



21 November 2014

**Collagen Solutions Plc  
(the "Company" or the "Group")**

**Half Yearly Report  
*Interim Results for the six months ended 30 September 2014***

Collagen Solutions plc (AIM: COS), the developer and manufacturer of medical grade collagen components for use in regenerative medicine, medical devices and *in-vitro* diagnostics, announces results for the six months ended 30 September 2014.

**Financial Highlights**

- Revenues increased to £143,213 (H1 2013: £NIL)
- LBITDA- £(522,144) (H1 2013: £(62,631))
- Pre-tax loss - £(560,831) (H1 2013: £(62,631))
- Basic loss per share - (0.88)p (H1 2013: (0.15)p)
- Net cash balances of £927,094 at 30 September 2014 (31 March 2014 : £1,491,660)

**Operational Highlights**

- Retained ISO 13485 / ISO 22442 certification for manufacturing facility
- Professor Robert Brown, UCL, appointed as exclusive consultant and member of Scientific Advisory Board
- Licence Agreement signed with UCL for exclusive rights to commercialise patented collagen formulation process
- Key staff appointed in R&D, San Jose and in Manufacturing, Glasgow
- Management team strengthened by appointment of Commercial Director
- New high value collagen products under development

**Post Period End**

- Commissioning of lyophiliser to increase production capacity in Glasgow and facilitate Tech Transfer from San Jose for component of a US customer's approved medical device
- Further collaboration with Jellagen as part of new SMART Award
- Proposed acquisition of Southern Lights Biomaterials and a placing to raise £6 million

**Dr Stewart White, Chief Executive Officer of Collagen Solutions, commented:** *"Trading has been in line with management expectations and we have been committed to our strategic objectives – namely, our investment in Research and Development, Manufacturing and Sales and Marketing. The company is securing future revenue streams from existing customers in addition to some new and exciting opportunities resulting from our strategic initiatives."*

**Collagen Solutions Plc**

David Evans, Chairman

Tel: 07740 084 452

Stewart White, CEO / Gill Black, CFO

Tel: 0141 558 2008

**Zeus Capital (Nominated Adviser and Broker)**

Ross Andrews / John Depasquale (Corporate Finance)

Tel: 0161 831 1512

Dominic Wilson (Institutional Sales)

Tel: 020 7533 7727

**Walbrook PR Ltd**

Mike Wort

Tel: 020 7933 8780 or [collagen@walbrookpr.com](mailto:collagen@walbrookpr.com)

Anna Dunphy

Mob: 07900 608 002

Mob: 07876 741 001

## **STATEMENT BY THE CHAIRMAN, DAVID E EVANS**

I am pleased to present Collagen Solutions' first interim results for the six month period ended 30 September 2014. During the period, the Group has continued to invest in Research and Development of our platform technologies.

The strategic objective is to build a significant global biomaterials business by assisting customers in expediting the transition of their products from development through to manufacture by the provision of cost effective, functional collagen materials and devices across a range of clinical indications, for the ultimate benefit of providing effective and affordable treatment to patients.

### **Overview**

During this period, we have continued to make progress with laying some of the key foundation stones to create long-term shareholder value.

I would draw your attention to the following achievements:

- The management teams in Glasgow and San Jose have been successfully integrated and are working effectively as a cohesive unit;
- The appointment of Dr. Tim Calvert as Commercial Director;
- Negotiating new and existing contracts;
- The technology transfer of the first product from San Jose to Good Manufacturing Practice ('GMP') contract manufacturing in Glasgow is nearing completion;
- We continue to make significant advances in our work with one of our partners, Jellagen, on the processing of jellyfish into vector-free collagen;
- The licence agreement with UCL, signed in June 2014, for polymeric collagen accesses a breakthrough platform technology for the production of stronger, more durable, living collagen-based 'tissues';
- Development of new high value collagen products in San Jose.

