



5 December 2017

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

**Half Yearly Report
Interim Results for the six months ended 30 September 2017**

Collagen Solutions plc (AIM: COS), a global supplier, developer and manufacturer of medical grade collagen and tissue components for use in regenerative medicine applications including orthopaedics, dental, wounds, and cardiovascular, announces results for the six months ended 30 September 2017.

Operational Highlights

- Completed patient assessments with eight-year follow up data for our ChondroMimetic® cartilage scaffold
- Increased close rate of commercial pipeline, with eight new customers / agreements in period (vs two in H1 2016, and nine in the entirety of FY 2017)
- Completed relocation and consolidation of U.S. Headquarters with R&D and Commercial teams co-located in Minneapolis
- Received import clearances for our biomaterials and achieved the first customer supply agreement under our Chinese JV
- Research activities under both Horizon 2020 projects progressing well, with grant funding totalling approximately €1 million over a multi-year period

Financial Highlights

- Group revenue and other income remained flat at £1.86 million (H1 2016: £1.89 million)
- LBITDA of £0.96 million (H1 2016: £0.71 million)
- Pre-tax loss of £1.38 million (H1 2016: £0.98 million)
- Cash and cash equivalents of £6.74 million at 30 September 2017 (31 March 2017: £8.98 million)

Jamal Rushdy, Chief Executive Officer of Collagen Solutions, commented: *"We have made good progress in the first half of the financial year both in advancing and improving our sales pipeline and increasing our customer base. We also achieved important operational milestones by opening our new U.S. headquarters in Minneapolis and tripling our pericardium tissue supply base. Also, we are pleased that we completed patient assessments for the ChondroMimetic® study, targeting release of data in Q1 2018 and CE mark submission shortly thereafter, whilst continuing with partnering discussions. The Board remains confident of the Company increasing shareholder value over the long term whilst mindful of revenue timing with some customers over the next period. We are highly focused in managing through these challenges and are confident of executing on our sales pipeline, hitting key milestones in 2018 and the long term prospects for the Company."*

About Collagen Solutions:

Collagen Solutions Plc is a global provider of medical grade collagen formulations and components for use in regenerative medicine, medical devices and in-vitro diagnostics and research. The capabilities of the Company include the provision of native, soluble and powdered collagen formulations, processed and semi-processed tissues such as pericardium, bone, and blood vessels, and expertise in the development and contract manufacture of collagen components for use as engineered tissue scaffolds and other medical devices. These products are used in a wide variety of applications including orthopaedics, cardiovascular, dental, plastic surgery, wound healing, neurology and urology. Collagen Solutions' unique offering extends beyond material supply and contract services through the highly skilled staff who support customers through the various stages of development and regulatory approval. For additional information, please visit www.collagensolutions.com.

Collagen Solutions Plc

David Evans, Chairman
Jamal Rushdy, CEO / Gill Black, CFO

Via Walbrook

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CHAIRMAN'S STATEMENT

I am pleased to present Collagen Solutions' interim results for the six-month period ended 30 September 2017. During the period, we made further progress with our core growth strategy. We continued to diversify our customer bases, have taken steps to ensure we increase our high-quality supply base to meet anticipated demand, and also continued developing the strong R&D pipeline of finished devices that will create additional value in the coming years. This continues the momentum for the Group in striving to be the industry's first choice for regenerative biomaterials.

Overview

During this six-month period, revenue (including other income) has remained fairly level when compared to the comparable period. The eight new customers on-boarded during the period will contribute to revenue over the latter part of this year and thereafter. Repeat orders from certain customers paused while they await regulatory clearance and funding. Work completed in securing additional tissue supply will be recognised once our customer related project delays are resolved. We expect timing clarity by the end of Q1 2018.

The overall goal to create significant shareholder value by setting a target to grow our revenue by 5x within five years remains on track and we have implemented detailed plans to deliver on the different elements involved to achieve this growth target. These include:

- Revenue acceleration of the core business, including development services and sourcing of new biomaterials, through the commercial team
- Geographic expansion and increasing the number of channel partners in selected segments, including distributors for the research markets – particularly in Asia and Europe
- Commercialisation through partnering of our proprietary "finished devices" including ChondroMimetic®, followed by next stage products for wound and bone healing

As part of our research and development strategy the Group is participating in two Horizon 2020 grant-funded research programmes, related to cell-based tissue regeneration techniques and a collagen-based drug delivery system for the treatment of Parkinson's disease. Both projects underway will run over the next two to four years and Collagen Solutions will receive, over the full term, approximately €1 million of European Union funding.

