed in this Document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for the current financial year.
- 20.17 The Directors are not aware of any other information that they should reasonably consider as necessary for the investors to form a full understanding of (i) the assets and liabilities, financial position, profits and losses, and prospects of the Company and the securities for which Admission is being sought; (ii) the rights attached to those securities; and (iii) any other matter contained in this Document.

## **21. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from the date of publication of this Document until Admission at the offices of Davies Arnold Cooper LLP, 6-8 Bouverie Street, London EC4Y 8DD:

- 21.1 the Articles;
- 21.2 the proposed new articles of association of the Company;
- 21.3 the audited directors' reports and financial statements of the Company for the three financial years ended 30 April 2011;
- 21.4 the unaudited annual reports of Interpack for the three financial periods ended 31 December 2010;
- 21.5 the letters of consent referred to in paragraphs 20.5 to 20.8 of this Document; and
- 21.6 this Document.

Dated 19 August 2011

**NOTICE OF GENERAL MEETING**  
**of**  
**CORAL PRODUCTS PLC**

*(Incorporated and registered in England and Wales under the Companies Acts 1985 to 1989 with registered number 2429784)*

**NOTICE IS HEREBY GIVEN** that a General Meeting of the Company will be held at 12:15 p.m. (or as soon as possible thereafter, provided that the 2011 AGM convened for the same date and place at 12:00 noon has finished) on 5 September 2011 at Haydock Thistle Hotel, Haydock, Merseyside WA11 9SG to consider and, if thought fit, to approve the following resolutions.

**Ordinary Resolutions**

1. THAT, subject to and conditional upon the passing of resolutions 2 and 3 set out in this notice and subject to and conditional upon the admission of the entire issued and to be issued share capital of the Company to AIM (“**Admission**”), the acquisition by the Company of the entire share capital of Interpack Limited (“**Acquisition**”) on the terms of the Acquisition Agreement (as defined and described in the admission document pertaining to the Company dated 19 August 2011 (“**Admission Document**”) be and is hereby approved for all purposes and the Directors (as defined in the Admission Document) or a duly constituted committee thereof be authorised to implement the terms thereof and to waive, amend, vary or extend any of the terms and conditions of the Acquisition or the Acquisition Agreement and to do all such things as they or it may consider necessary or desirable to effect completion of the Acquisition.
2. THAT, subject to and conditional upon the passing of resolutions 1 and 3 set out in this notice, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to:
  - a. allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (“**Rights**”) up to an aggregate nominal amount of £67,119 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date of the Company’s annual general meeting in 2012, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the Companies Act 2006; and
  - b. allot the Consideration Shares, the Placing Shares and the Warrant Shares.

**Special Resolutions**

3. THAT subject to and conditional upon the passing of the resolutions 1 and 2 set out in this notice and in accordance with section 570 of the Companies Act 2006, the Directors be generally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 2 set out in this notice as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall:
  - a. be limited to the allotment of equity securities up to an aggregate nominal amount of £10,068;
  - b. be limited to the allotment of the Consideration Shares, the Placing Shares and the Warrant Shares; and
  - c. expire on the date of the Company’s annual general meeting in 2012 (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

4. THAT:

- a. the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the articles of association of the Company; and
- b. the articles of association produced to this meeting (and initialled by the chairman of the meeting for the purpose of identification) be and are hereby adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

BY ORDER OF THE BOARD

Stephen Fletcher, Company Secretary  
19 August 2011

**Registered Office:**  
North Florida Road  
Haydock Industrial Estate  
Haydock  
Merseyside WA11 9TP

Notes:

1. A member entitled to attend and vote at the General Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the General Meeting. A member can appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the General Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the General Meeting and voting in person.
3. A Proxy Form which may be used to make this appointment and give proxy instructions accompanies this Notice of General Meeting. Details of how to appoint a proxy are set out in the notes to the Proxy Form. If you do not have a Proxy Form and believe that you should have one, or if you require additional forms, please contact the Company's Registrar, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. As an alternative to completing a hard copy Proxy Form, proxies may be appointed electronically in accordance with note 4 below.
4. In order to be valid an appointment of proxy must be returned (together with any authority under which it is executed or a copy of the authority certified) by one of the following methods:
  - in hard copy form by post, by courier or by hand to the office of the Company's Registrar, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 8 below.

and in each case must be received by the Registrar by 12:15 p.m. on 3 September 2011 (or, if the meeting is adjourned, at 12:15 p.m. on the date which is two days prior to the adjourned meeting).

5. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy Proxy Form and would like to change the instructions using another hard copy Proxy Form, please contact Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
6. A copy of this Notice of General Meeting has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person"). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the General Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
7. To be entitled to attend and vote at the General Meeting, members must be registered in the register of members of the Company at 12:15 p.m. on 3 September 2011 (or, if the meeting is adjourned, at 12:15 p.m. on the date which is two days prior to the adjourned meeting). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.
8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in the Notice of General Meeting.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. Voting on all Resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as member votes are to be counted according to the number of shares held. As soon as practicable following the General Meeting, the result of the General Meeting will be announced via a regulatory information service.
11. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the General Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.



