Collagen Solutions plc
("Collagen Solutions", the "Company" or the "Group")

11 July 2017

Final Results for the year ended 31 March 2017

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 its final results for the year ended 31 March 2017.

Financial Highlights

- Group revenue and other income increased by 26% to £4.09 million (2016: £3.24 million)
- Adjusted LBITDA (before separately identifiable items): £1.26 million (2016: £0.41 million)
- Net cash balances at 31 March 2017: £8.98 million (2016: £2.49 million)
- Balance sheet strengthened with up to £10.8 million (gross) in equity and venture debt facility

Operational Highlights

- Commercial organisation delivered nine new commercial agreements
- Online U.S. sales launch to provide additional access to the research markets
- 60% stake taken in Cre8ive Collagen to move into Chinese market
- Strengthened executive team with key R&D, Sales and Marketing, and General Management hires
- Provisional patent for bone graft substitute filed
- Australian patent for sourcing ultra-thin processed pericardium granted
- Participation in second major Horizon 2020 project

Post Period End

- On 30 June 2017, Stewart White, the Group's Chief Scientific Officer stepped down from the Executive Team and the Board. He will continue to provide services to the Group on a consultancy basis and remain a member of the Scientific Advisory Board
- Initiated open label extension clinical study for ChondroMimetic® in Hungary

Annual General Meeting

- The Company's AGM will be held at 3 Robroyston Oval, Nova Business Park, Glasgow, G33 1AP on 30 August 2017 at 11:00am

Jamal Rushdy, Chief Executive Officer of Collagen Solutions, commented: *"I am pleased with the progress our team has made over the past year with our new focused strategy to deliver growth in our core supply, development, and manufacturing business through several commercial initiatives, and to build strategic value with our proprietary products R&D pipeline. In addition, our recent financing at the end of the financial year strengthened our balance sheet to fuel these growth initiatives. Finally, we strengthened our leadership team with three key appointments in Sales and Marketing, Research and Development, and General Management. With this momentum, funding, and team in place we remain positive about our vision to be the industry's first choice in regenerative biomaterials and progress towards our goals to deliver our revenue growth and profitability targets."*

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CHAIRMAN'S STATEMENT

I am pleased to present Collagen Solutions' annual report and accounts for the year ended 31 March 2017.

Strategy
Earlier in the year we committed to a strategic plan to accelerate our business growth and enhance shareholder value by both developing our core business and commercialising the investment in our proprietary device programmes. In March, we secured up to £10.8 million in funding by way of a placing and open offer of £6.8 million and a venture debt facility of up to £4.0 million, which will provide the resources to deliver a targeted increase in revenue of 5 times in the 5 years to 2021. Our Commercial and R&D teams have been strengthened in the past year to execute on these plans over the coming years.

Innovation and IP
We have continued to invest in the proprietary product pipeline, in particular, ChondroMimetic®, an exciting cartilage repair technology based around a bi-layered collagen sponge. Manufacturing validations have commenced in Glasgow, and significant work has been undertaken in preparation for the CE Mark submission which will be delayed slightly as a result of a Board decision to secure as many patients as possible from the original clinical trial conducted in Budapest in 2009. To that end we have secured patient consent from fifteen out of the original seventeen with the other two having moved out of Hungary making it logistically difficult for them to participate. This new trial, which is technically known as an open label extension trial, will provide us with seven to eight years of longitudinal data which, if positive, will help enormously with our partnering activities.

Our other key projects are in wound healing and in bone graft substitutes, where we have filed for a provisional patent. We remain confident about our ability to partner these products although the ever-increasing burden of regulation has resulted in extended timelines.

Our collaborations with various academic and industry partners, include our participation in two prestigious European Horizon 2020 consortiums to develop (i) a disease-modifying therapy for Parkinson's which could slow down the progression of the disease rather than offering symptomatic benefits, and (ii) cell-based tissue regeneration techniques.

Board and Management
During the year we have made a number of key appointments to strengthen the executive team. Kevin Darling joined us in October as General Manager, New Zealand, taking over the reins from Geoff Bennett, who, in January, moved from his previous executive director position to become a non-executive director. In February, we appointed Brad Selman to the role of VP Global Sales and Marketing to lead our commercial team and in March, Chris Wattengel joined the team as VP Global R&D to lead our product development programmes.

Co-founder Dr Stewart White stepped down from the Board on 30 June 2017, but will remain in a consultancy role and continue to participate as a member of the Scientific Advisory Board. I personally would like to thank Stewart for all his hard work and what we have achieved together in the growth of the business to date, and I look forward to continued interaction via his continued membership of the Scientific Advisory Board.

The Board is confident that we now have a team in place to deliver the short to medium-term strategic goals and have also strengthened our functional teams to drive product innovation and take the business to the next level of growth.

Our people
As part of our vital initiatives for the coming year we are committed to providing development opportunities for our employees and have been working with them on individual employee development plans to deliver the required targeted training to allow them to deliver enhanced performance to the business in its growth phase. We value feedback from our employees and carry out an annual survey to measure our performance in this area.

Overview
Our Board and Management team have continued to make positive progress, delivering nine new commercial agreements, with strong sales growth in Asia, where we established a regional sales office in Seoul, and in Europe. We have also seen an increase in demand for tissue biomaterials from our Australian and New Zealand sources. The investment in the multi-purpose processing facility in New Zealand last year has allowed product development and prototyping to be carried out, which will generate further revenues in the coming year. The quality of the customer pipeline is building up with some interesting projects to be executed.