Results

The Group's results for the six months ended 30 September 2017 are set out in the Consolidated Statement of Comprehensive Income. Revenue (including other income) for the first six months was £1,858,664 (H1 2016: £1,891,001), with new customer revenue in the period being less than non-recurring revenues from certain customers awaiting regulatory approval or funding for their products. Administrative expenses, including research and development costs, (excluding separately identifiable items) were £1,944,461 (H1 2016: £1,341,652) reflecting the increase in headcount over the comparable period in the areas of R&D, quality control/assurance, operations and finance and administration, and also increased R&D spend on the finished device pipeline. Selling and marketing costs were £482,926 (H1 2016: £417,143) due to the strengthening of the global commercial team and the execution of various marketing initiatives. LBITDA for the first six months was £962,935 (H1 2016: £712,537), and the basic and diluted loss per share 0.42p (H1 2016: 0.60p).

Net cash used in operations during the period was £1,778,063. The Group's cash balance at 30 September 2017 was £6,739,105 (31 March 2017: £8,978,150). Cash consumption during the period includes a planned £1,049,902 payment of deferred consideration, which related mainly to the 2014 acquisition of NZ based Southern Lights Biomaterials. A £1 million tranche of the Norgine Bond was also drawn down in the period.

Board and management

We have benefited during the full period from the appointments of Chris Wattengel, VP Global R&D and Brad Selman, VP Global Sales & Marketing, having joined us just prior to the start of the financial year. Chris has been well placed to lead our growing portfolio of product development projects, having previously achieved multiple 510k and CE Mark clearances.

Due to family circumstances, Gill Black has decided to step down as CFO once a replacement is appointed. The recruitment process for a new CFO is well underway. Gill will continue as Company Secretary and a member of the finance team going forward to provide a smooth transition and continuity to the new appointee who will also be based in Glasgow with the UK finance team. We thank Gill for her invaluable contributions as a Board member and CFO over the past three and a half years.

Summary

Our sales pipeline is the strongest it has been in terms of both average value of opportunities and quality of customers. It also has a wider geographic spread with a deeper penetration into the European customer sales channel. While we continue to face a specific risk with a Korean customer on potential reduced quantities at contract renewal next fiscal year, the team is making progress of mitigating this risk by proposing new product categories and services with the customer, and leveraging our market reach to help accelerate their sales. Our progress in the Chinese market continues to show early promise with the first supply agreement of the JV now closed for supply of our collagen products. The completion of the ChondroMimetic® extension study in September is expected to provide headline results in Q1 2018 and we expect to be in a position to provide this data to prospective commercialisation partners moving into 2018.

We will soon benefit from the closer collaboration of R&D and commercial teams now under common leadership in Minneapolis and this has started to show early signs of increased opportunities. In particular, I am pleased to report that due to a tremendous amount of focus and effort on the part of our NZ and commercial teams we have now trebled our validated tissue supply capacity to fulfil the increased demand for pericardium.

The Directors believe that whilst the pipeline is encouraging, it will be challenging to meet current market expectations with regards to revenue growth for the full year which is outlined in the Chief Executive Report. The management team will continue to be focused in closing outstanding deals throughout the remainder of this financial year and mitigating impact from our customers' delayed orders over the coming months.

Together with the Board, we are committed to the positive future for Collagen Solutions and its vision to be the industry's first choice for regenerative biomaterials and thank our shareholders, staff and partners for their continued support.

David E Evans
Chairman

4 December 2017

CHIEF EXECUTIVE OFFICERS'S STATEMENT

The first six months of the year has delivered on a number of key milestones. Eight new customer deals (versus nine in total for the 12 months prior) and the final patient being assessed in our eight-year extension clinical study of ChondroMimetic® being two significant achievements, whilst the quality and scale of our sales pipeline are both at their highest levels to date. These are all key contributors towards realising value from our multiple growth initiatives.