We have set ourselves a target by 2020 to create a biomaterials business with a value of £100 million, through a combination of organic growth and exploitation of licensed IP as well as through appropriate acquisitions, and we look forward to that journey ahead.

### **Results**

The Group's results for the six months ended 30 September 2014 are set out in the Consolidated Statement of Comprehensive Income. Revenue for the first six months was £143,213 (2013: £NIL). Administrative expenses were £467,672, (2013: £62,631) reflecting the costs of operating a public company and the related regulatory costs. Selling and marketing costs were £161,171 (2013: £NIL), LBITDA for the first six months was (£522,144) (2013: (£62,631)), and the loss per share was (0.88)p (2013: (0.15)p).

Net cash used in operations during the period was £482,476. The Group's cash balances at 30 September 2014 were £927,094 (31 March 2014: £1,491,660).

### **Dividend**

Due to the loss incurred for the period since incorporation no dividends are payable.

### **Board and management**

The Board has strengthened the team in Glasgow by the appointment of Dr. Tim Calvert as Commercial Director (non-Board). Tim has considerable experience in cell culture reagents, cell therapies and CMO/CRO sectors with companies such as Invitrogen, Lonza, Catalent and Aptuit.

Collagen Solutions LLC founders Jacci Burgin and Diane Mitchell continue to be key members of the management team, as Chief Scientific Officer and Chief Commercial Officer respectively and the

team is working together well as a cohesive unit under Stewart's leadership, with the Scientific Advisory Board providing important input into our product development strategies.

### **Outlook**

The year 2014/15 has seen a continued investment in people and facilities as we continue to expand our sales pipeline. We are looking to develop strong collaborative partnerships with key players in the regenerative medicine space, and we will shortly commence manufacturing of a product, transferred from our core R&D facility in San Jose, California to our GMP facility Glasgow.

We are recognised within the industry for the quality of the materials that we produce and our ability to do that within a GMP environment. That gives me confidence that our long-term revenue generation is secure as those revenues are effectively embedded into our customers' products. What is more difficult to judge, is the exact timing of such revenues as our customers take their products through to launch and beyond. We have a visible pipeline of opportunities, which if crystallised, will enable the group to meet year end expectations. We have yet to reach a critical mass of manufactured products and we see this happening by the end of 2015.

We are looking to continue to leverage opportunities to develop and exploit IP, in particular by further collaboration with UCL on polymeric collagen.

Collagen Solutions has the ability to secure significant value accretion in a relatively low-risk manner, by adopting a portfolio approach in a multi-product, multi-customer, multi-sector innovative business model which monetises the embedded value in the business through our platform technologies.

Today, we also announce the proposed acquisition of New Zealand based Southern Lights Biomaterials and a placing to raise £6 million which we see as a key step in achieving shareholder value, adds surety to our supply chain, and is an important element in the execution of our strategic plan.

Thank you for your support.

**David E Evans**  
**Chairman**

21 November 2014

# Collagen Solutions Plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Unaudited six months ended 30 September 2014	Unaudited six months ended 30 September 2013	Audited period to 31 March 2014
	Notes	£	£	£
REVENUE		143,213	-	24,023
Cost of sales		(24,190)	-	(12,084)
Gross profit		119,023	-	11,939
Share-based compensation		(12,324)	-	(24,647)
Administrative expenses (excluding separately identifiable items)		(467,672)	(62,631)	(303,647)
Separately identifiable items	3	-	-	(74,769)
Total Administrative expenses		(467,672)	(62,631)	(378,416)
Selling and marketing costs		(161,171)	-	(71,914)
LOSS BEFORE INTEREST TAX DEPRECIATION AND AMORTISATION		(522,144)	(62,631)	(463,038)
Amortisation and depreciation		(38,687)	-	(16,960)
OPERATING LOSS BEFORE TAXATION		(560,831)	(62,631)	(479,998)
Taxation		-	-	-
LOSS FOR THE PERIOD		(560,831)	(62,631)	(479,998) (44,666)
Currency translation difference		67,416	-	-
Other comprehensive income / (loss)		67,416	-	(44,666)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(493,415)	(62,631)	(524,664)
Basic and diluted loss per share – pence	2	(0.88p)	(0.15p)	(1.10p)

