11 December 2013

CORAL PRODUCTS PLC

("Coral" or the "Group")

HALF YEARLY REPORT

Coral Products plc, a specialist in the design, manufacture and supply of injection moulded plastic products, announces its half yearly report for the six months ended 31 October 2013.

Financial headlines	*Six months to 31 October 2013*	*Six months to 31 October 2012*	*Six months to 30 April 2013*
Sales	£8.81 million	£9.41 million	£7.87 million
Gross profit	£2.14 million	£2.34 million	£1.91 million
Gross margin	24.3%	24.8%	24.3%
Operating profit/(loss)	£298,000	£561,000	£(65,000)
Profit/(loss) before taxation	£205,000	£480,000	£(130,000)
EBITDA	£860,000	£1,084,000	£504,000
Basic earnings per share	0.45p	1.18p	
Dividend paid per share	0.5p	0.5p	

Key features

- Increasing proportion of non-media sales rising to £6.04m (2012: £5.68m), which represents 60% of turnover of the combined businesses (2012: 53%).
- Sales at Interpack continue to perform strongly with further growth expected.
- Temporary drop in margins across all divisions due to spike in polymer prices during the summer. Cost increases are now being recovered.
- New 1,150 tonne injection moulding line with robotic handling to meet increasing demand is to be delivered in January 2014.
- Sales and profit before tax are up compared to the second half of FY2013 with further improvement expected in the second half of FY2014. While the result for the year to 30 April 2014 overall is expected to be ahead of FY2013, it is also expected to be significantly below market expectations.
- Improved outlook for 2014/15.

Outlook

- Purchase order received for tooling and sampling in anticipation of a signed ten year supply agreement with a leading national on-line distributor for supply of specially designed crates. with significant additional annual revenues expected from May 2014 onwards.
- Additional contract from existing customer for a range of products with estimated £1.5m annual value, expected to be delivered in next financial year.
- Awarded framework status with a major national service company for local governments and leading companies enabling Coral to tender for supply of recycling products.
- Products approved on Scotland Excel framework status enabling Coral to tender to all of Scotland's local authorities for supply of recycling products.

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

"Whilst the results for the six months to 31 October 2013 are not as strong as anticipated, I am encouraged that the Group has managed to increase the proportion of sales in non-media products, which represented over 60% of total sales in the period. This trend is set to continue and we are putting in place further production capacity to enable us to meet demand. Profit before tax, whilst reducing to £205,000 in the period, reflects the changing product mix of our business and is a material improvement compared to our performance in the six months to 30 April 2013.”

Enquiries

Coral Products plc
Joe Grimmond, Non-Executive Chairman — Tel: 07703 518 148
Warren Ferster, Chief Executive & Managing Director — Tel: 01942 272 882

Nominated Adviser
Cairn Financial Advisers LLP — Tel: 020 7148 7900
Avi Robinson / Tony Rawlinson

Broker
XCAP Securities plc — Tel: 020 7101 7070
David Lawman / Adrian Kirk

Bankside Consultants — Tel: 020 7367 8888
Richard Pearson

Operating review

Results

The Group's results for the first six months of the year, while significantly below market expectations, reflect a material improvement compared to the six months ended 30 April 2013 in a business environment that continued to be challenging. Reported sales in the six months to 31 October 2013 were £8.81 million (six months to 31 October 2012: £9.41 million; six months to 30 April 2013: £7.87 million), which resulted in a profit from operations of £298,000 (six months to 31 October 2012: profit of £561,000; six months to 30 April 2013: loss of £65,000). Gross margins decreased slightly to 24.3% from 24.8% in the same period in 2012 (six months to 30 April 2013: 24.3%) resulting from a delay in being able to recover raw material price increases.