Revenue performance

Revenue and other income for the first six months was £1.86 million, including £1.73 million in sales and £0.13 million in other income. Whilst this was broadly in line with the comparable period the mix of sales had a different composition. Strong growth was achieved from EMEA, 72% up on the prior period, mainly arising from an increase in development services which will lead to commercial supply volumes in the future.

Revenue from North America fell by £0.2 million to £0.78 million, a decrease of 20%, partly as a result of a customer project on hold whilst raising funding for the next phase of their clinical trial and other uneven ordering patterns. We must however acknowledge some challenges within this region, and we have made changes in our organisation and approach, specifically in how our sales team engage and manage new business accounts, that we believe will prove successful over the next period with several major opportunities under proposal.

Revenue from Asia was 6% down on the first half of last year to £0.62 million caused by some uneven customer order patterns and some delays in new customer revenue, and we remain positive with respect to the pipeline of new customer business in this region.

Operational achievements

Within Collagen Solutions there are two key parts to our business model, 'Core Biomaterials' and 'Proprietary Products'.

Core biomaterials

This is the supply, development, manufacturing of collagen tissue and devices for medical applications, with our clients providing a recurring revenue throughout their lifetime with these applications. We are focused on growth from customer product launches and expansion with incremental sales deriving from new customers and new geographies.

We are delighted that during the first six months of the year the team delivered eight new early-stage customer wins. This is a tremendous achievement compared with nine deals signed in the entirety of last year. The new business gained is across the full spectrum of our business offering, ranging from another distributor in Asia, development projects in NZ and the UK for European customers, new tissue sourcing and core supply of soluble and lyophilised collagen to Asia, US and EMEA.

Collagen Solutions also continues to see demand for its pericardium tissue business grow, and through specific initiatives to diversify and increase our tissue supply base in Australia and New Zealand, these activities have allowed us to secure the additional anticipated demand with existing and new customers and tripled our capacity.

Proprietary products

Within our proprietary products division a key milestone was also met in September when we completed patient assessments in our eight-year extension clinical study of ChondroMimetic® osteochondral scaffold. The resulting data is due to be reported in Q1 2018, followed by a CE mark submission, whilst now engaging in partnering discussions in Asia and Europe.

The Company has made a presentation available regarding this study update on its website at: <http://ir.collagensolutions.com/content/investors/presentations.asp>

Innovation, product development and IP

The Company continues to be committed to invest in research and development and has made continued progress in biomaterials innovation, both for our core Supply, Development, and Manufacturing business and also our Proprietary Products programmes.

A foundation of our value proposition to customers is our scientific expertise in formulations of collagen and tissue application for regenerative medicine. We continue to build upon this expertise through various research programmes including our two Horizon 2020 grants; the Development of Biomaterial-based Delivery Systems for Parkinson's disease (BrainMatTrain) and Multisystem Cell Therapy for Improvement of Urinary Continence (MUSIC). Together these grants total approximately €1 million in funding through 2021.

Patent protection supports this strategy with Australia-New Zealand tissue sourcing becoming a more significant part of our core business and we believe we have a strong patent position within our current portfolio which includes: pericardium material, which can be used for heart valve replacement medical devices and other applications and the filing of a provisional US patent application covering novel properties of a bone graft substitute formulation.

Our wound healing project based upon core technology developed over several years has been presented at multiple conferences. This technology has the potential to address the limitations of current split or full-thickness autologous skin grafts, particularly in large wound sites. Our pre-clinical trials are scheduled to begin in 2018 with wound market clearance expected to follow in late 2018 / early 2019.

Relocation complete

We completed consolidation of our new U.S. Headquarters with R&D and Commercial teams co-located in Minneapolis, resulting from our relocation of our U.S. R&D facilities from San Jose to Minneapolis. We are confident of realising some operational cost savings by merging the two sites but more importantly enhancing our global R&D and commercial coordination and collaboration with the leadership of both teams at the same Minneapolis site.

