Coral Products PLC

Half Yearly Report

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Coral Products PLC
10 December 2012

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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, is pleased to report its half yearly report for the six months ended 31 October 2012.

Financial headlines	*Six months to 31 October 2012*	*Six months to 31 October 2011*	*Change*
Group sales	£9.41 million	£8.66 million	+9%
Gross profit	£2.34 million	£1.80 million	+30%
Gross margin	24.8%	20.8%	+19%
Underlying operating profit	£561,000	£115,000	+388%
Profit/(loss) before taxation	£480,000	£(356,000)	-
EBITDA	£1,084,000	£150,000	-
Basic earnings/(loss) per share	1.18p	(1.39)p	-

Operational highlights

- Increased sales and much improved profitability
- Strong continuation of growth in Interpack.
- 'Inner Caddy' being developed to meet demand and extend our product range

- Increased margins on non-media products
- Continued progress of plan to diversify into growth products and reduce dependence on media products

Other highlights

- Acquisition of the Group's freehold land and buildings in Haydock completed in December 2012 resulting in rental savings of £304,000 p.a.
- Court approval obtained for the share premium and capital redemption reserve to be transferred into distributable reserves

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

"I am delighted to report that following on from the Group's positive performance for the financial year ended 30 April 2012 and its success in diversifying into new markets, the first six months to 31 October 2012 has seen a continuation of this trend. Profit before tax of £480,000 for the first six months of this financial year represents a turnaround of £836,000 on the previous loss of £356,000 with a substantial rise in gross operating margins to 24.8%.

"The progress we have made illustrates that our strategy is delivering results. We continue to implement efficiency initiatives whilst looking to invest in further areas of growth.

"Overall the first half performance is much improved over the previous year's and the Board views the future for the Group for the full year and beyond with confidence."

Enquiries

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Operating review

Results

The Group's results for the first six months of the year reflect an improved performance in a challenging trading environment for businesses in the UK. Sales in the six months to 31 October 2012 increased by 9% to £9.41 million (six months to 31 October 2011: £8.66

million), which resulted in an underlying operating profit of £561,000 compared to £115,000 in 2011. Gross margins increased to 24.8% from 20.8% in 2011.

A trading statement was issued on 28 August 2012 reporting that trading for the first quarter had been in line with expectations and I am pleased to state that this performance has been maintained through to the half year. Interpack has continued to operate strongly and ahead of management expectations. As reported, the planned investment in production machinery for food packaging containers has been completed although we will continue to add to the tooling range as new selling opportunities arise.

Dividends

In line with our progressive dividend policy, we will look to pay a full year dividend following the reporting of Coral's results for the year ended 30 April 2013, subject to full year performance and our cash position meeting the Board's expectations. This reflects our confidence in the continuing recovery and improvement of the Group.

Operations

The Group has performed in line with expectations and had an encouraging first half despite the challenging market conditions. The strategy implemented by the Board to diversify away from media products into new growth markets is delivering positive results. In the first six months of the year, sales, operating margin and profit before tax are all ahead of the first six months of the previous year.

The performance of Interpack has been excellent and enabled us to increase our utilisation of available manufacturing capacity. We now have a range of food containers which are manufactured at our facility and serve the catering sector. Whilst we had some initial hurdles to overcome in manufacturing these thin-walled products, these difficulties have been overcome and our production is now performing consistently. Interpack, meanwhile continue to provide great service to a wider range of customers and, despite the difficult economic conditions, have increased sales and profits.

Media packaging turnover has been disappointing and well below our expectations. Sales were anticipated to fall as the shift continues towards selling films and TV programmes via the digital marketplace. Media sales continue to be weak and we are planning and preparing for a lower level of sales activity going forward.

Recycling crate and caddy sales maintained their progress even though there were delays in the funding allocated to local authorities. There has been a steady increase in interest for the Coral range of products and we anticipate further increases in sales next year. We are also developing an Inner Caddy to be used in wheelie bins and this will be in production in the next few weeks. Orders have already been promised for this product and by complementing our existing range it will enable our customers to meet more of their requirements at Coral. We continue to receive recognition for the quality of our containers and we expect further sales increases in this market in the future.

Trade mouldings showed another increase in turnover. We are actively looking to expand in this area. We are also seeking further applications for our existing houseware product range where we believe we have strong possibilities of attracting new business.

Capital expenditure

Total capital expenditure in the first six months was £455,000 (2011: £265,000) The bulk of the expenditure related to investment in tooling for new food containers and tooling for an inner caddy recycling product.