Coral was affected late in the period by reduced margins in media products and significantly reduced sales in recycling crates and caddies, whilst Interpack has continued to operate strongly. Coral now supplies a large part of the food containers sold by Interpack (an increase of £0.5 million compared to last year) and this is expected to continue to improve results. We are presently investing further in new machinery which will increase our ability to supply a greater range of products. This production capacity will be in place by our final quarter and we already have a number of enquiries for products.

Dividends

Subject to the outcome of the full year's results, the board anticipates that it will pay a final dividend following the reporting of the full year's results. This reflects our continued confidence in the Group's recovery.

Operations

The Group's disappointing overall performance in the first half is due partly to lower margins in media products, caused by continued challenging retail market conditions. Our strategic plan of diversifying away from media products has reduced the Group's dependence on this product range and provides a stronger base from which to move forward.

In recycling products, a significant reduction in sales in the period compared with last year, caused by a reduction in large-scale contracts from local authorities constrained by tighter spending budgets, had a further adverse effect on Group performance. Local authorities are under pressure to roll-out a system of recycling food waste and we have recently seen some increase in interest for our range of products, particularly with regard to municipal contracts. Coral was recently awarded approved status from Scottish Excel, the purchasing framework for Scottish local authorities, giving increased access to Scottish markets and we have also been awarded framework status with a major national service company for local governments and leading companies enabling Coral to tender for the supply of their recycling products. As a result of these initiatives, we anticipate significant incremental sales in the next year financial year.

At Interpack, we have increased the number of food containers serving the catering sector manufactured at our Haydock plant. Interpack has continued to expand its customer base and generated increased revenues although a dip in margins has affected contribution in the period. Further progress is expected in the second half.

Turnover from trade moulding of customers' products continued to increase as we developed existing relationships and also introduced new customers to our production facility. We have continued to invest in this division of our business by converting a number of existing machines and, in the second half of this year, we expect to install a new machine with automation that will increase the size of product that can be manufactured. This will enable us to take on an additional contract from an existing customer for a range of products with an estimated £1.5 million annual value, which is expected to be delivered in next financial year.

In addition, the Group has recently received a purchase order for tooling and sampling in anticipation of a signed ten year supply agreement with a major distributor for the supply of specially designed crates for use in their on-line delivery centres. This is expected to generate significant sales over the life of the contract with delivery expected from May 2014. Additional opportunities to grow this area further are being explored and this could be an exciting new sector for the Group.

Capital expenditure

Total capital expenditure in the first six months was £142,000 (2012: £455,000) of which £7,000 (2012: £17,000) was for intangibles for design and development work on new recycling products.

Financial position and cash flow

Our balance sheet has net assets of £8.6 million (2012: £8.2 million). EBITDA remained high at £860,000 (2012: £1,084,000) although the increased working capital demands reduced this to a cash inflow from operations of £156,000 (2012: outflow of £684,000). The Group had undrawn banking facilities of £400,000 at 31 October 2013.

Asset finance has been obtained to support the cash funding requirement of the planned expenditure on new machinery during the second half of the year. The Group expects to be able to generate surplus funds from operations over and above its investing and financing requirements.

Outlook

Despite the disappointing performance in the period, we are pleased that the Group has continued to diversify away from physical media products. Despite retail market conditions remaining difficult and the adverse impact this has had on these results, the Group has maintained positive momentum in progressing its strategic plan. Progress in these difficult economic times has been slower than we would have hoped for but a reshaped Group is beginning to emerge with markets and products that have increased potential and are expected to achieve higher margins.

Whilst we have improved on the performance of the previous six months, the Group’s performance is significantly below market expectations and we do not expect this shortfall to be made up in the second half of the financial year. Nevertheless, the positive impact of new contracts outlined above lead us to be optimistic about our performance in the 2014/15 financial year.