Investor relations

We are committed to increasing our profile within the investor community and creating greater transparency in how we communicate to existing and new investors on a global basis. We have attended a number of key investor symposiums over the period which have been received well and we will continue to do this over the next period. Recent presentations can be accessed from our website <http://ir.collagensolutions.com/content/investors/presentations.asp>.

We have also recently appointed Lisa Baderoon as our internal Investor Relations consultant. Lisa Baderoon has over 25 years' experience within the healthcare arena engaging with companies and investors and creating effective and proactive investor relations strategies for clients. We are confident that, with Lisa working with Collagen Solution's Board and advisors, this will be a key component to achieving long term shareholder value as we focus on achieving key milestones in our future development.

Current trading and outlook

The quality and scale of our sales pipeline are both at their highest levels to date, with several opportunities in the mid-high six figure range. With a strong operational team now in place we continue to build a solid global sales pipeline, engaging in partnering discussions and securing new customer agreements for the long term.

We have already highlighted in our trading update in October of being second half weighted with regards to revenue growth and we are confident that the full year will demonstrate this progress. Guidance should however be given at this stage in our trading year that we will likely be behind current market expectations.

There are a few key customer issues that are creating this shortfall, even while the Company extends its customer base and grows its pipeline. Predominantly these are based on external circumstances aligned to our customers own internal forecasts, development cycles and approvals that have been delayed. In particular, one of our core tissue customers has very recently reduced year-end orders due to their own internal delays of launch plans, when we had expected an increase in volumes on launch this year and for whom we significantly increased abattoir capacity. We understand this is an inherent challenge within our highly regulated medical devices marketplace and we are endeavoring to assess and put in strategic initiatives to ensure we mitigate as much as possible from these issues going forward.

A further factor is based on deals aligned to this financial year moving into the next year as final negotiations take longer than initially planned, to complete. Whilst frustrating, particularly with regards to the quality of the live deals we currently have under negotiation, we are confident in securing many of these agreements.

There are however a number of further key developments and new business opportunities over the next period which could have a significant positive impact on the business longer term. ChondroMimetic®'s resulting data which is on track to be reported in Q1 2018, is one key milestone and our focus is in securing a partner or partners within 2018.

In summary, we remain positive on the operational improvements we have made to date, the strength and quality of our sales pipeline, and the progress and prospects for our proprietary devices projects including ChondroMimetic®. We look forward to providing the market with updates on progress through 2018.

Jamal Rushdy
Chief Executive Officer

4 December 2017

Collagen Solutions Plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2017

	Notes	Unaudited six months ended 30 September 2017 £	Unaudited six months ended 30 September 2016 £	Audited year ended 31 March 2017 £
REVENUE		1,725,605	1,830,662	3,945,787
Cost of sales		(628,744)	(525,512)	(983,632)
Gross profit		1,096,861	1,305,150	2,962,155
Share-based compensation		(30,000)	(25,002)	(50,585)
Administrative expenses (excluding separately identifiable items)		(1,944,461)	(1,341,652)	(3,596,707)
Separately identifiable items	4	264,532	(294,229)	227,155
Total Administrative expenses		(1,679,929)	(1,635,881)	(3,369,552)
Selling and marketing costs		(482,926)	(417,143)	(718,986)
Other income		133,059	60,339	144,762
LOSS BEFORE INTEREST TAX DEPRECIATION AND AMORTISATION		(962,935)	(712,537)	(1,032,206)
Amortisation and depreciation		(233,905)	(206,224)	(449,427)
Finance income		2,412	2,106	2,841
Finance expense		(185,280)	(66,658)	(134,958)
LOSS BEFORE TAXATION		(1,379,708)	(983,313)	(1,613,750)
Taxation		12,972	(53,326)	(141,928)
LOSS FOR THE PERIOD		(1,366,736)	(1,036,639)	(1,755,678)
Attributable to:				
Owners of the parent		(1,349,920)	(1,026,955)	(1,707,265)
Non-controlling interest		(16,816)	(9,684)	(48,413)
		(1,366,736)	(1,036,639)	(1,755,678)
Currency translation difference		(520,647)	1,387,568	1,392,495
Other comprehensive (loss)/income		(520,647)	1,387,568	1,392,495
TOTAL COMPREHENSIVE (LOSS)/GAIN FOR THE PERIOD		(1,887,383)	350,929	(363,183)
Attributable to:				
Owners of the parent		(1,867,610)	351,597	(327,007)
Non-controlling interest		(19,773)	(668)	(36,176)
		(1,887,383)	350,929	(363,183)
Basic and diluted loss per share – pence attributed to owners of the parent	3	(0.42p)	(0.60p)	(0.95p)