Financial position and cash flow

Our balance sheet is strong with net assets of £8.2 million. EBITDA increased to

£1,084,000 for the first six months (2011:£150,000) although the seasonality of the markets for media products resulted in a cash outflow in operations of £884,000 (2011: outflow of £1,122,000). The Group has undrawn banking facilities of £900,000 at 31 October.

In June, the Group acquired new loans of £350,000 in asset finance from Close Brothers and £150,000 as an unsecured loan from its Chairman, Joe Grimmond. This enabled it to make early repayment of £500,000 from its term loan which enabled the Group's working capital facility to increase by £800,000. Since then, a further £300,000 of the term loan was repaid by 31 October with the final payment arising in December.

Capital reduction

Having gained shareholder support the Group received Court approval to the capital reorganisation on 3 October, increasing distributable reserves in the Group by £6.99 million.

Outlook

We are pleased with the Group's performance during the first six months of 2012. Despite the general market conditions, the positive momentum in the Group's business is continuing. This underscores our confidence that we will continue to grow and strengthen our business by diversifying away from media into other products with greater opportunities.

Warren Ferster
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months to 31 October 2012

	Notes	*Six months to 31 October 2012 (unaudited) £000*	*Six months to 31 October 2011 (unaudited) £000*	*Year to 30 April 2012 (audited) £000*
Revenue	3	9,405	8,658	17,309
Cost of sales		(7,069)	(6,857)	(13,483)
Gross profit		2,336	1,801	3,826
Operating costs		(1,775)	(1,686)	(3,576)
Underlying operating profit		561	115	250
Exceptional items		-	(443)	(554)
Profit/(loss) from operations		561	(328)	(304)
Finance income		-	1	-
Finance expense		(81)	(29)	(65)
Profit/(loss) before taxation		480	(356)	(369)

Taxation	4	(32)	-	-
Total comprehensive income / (loss)		448	(356)	(369)
Earnings / (loss) per ordinary share	5			
Basic (pence)		1.18	(1.39)	(1.16)
Diluted (pence)		1.16	(1.38)	(1.15)
Underlying basic (pence)		1.18	0.34	0.58
Underlying diluted (pence)		1.16	0.34	0.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2012

	31 October 2012 (unaudited) £000	*31 October 2011 (unaudited) £000*	*30 April 2012 (audited) £000*
Non-current assets			
Goodwill	3,868	3,868	3,868
Other intangible assets	181	197	200
Property, plant and equipment	4,609	3,801	4,658
Rental deposit	-	50	-
Total non-current assets	8,658	7,916	8,726
Current assets			
Inventories	1,786	1,431	1,986
Trade and other receivables	5,810	7,021	3,517
Cash and cash equivalents	-	379	52
Total current assets	7,596	8,831	5,555
Total assets	16,254	16,747	14,281
Current liabilities			
Bank overdrafts and borrowings	(3,048)	(2,092)	(1,518)
Trade and other payables	(4,616)	(5,984)	(4,291)
Income tax payable	(143)	(143)	(143)
Total current liabilities	(7,807)	(8,219)	(5,952)

Non-current liabilities			
Borrowings	(214)	(570)	(385)
Deferred taxation liability	(32)	-	-
Total non-current liabilities	(246)	(570)	(385)
Total liabilities	(8,053)	(8,789)	(6,337)
Total net assets	***8,201***	***7,958***	***7,944***
Equity			
Share capital	381	381	381
Share premium	-	6,978	6,977
Other reserves	-	7	7
Retained earnings	7,820	592	579
Total equity	***8,201***	***7,958***	***7,944***

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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 six months to 31 October 2011 (unaudited)

	Share capital £000	*Share premium* £000	*Other reserves* £000	*Retained earnings* £000	*Total equity* £000
At 1 May 2011	201	4,558	7	948	5,714
Issue of equity	180	2,420	-	-	2,600
Total comprehensive income	-	-	-	(356)	(356)
At 31 October 2011	381	6,978	7	592	7,958

For the year ended 30 April 2012 (audited)

	Share capital £000	*Share premium £000*	*Other reserves £000*	*Retained earnings £000*	*Total equity £000*
At 1 May 2011	201	4,558	7	948	5,714
Share placing	180	2,419	-	-	2,599
Total comprehensive income	-	-	-	(369)	(369)
At 30 April 2012	381	6,977	7	579	7,944