Warren Ferster
Chief Executive
11 December 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months to 31 October 2013

	Notes	*Six months to 31 October 2013 (unaudited) £000*	*Six months to 31 October 2012 (unaudited) £000*	*Year to 30 April 2013 (audited) £000*
Revenue	3	8,809	9,405	17,279
Cost of sales		6,664	7,069	13,030
Gross profit		2,145	2,336	4,249
Operating costs		1,847	1,775	3,753
Profit from operations		298	561	496
Finance income		-	-	-
Finance expense		(93)	(81)	(146)
Profit/(loss) before taxation		205	480	350
Taxation	4	(20)	(32)	77
Total comprehensive income		185	448	427
Earnings per ordinary share	5			
Basic (pence)		0.45	1.18	1.08
Diluted (pence)		0.44	1.17	1.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2013

	31 October 2013 (unaudited) £000	*31 October 2012 (unaudited) £000*	*30 April 2013 (audited) £000*
Non-current assets			
Goodwill	3,868	3,868	3,868
Other intangible assets	113	181	144
Property, plant and equipment	5,897	4,609	6,286
Total non-current assets	9,878	8,658	10,298
Current assets			
Inventories	1,544	1,786	1,377
Trade and other receivables	5,300	5,810	3,874
Cash and cash equivalents	-	-	107
Total current assets	6,844	7,596	5,358
Total assets	16,722	16,254	15,656
Current liabilities			
Bank overdrafts and borrowings	(2,979)	(3,048)	(2,564)
Trade and other payables	(3,829)	(4,616)	(3,047)
Income tax payable	-	(143)	-
Total current liabilities	(6,808)	(7,807)	(5,611)
Non-current liabilities			
Borrowings	(1,260)	(214)	(1,386)
Deferred taxation liability	(52)	(32)	(32)
Total non-current liabilities	(1,312)	(246)	(1,418)
Total liabilities	(8,120)	(8,053)	(7,029)
Total net assets	***8,602***	***8,201***	***8,627***
Equity			
Share capital	419	381	419
Share premium	409	-	409
Retained earnings	7,774	7,820	7,799
Total equity	***8,602***	***8,201***	***8,627***

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months to 31 October 2013 (unaudited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2013	419	409	-	7,799	8,627
Dividends	-	-	-	(210)	(210)
Total comprehensive income	-	-	-	185	185
At 31 October 2013	419	409	-	7,774	8,602

For the six months to 31 October 2012 (unaudited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2012	381	6,977	7	579	7,944
Cancellation of Share premium and capital redemption reserves	-	(6,977)	(7)	6,984	-
Dividends	-	-	-	(191)	(191)
Total comprehensive income	-	-	-	448	448
At 31 October 2012	381	-	-	7,820	8,201

For the year ended 30 April 2013 (audited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2012	381	6,977	7	579	7,944
Share placing	38	409	-	-	447
Cancellation of Share premium and capital redemption reserves	-	(6,977)	(7)	6,984	-
Dividends	-	-	-	(191)	(191)
Total comprehensive income	-	-	-	427	427
At 30 April 2013	419	409	7	7,799	8,627

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months to 31 October 2013

	Six months to 31 October 2013 (unaudited) £000	*Six months to 31 October 2012 (unaudited) £000*	*Year to 30 April 2013 (audited) £000*
Cash flow from operating activities			
Profit after tax	185	448	427
Adjustments for:			
Depreciation	529	487	1,019
Intangibles amortisation	33	36	73
Net finance costs	93	81	146
Taxation charge/(credit)	20	32	(77)
(Increase)/decrease in inventories	(346)	200	609
Increase in trade and other receivables	(1,127)	(2,293)	(357)
Increase/(decrease) in trade and other payables	769	325	(1,244)
UK corporation tax paid	-	-	(141)
Net cash generated from/(used in) operating activities	156	(684)	455
Cash flow from investing activities			
Purchase of plant and equipment	(135)	(438)	(2,647)
Acquisition of intangible assets	(7)	(17)	(17)
Dividend paid to equity holders	(210)	(191)	(191)
Net cash used in investing activities	(352)	(646)	(2,855)
Cash flow from financing activities			
Proceeds of share issue	-	-	447
Proceeds of borrowings	-	500	1,900
Interest paid	(93)	(81)	(146)
Repayment of borrowings	(157)	(997)	(1,349)
Net cash (used in)/received from financing activities	(250)	(578)	852
Net decrease in cash, cash equivalents and bank overdrafts	(446)	(1,908)	(1,548)
Cash, cash equivalents and bank overdrafts at the start of the period	(2,259)	(711)	(711)
Cash, cash equivalents and bank overdrafts at the end of the period	(2,705)	(2,619)	(2,259)