Collagen Solutions Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 March 2017
	Notes	£	£	£
ASSETS				
Non-current assets				
Intangible assets		14,160,038	14,326,420	14,581,893
Property, plant and equipment		1,231,726	1,250,552	1,142,741
		<u>15,391,764</u>	<u>15,576,972</u>	<u>15,724,634</u>
Current assets				
Inventories		318,552	410,081	313,395
Trade and other receivables		946,187	851,529	806,566
Cash and cash equivalents		6,739,105	1,657,193	8,978,150
		<u>8,003,844</u>	<u>2,918,803</u>	<u>10,098,111</u>
Total assets		<u>23,395,608</u>	<u>18,495,775</u>	<u>25,822,745</u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	5	3,290,166	1,841,213	3,287,991
Share premium		14,869,909	8,835,508	14,851,092
Share-based payment reserve		167,809	112,226	137,809
Shares to be issued reserve		106,581	1,025,353	131,934
Merger reserve		4,531,798	4,531,798	4,531,798
Translation reserve		1,021,986	1,537,970	1,539,676
Retained deficit		(5,641,239)	(3,611,009)	(4,291,319)
		<u>18,347,010</u>	<u>14,273,059</u>	<u>20,188,981</u>
Equity attributable to non-equity holders of the parent company		<u>77,384</u>	<u>132,665</u>	<u>97,157</u>
Non-controlling interest reserve		<u>18,424,394</u>	<u>14,405,724</u>	<u>20,286,138</u>
Total equity		<u>18,424,394</u>	<u>14,405,724</u>	<u>20,286,138</u>
Non-current liabilities				
Deferred tax		207,174	235,992	221,847
Other financial liabilities		-	2,538,779	1,289,357
Borrowings	6	2,468,327	60,138	1,879,899
		<u>2,675,501</u>	<u>2,834,909</u>	<u>3,391,103</u>
Current liabilities				
Trade and other payables		899,933	888,721	1,000,086
Income tax liabilities		-	15,293	58,530
Other financial liabilities		949,152	325,703	1,060,484
Borrowings	6	446,628	25,425	26,404
		<u>2,295,713</u>	<u>1,255,142</u>	<u>2,145,504</u>
Total liabilities		<u>4,971,214</u>	<u>4,090,051</u>	<u>5,536,607</u>
Total liabilities and equity		<u>23,395,608</u>	<u>18,495,775</u>	<u>25,822,745</u>