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months to 31 October 2012

	Notes	*Six months to 31 October 2012 (unaudited) £000*	*Six months to 31 October 2011 (unaudited) £000*	*Year to 30 April 2012 (audited) £000*
Cash flow from operating activities				
Cash (utilised in)/generated from operations	6	(684)	(1,122)	1,737
Net finance costs		(81)	(28)	(65)
Net cash from operating activities		(765)	(1,150)	1,672
Cash flow from investing activities				
Purchase of subsidiaries net of cash acquired		-	(2,561)	(2,756)
Purchase of plant and equipment		(438)	(256)	(1,568)
Acquisition of intangible assets		(17)	(9)	(41)
Net cash used in investing activities		(455)	(2,826)	(4,365)
Cash flow from financing activities				
Proceeds of share issue		-	-	1,699
Proceeds of term loan		-	600	1,400
Proceeds of new asset finance		350	-	100
Proceeds of director's loan		150	-	-
Rental deposit repayment		-	-	50
Issue of equity net of costs		-	2,600	-
Dividends paid		(191)	-	-
Repayment of term loan		(917)	(49)	(380)
Finance lease principal payment		(80)	-	(39)
Net cash arising from/(used in) financing activities		(688)	3,151	2,830

	Note			
Net decrease in cash, cash equivalents and bank overdrafts	7	(1,908)	(825)	137
Cash, cash equivalents and bank overdrafts at the start of the period		(711)	(848)	(848)
Cash, cash equivalents and bank overdrafts at the end of the period		(2,619)	(1,673)	(711)

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 2012 (unaudited)	*Six months to 31 October 2011 (Unaudited)*	*Year to 30 April 2012 (Audited)*

	£000	*£000*	*£000*
United Kingdom	9,164	7,975	16,131
Rest of Europe	241	683	1,178
	9,405	8,658	17,309
Turnover by business activity			
Sale and manufacture of plastic products	9,405	8,658	17,309

4. Taxation

The taxation charge for the six months to 31 October 2012 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 24% due to the utilisation of tax losses in the period.

5. Earnings / (loss) per share

Basic earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 38,103,609 (31 October 2011: 25,613,870 and 30 April 2012: 31,840,527).

Diluted earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 38,615,609 (31 October 2011: 25,759,957 and 30 April 2012: 32,152,659).

Underlying earnings per ordinary share are also shown calculated by reference to earnings adjusted for exceptional items. The Directors consider that this gives a useful additional indication of underlying performance.

	Six months to 31 October 2012 (Unaudited)		*Six months to 31 October 2011 (Unaudited)*		*Year to 30 April 2012 (Audited)*	
	£000	p	£000	p	£000	P
Basic earnings per ordinary share						
Profit/(loss) for the financial period after tax	448	1.18	(354)	(1.39)	(369)	(1.16)
Exceptional items	-	-	443	1.73	554	1.74
Underlying earnings	448	1.18	89	0.34	185	0.58
Diluted earnings per ordinary share						
Profit/(loss) for the financial period after tax	448	1.16	(354)	(1.38)	(369)	(1.15)
Exceptional items	-	-	443	1.72	554	1.73
Underlying earnings	448	1.16	89	0.34	185	0.58

6. Net cash from operations

	Six months to 31 October 2012 (Unaudited) £000	*Six months to 31 October 2011 (Unaudited) £000*	*Year to 30 April 2012 (audited) £000*
Operating profit/(loss)	561	(328)	(304)
Depreciation of plant and equipment	487	449	904
Amortisation of intangible assets	36	29	58
EBITDA*	1,084	150	658
Decrease/(increase) in inventories	200	355	(200)
Increase in trade and other receivables	(2,293)	(3,451)	53
Increase in trade, other payables and provisions	325	1,824	1,226
Net cash (utilised in)/generated from operations	(684)	(1,122)	1,737

* EBITDA is defined as profit before interest, taxation, depreciation, amortisation and share-based payments.

7. 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 2012 (unaudited) £000	*Six months to 31 October 2011 (unaudited) £000*	*Year to 30 April 2012 (audited) £000*
Net decrease in cash and cash equivalents	(1,908)	(825)	137
New bank term loan	-	(600)	(1,400)
New asset finance	(350)	-	(100)
New unsecured loan	(150)	-	-
Repayment of bank term loan	917	30	380
Repayment of finance leases	80	19	39
Increase in net debt in the financial period	(1,411)	(1,376)	(944)
Opening net debt	(1,851)	(907)	(907)
Closing net debt	(3,262)	(2,283)	(1,851)

8. Availability of half yearly report

Copies of the Half Yearly report will be made available upon request to members of the public at the Company's registered office, North Florida Road, Haydock Industrial Estate, Haydock, Merseyside, WA11 9TP. The Half Yearly Report can also be viewed on the Group's website at www.coralproducts.com.

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