**Collagen Solutions Plc**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2014

	Unaudited 30 September 2014	Unaudited 30 September 2013	Audited 31 March 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7,018,228	-	6,894,398
Property, plant and equipment	280,547	-	232,484
	<u>7,298,775</u>	-	<u>7,126,882</u>
<b>Current assets</b>			
Inventories	105,938	-	39,265
Trade and other receivables	138,327	-	167,036
Cash and cash equivalents	927,094	3,632,309	1,491,660
	<u>1,171,359</u>	<u>3,632,309</u>	<u>1,697,961</u>
<b>Total assets</b>	<u>8,470,134</u>	<u>3,632,309</u>	<u>8,824,843</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	683,260	450,000	683,260
Share premium	3,230,105	3,239,940	3,230,105
Share-based compensation	36,971	-	24,647
Merger reserve	2,842,683	-	2,842,683
Translation reserve	22,750	-	(44,666)
Retained deficit	(1,040,829)	(62,631)	(479,998)
<b>Total equity</b>	<u>5,774,940</u>	<u>3,627,309</u>	<u>6,256,031</u>
<b>Non-current liabilities</b>			
Other financial liabilities	2,426,581	-	2,409,236
	<u>2,426,581</u>	-	<u>2,409,236</u>
<b>Current liabilities</b>			
Trade and other payables	268,613	5,000	159,576
	<u>268,613</u>	<u>5,000</u>	<u>159,576</u>
<b>Total liabilities</b>	<u>2,695,194</u>	<u>5,000</u>	<u>2,568,812</u>
<b>Total liabilities and equity</b>	<u>8,470,134</u>	<u>3,632,309</u>	<u>8,824,843</u>

# Collagen Solutions Plc

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share Capital	Share Premium Account	Share- Based Payment Reserve	Merger Reserve	Translation Reserve	Retained Deficit	Total
<b>As at 15 March 2013</b>							
Issue of Shares for Cash	450,000	3,600,000	-	-	-	-	4,050,000
Issue Costs of Shares	-	(360,060)	-	-	-	-	(360,060)
Loss for period	-	-	-	-	-	(62,631)	(62,631)
<b>As at 30 September 2013</b>	450,000	3,239,940	-	-	-	(62,631)	3,627,309
Issue of Consideration Shares	233,260	-	-	3,149,011	-	-	3,382,271
Issue Costs of Shares	-	(9,835)	-	(306,328)	-	-	(316,163)
Share Based Compensation	-	-	24,647	-	-	-	24,647
Loss for period	-	-	-	-	-	(417,367)	(417,367)
Currency translation difference	-	-	-	-	(44,666)	-	(44,666)
Total comprehensive loss for the period	-	-	-	-	(44,666)	(417,367)	(462,033)
<b>As at 1 April 2014</b>	683,260	3,230,105	24,647	2,842,683	(44,666)	(479,998)	6,256,031
Share Based Compensation	-	-	12,324	-	-	-	12,324
Loss for Period	-	-	-	-	-	(560,831)	(560,831)
Currency translation difference	-	-	-	-	67,416	-	67,416
Total comprehensive loss for the period	-	-	-	-	67,416	(560,831)	(493,415)
<b>At 30 September 2014</b>	683,260	3,230,105	36,971	2,842,683	22,750	(1,040,829)	5,774,940