Collagen Solutions Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share Capital	Share Premium Account	Share-Based Payment Reserve	Shares to be issued Reserve	Merger Reserve	Translation Reserve	Retained Deficit	Total	Non-Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£	£
As at 1 April 2016	1,759,038	7,892,330	87,224	2,050,706	4,531,798	159,418	(2,584,054)	13,896,460	-	13,896,460
Issue of shares on acquisition of assets	2,175	23,178	-	(25,353)	-	-	-	-	-	-
Issue of shares to Collagen Solutions (UK) vendors	80,000	920,000	-	(1,000,000)	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	82,175	943,178	-	(1,025,353)	-	-	-	-	-	-
Share Based Compensation	-	-	25,002	-	-	-	-	25,002	-	25,002
Non-controlling interest share of net assets	-	-	-	-	-	-	-	-	133,333	133,333
Loss for period	-	-	-	-	-	-	(1,026,955)	(1,026,955)	(9,684)	(1,036,639)
Currency translation difference	-	-	-	-	-	1,378,552	-	1,378,552	9,016	1,387,568
Loss and total comprehensive income for period	-	-	-	-	-	1,378,552	(1,026,955)	351,597	(668)	350,929
As at 30 September 2016	1,841,213	8,835,508	112,226	1,025,353	4,531,798	1,537,970	(3,611,009)	14,273,059	132,665	14,405,724
Issue of shares for cash	1,366,778	5,467,111	-	-	-	-	-	6,833,889	-	6,833,889
Share issue costs	-	(371,527)	-	-	-	-	-	(371,527)	-	(371,527)
Issue of shares to Collagen Solutions (UK) vendors	80,000	920,000	-	(1,000,000)	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	1,446,778	6,015,584	-	(1,000,000)	-	-	-	6,462,362	-	6,462,362
Share-based compensation	-	-	25,583	-	-	-	-	25,583	-	25,583
Norgine warrants to be issued	-	-	-	106,581	-	-	-	106,581	-	106,581
Loss for the period	-	-	-	-	-	-	(680,310)	(680,310)	(38,729)	(719,039)
Currency translation difference	-	-	-	-	-	1,706	-	1,706	3,221	4,927
Loss and total comprehensive loss for the period	-	-	-	-	-	1,706	(680,310)	(678,604)	(35,508)	(714,112)
At 31 March 2017	3,287,991	14,851,092	137,809	131,934	4,531,798	1,539,676	(4,291,319)	20,188,981	97,157	20,286,138
Issue of shares on acquisition of assets	2,175	23,178	-	(25,353)	-	-	-	-	-	-
Share issue costs	-	(4,361)	-	-	-	-	-	(4,361)	-	(4,361)
Total transactions with owners in their capacity as owners	2,175	18,817	-	(25,353)	-	-	-	(4,361)	-	(4,361)
Share-based compensation	-	-	30,000	-	-	-	-	30,000	-	30,000
Loss for the period	-	-	-	-	-	-	(1,349,920)	(1,349,920)	(16,816)	(1,366,736)
Currency translation difference	-	-	-	-	-	(517,690)	-	(517,690)	(2,957)	(520,647)
Loss and total comprehensive loss for the period	-	-	-	-	-	(517,690)	(1,349,920)	(1,867,610)	(19,773)	(1,887,383)
At 30 September 2017	3,290,166	14,869,909	167,809	106,581	4,531,798	1,021,986	(5,641,239)	18,347,010	77,384	18,424,394

Collagen Solutions Plc
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2017

	Unaudited six months ended 30 September 2017	Unaudited six months ended 30 September 2016	Audited year ended 31 March 2017
	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation	(1,379,708)	(983,313)	(1,613,750)
Share based compensation	30,000	25,002	50,585
Depreciation	116,880	114,126	234,390
Amortisation	117,025	92,098	215,037
(Decrease)/increase in contingent consideration	(392,477)	294,229	(325,390)
Finance expense	185,280	66,658	134,958
Finance income	(2,412)	(2,106)	(2,841)
Loss on sale of property, plant and equipment	-	-	993
Increase in inventories	(9,169)	(136,061)	(54,345)
(Increase) in trade and other receivables	(102,282)	(140,561)	(212,571)
(Decrease)/increase in trade and other payables	(102,790)	22,056	190,947
CASH USED IN OPERATIONS	(1,539,653)	(647,872)	(1,381,987)
Interest paid	(119,793)	(3,513)	(7,082)
Taxation paid	(118,617)	(45,366)	(104,941)
Net cash used in operations	(1,778,063)	(696,751)	(1,494,010)
INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment	-	-	414
Payments to acquire property, plant and equipment	(203,629)	(98,915)	(137,324)
Payments to acquire licensed IP, patents and intangibles	(176,661)	(70,803)	(341,502)
Interest received	2,412	2,106	2,841
Payment of deferred consideration	(1,049,902)	(25,353)	-
Net cash used in investing activities	(1,427,780)	(192,965)	(475,571)
FINANCING ACTIVITIES			
Repayment of related party loan	(15,145)	(11,050)	(10,931)
Net proceeds on issue of ordinary shares	(4,361)	-	6,462,362
Net proceeds from bond issue	1,000,000	-	1,940,000
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	980,494	(11,050)	8,391,431
Net (decrease)/increase in cash and cash equivalents	(2,225,349)	(900,766)	6,421,850
Effect of foreign exchange rates on the balance of cash held in foreign currencies	(13,696)	64,813	63,154
Net (decrease)/ increase in cash and cash equivalents	(2,239,045)	(835,953)	6,485,004
Cash and cash equivalents at the beginning of the financial period	8,978,150	2,493,146	2,493,146
Cash and cash equivalents at the end of the financial period	6,739,105	1,657,193	8,978,150