1. Basis of preparation

These interim financial statements have been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively "Adopted IFRS").

The principal accounting policies used in preparing these interim financial statements are those expected to apply to the Group's consolidated financial statements for the year ending 30 April 2013 and are unchanged from those disclosed in the Group's published consolidated financial statements for the year ended 30 April 2012.

The financial information for the six months ended 31 October 2012 is unaudited and does not constitute statutory financial statements for those periods.

The comparative financial information for the twelve months ended 30 April 2012 has been derived from the audited statutory financial statements for that year. These financial statements were approved by shareholders at the Annual General Meeting and have been delivered to the Registrar of Companies. The Auditors' Report on those financial statements was unqualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and did not include a statement under section 498(2) or 498(3) of the Companies Act 2006.

Seasonality

In addition to economic factors, revenues are subject to some element of seasonal fluctuation largely driven by orders for media products being higher in the period before Christmas whilst demand for food containers is strongest early in the year ahead of the warmer months. In addition, the Christmas holiday results in a period of inactivity with fewer trading days.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated statements as at and for the year ended 30 April 2012.

3. Revenue

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

	Six months to 31 October 2013 (unaudited) £000	*Six months to 31 October 2012 (unaudited) £000*	*Year to 30 April 2013 (audited) £000*
United Kingdom	8,356	8,763	16,375
Rest of Europe	420	241	474
Rest of the World	33	401	430
	8,809	9,405	17,279
Turnover by business activity			
Sale and manufacture of plastic products	8,809	9,405	17,279

4. Taxation

The taxation charge for the six months to 31 October 2013 is based on the effective taxation rate, which is estimated will apply to earnings for the year ending 30 April 2013.The rate used is below the applicable UK corporation tax rate of 23% due to the utilisation of tax losses in the period.

5. Earnings per share

Basic earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 41,935,609 (31 October 2012: 38,103,609 and 30 April 2013: 39,613,965). The earnings used to calculate basic earnings per share are £185,000 (31 October 2012: £448,000 and 30 April 2013: £427,000).

Diluted earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 42,415,609 (31 October 2012: 38,583,609 and 30 April 2013: 40,093,965).

	Six months to 31 October 2013 (unaudited)		*Six months to 31 October 2012 (unaudited)*		*Year to 30 April 2013 (audited)*	
	£000	p	£000	p	£000	p
Basic earnings per ordinary share						
Profit for the financial period after tax	185	0.45	448	1.18	427	1.08
Diluted earnings per ordinary share						
Profit for the financial period after tax	185	0.44	448	1.17	427	1.07

6. Reconciliation of net cash flow to movement in net debt

Net debt incorporates the Group's borrowings and bank overdrafts less cash and cash equivalents. A reconciliation of the movement in the net debt is shown below:

	Six months to 31 October 2013 (unaudited) £000	*Six months to 31 October 2012 (unaudited) £000*	*Year to 30 April 2013 (audited) £000*
Net decrease in cash and cash equivalents	(446)	(1,908)	(1,548)
Proceeds of new asset finance	-	(350)	(350)
Proceeds of borrowings	-	(150)	(1,550)
Repayment of borrowings	157	997	1,349
Increase in net debt in the financial period	(289)	(1,411)	(2,099)
Opening net debt	(3,950)	(1,851)	(1,851)
Closing net debt	(4,239)	(3,262)	(3,950)