**Collagen Solutions Plc**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the six months ended 30 September 2014

	Unaudited six months ended 30 September 2014	Unaudited six months ended 30 September 2013	Audited period to 31 March 2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation	(560,831)	(62,631)	(479,998)
Share based compensation	12,324	-	24,647
Depreciation	30,063	-	12,647
Amortisation	8,624	-	4,313
Increase in inventories	(66,673)	-	(13,337)
Decrease / (increase) in trade and other receivables	28,709	-	(65,511)
Increase / (decrease) in trade and other payables	78,403	5,000	(6,876)
Translation movement	(80,511)	-	43,942
Foreign exchange	67,416	-	(44,666)
<b>NET CASH USED IN OPERATIONS</b>	<b>(482,476)</b>	<b>(57,631)</b>	<b>(524,839)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of fixed assets	11,812	-	-
Payments to acquire property, plant and equipment	(41,959)	-	(426)
Payments to acquire intangibles	(51,943)	-	-
Payments to acquire business and assets of Collagen Solutions LLC	-	-	(1,398,985)
Net cash acquired with acquisition of business and assets of Collagen Solutions LLC	-	-	26,662
Net cash acquired with subsidiary undertaking	-	-	15,471
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(82,090)</b>	<b>-</b>	<b>(1,357,278)</b>
<b>FINANCING ACTIVITIES</b>			
Net proceeds on issue of ordinary shares	-	3,689,940	3,373,777
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>3,689,940</b>	<b>3,373,777</b>
Net (decrease)/increase in cash and cash equivalents	(564,566)	3,632,309	1,491,660
Cash and cash equivalents at the beginning of the financial period	1,491,660	-	-
Cash and cash equivalents at the end of the financial period	927,094	3,632,309	1,491,660

# Collagen Solutions Plc

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited interim statement results for the six month period ending 30 September 2014 were approved by the Board of directors on 20 November 2014. The financial information contained in the interim report does not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006. The financial information for the full preceding period is based on the statutory accounts for the period ended 31 March 2014, upon which the auditors, Baker Tilly UK Audit LLP, issued an unqualified opinion, did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006. The audited statutory accounts for the period ended 31 March 2014 have been lodged with the Registrar of Companies.

While the financial information included in this interim report has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, as adopted by the European Union (EU) (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS.

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The consolidated financial information of Collagen Solutions plc is presented in pounds sterling (£), which is also the functional currency of the Group.

### 2. LOSS PER SHARE

The calculation of basic loss per ordinary share for the six months ended 30 September is based on losses of £560,381 and on 63,826,007 ordinary shares being the weighted average number of shares in issue during the period. The calculation of basic loss per ordinary share for the six months ended 30 September 2013 is based on losses of £62,631 and on 40,500,000 ordinary shares being the weighted average number of shares in issue during the period. The calculation of basic loss per ordinary share for the period ended 31 March 2014 is based on losses of £479,998 and on 43,668,474 ordinary shares being the weighted average number of shares in issue during the period.

The loss for the period and the weighted average number of ordinary shares for calculating the diluted loss per share for the six months ended 30 September 2014, the six months ended 30 September 2013 and the period ended 31 March 2014 are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per share and would therefore not be dilutive under the terms of International Accounting Standard ("IAS") No 33.

### 3. SEPARATELY IDENTIFIABLE ITEMS

Separately identifiable items in the period ended 31 March 2014 of £74,769 which related to the acquisition costs of Collbio Limited and the business and assets of Collagen Solutions LLC are included within administrative expenses.

### 4. SHARE CAPITAL

#### Options

At 30 September 2014, the Company had the following unissued ordinary shares of 1p each under the Company's share option schemes, details of which are as follows:-



Grant Date	Number	Option Price (pence)	Date from which exercisable	Expiry Date
29 March 2013	4,050,000	10	2 January 2014	28 March 2023
31 July 2014	388,349	7.88	31 July 2014	31 July 2024
10 September 2014	500,000	10	1 September 2017	10 September 2024

## 5. INTERIM RESULTS

These results were approved by the Board of Directors on 20 November 2014. Copies of the interim report are available to the public from the Group's website, [www.collagensolutions.co.uk](http://www.collagensolutions.co.uk). If you would like to receive a hard copy of the interim report please contact the Collagen Solutions Plc offices on +44 (0)141 558 2008 to request a copy.