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 2017 were approved by the Board of Directors on 4 December 2017. 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 year is based on the statutory accounts for the year ended 31 March 2017, upon which the auditors issued an unqualified opinion and 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 2017 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. SEGMENTAL REPORTING

Revenue information by geographical location:

	Unaudited six months ended 30 September 2017	Unaudited six months ended 30 September 2016	Audited year ended 31 March 2017
	£	£	£
Europe, Middle East & Africa	321,850	187,348	425,269
North America	780,586	979,984	1,924,540
Asia	623,169	663,330	1,595,978
	1,725,605	1,830,662	3,945,787

3. LOSS PER SHARE

The calculation of basic loss per ordinary share for the six months ended 30 September 2017 is based on losses of £1,366,736 and on 324,322,845 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 2016 is based on losses of £1,036,639 and on 172,391,708 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 2017 is based on losses of £1,755,678 and on 185,778,383 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 2017, the six months ended 30 September 2016 and the year ended 31 March 2017 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.

4. SEPARATELY IDENTIFIABLE ITEMS

Separately identifiable items in the six months ended 30 September 2017 of £264,532 relate to the release of deferred contingent consideration provisions on reassessment of the earn-outs payable for the acquisition of Collagen Solutions LLC and Collagen Solutions NZ Limited (formerly Southern Lights Ventures 2002 Limited). This release totaled £353,557. This has been offset by £89,025 of relocation and reorganisation costs due to the consolidation of the US R&D facility in San Jose to the commercial HQ in Minneapolis during the period.

Separately identifiable items in the six months ended 30 September 2016 of £294,229 related to unrealised translation losses on the conversion of deferred contingent consideration payments due in New Zealand dollars for the acquisition of Collagen Solutions NZ Limited in December 2014.

Separately identifiable items in the year ended 31 March 2017 of £227,155 related to the release of deferred contingent consideration provisions on reassessment of the earn-out payable for the acquisitions of Collagen Solutions LLC and Collagen Solutions NZ Limited totaling £553,063. This has been offset by a £253,027 foreign exchange loss on the translation of the earn out payable in New Zealand dollars to Sterling for the acquisition of Collagen Solutions NZ Limited and legal fees of £72,881 in relation to setting up the Norgine Bond facility agreement.

5. SHARE CAPITAL

On 11 September 2017, 217,475 ordinary shares were issued as part of the consideration for the ChondroMimetic® assets.

The following table details the warrants and share options granted over ordinary shares of the Company at 30 September 2017.

Grant Date	Number	Warrant/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	2 January 2016	30 July 2024
24 November 2014	1,000,000	7.75	1 January 2017	23 November 2024
1 April 2015	500,000	9.625	1 April 2018	31 March 2025
15 December 2015	3,300,000	8.888	15 December 2018	14 December 2025
14 July 2016	2,700,000	8.125	14 July 2016	13 July 2026
15 February 2017	500,000	5.63	26 October 2019	14 February 2027
7 March 2017	500,000	5.75	7 March 2020	6 March 2027
31 March 2017	5,075,283	5.911	31 March 2017	30 March 2027
12 July 2017	3,900,000	5.25	12 July 2020	11 July 2027
Total	21,913,632			

6. BORROWINGS

On 31 July 2017, the Company drew down £1,000,000 of Tranche B of the Bond Subscription Agreement with Norgine Ventures Fund I SCA SICAR. The term of this tranche is 42 months with principal repayments commencing in August 2018 in monthly instalments. The interest rate is 10.1%.

7. INTERIM RESULTS

These results were approved by the Board of Directors on 4 December 2017. Copies of the interim report are available to the public from the Group's website, www.collagensolutions.com. If you would like to receive a hard copy of the interim report please contact the Collagen Solutions Plc offices on +44 (0)141 648 9100 to request a copy.