We continue to put in place the clear organisation and detailed initiatives to drive our focused strategy in the current financial year and beyond, which is to build a leading global regenerative biomaterials business based upon a core supply, development and manufacturing platform, enhanced by developing our own novel products such as ChondroMimetic®, across a range of clinical indications. The funding secured in March allows us to implement these initiatives and we will continue to strengthen our core business through operational improvements and investing in innovation to create significant value. Our activities in entering the Chinese market continue with Cre8ive, where we have been successful in achieving initial shipments of product via our import agents, and are in discussion with potential customers.

We have set ourselves a goal to accrete value by creating a leading biomaterials business through a combination of organic growth and exploitation of our own and licensed IP, as well as through appropriate acquisitions, and we believe the momentum for achieving this is increasing.

Results
The Group's results for the year ended 31 March 2017 are set out in the Consolidated Statement of Comprehensive Income and discussed further in the Financial Review.

Outlook
The past year has seen significant change in the business and we expect the current year will be no different in terms of the speed and magnitude of progress. We are an ambitious company with ambitious targets and the agenda for the coming year reflects both the opportunities that we have identified and the associated challenges.

Our key targets for the current year are as follows;

- We have a multitude of development milestones amongst the high value product portfolio and we will seek to progress further projects into development. ChondroMimetic® is the most advanced such project and we expect to complete the open label extension study in Hungary for the fifteen identified patients. We expect an ever greater contribution to the value of the business from these projects as they approach commercialisation.
- Based on a successful outcome to the aforementioned ChondroMimetic® study we aim to secure the most appropriate partner who, in an ideal world, would give us global commercial access for the ChondroMimetic® product. More likely is a partnering arrangement that will be for Europe and the Rest of the World, excluding USA, but with an option to commercialise the product in the USA where the regulatory authorities will demand that the product goes down the pre-market approval route. Given the significant cost of this regulatory pathway, we would expect these costs to be met by the partner.
- Achieving continued revenue growth across all our key territories and to seek to address a specific risk with a Korean customer on potential reduced quantities at contract renewal which could possibly impact 18/19 revenues if not addressed this year. As you would expect and hope for, we are at an advanced stage of mitigating this risk by discussing new product categories and services with the customer as well as leveraging our market reach to help accelerate their sales.
- Forging the most mutually beneficial arrangement with Cre8ive our partner in China. We continue to examine a number of potential options for a route forward and hopefully we will be able to arrive at the best option soon. The work we have done in the past year has underlined the potential for our medical grade collagen sourced from Australia and New Zealand. This differentiator gives us a clear advantage over local Chinese producers where environmental factors such as heavy metal contamination alone can impact the quality of the product.
- To successfully execute the relocation of our San Jose R&D facility and ensure the transfer to a new facility in Minneapolis.
- The company is keen to reflect its ambition by contemplating potential transactions which could help deliver critical mass in its core business and access additional products and technology which will be accretive to future commercial plans for high-value products. We will continue to review such opportunities as they arise.

I continue to be very committed to ensuring Collagen Solutions is a success and continue to be assured by:

- the quality of the people we have at Collagen Solutions and the fact that we have been able to attract into the Company people of a very high calibre
- the quality of our current product offering and our development
- the continued support of the Board to our strategic plan
- the continued support of yourselves as Shareholders

Finally, last year I referred to us being on a journey. In the past year, I feel that we have travelled a long way and I believe that in the next year we will travel even further. Hopefully as a Shareholder you will see this better reflected in our share price.

David Evans
Non-executive Chairman

10 July 2017

CEO'S STATEMENT

I am pleased to report the results for the year ended 31 March 2017 for Collagen Solutions and considerable progress we have made towards realising value from multiple growth initiatives.

Building on momentum and strengthened financials

Firstly, and perhaps most significantly, we strengthened our financial position substantially at the end of the financial year by securing £10.8 million financing inclusive of £6.8 million in equity and a venture debt facility of up to £4.0 million via Norgine Ventures. This positions us to continue to grow our core business, invest in our proprietary devices, and satisfy our contingent payment obligations related to the successful acquisition of Southern Lights Biomaterials.

Investments in our commercial organisation last year have begun to deliver results. While the sales cycles in our core business can be from 12-18 months, we have seen the early benefits with nine new agreements during the year under review, mostly towards the end of the period. Critically, we hired our new VP of Sales and Marketing, Brad Selman, to continue this momentum and develop and lead the commercial team to deliver accelerated growth over the next few years.

Another key executive team position filled was the new General Manager of Collagen Solutions New Zealand (formerly Southern Lights Biomaterials), Kevin Darling. Kevin's strong commercial and operational background has been key to continuing the momentum of the New Zealand business, especially as we see greater growth opportunities in our tissue business.

Finally, we prioritised and initiated three projects related to our proprietary products platform, as well as strengthening our R&D leadership by appointing Chris Wattengel, VP Global Research and Development. Chris' experience in medical device development, regulatory approvals, intellectual property, and biomaterials will be vital to ensuring the success of these programmes.

Revenue growth

Revenue and other income during the year ended 31 March 2017 was £4.09 million, including £3.95 million in sales and £0.14 million in other income, and represented 26% growth on the prior year. This growth was organic and driven largely by gains in Europe and Asia, where the first investments in commercial activities were made.

Revenue from North America grew by £0.12 million to £1.92 million, an increase of 6%. This region was the last to benefit from new sales team hires and new business was offset partially by some sales volume reductions amongst a few customers. Revenue from Asia grew by £0.42 million to £1.60 million, an increase of 36%, our fastest-growing region, driven by new business wins and a dedicated commercial manager in place in Seoul. Revenue from EMEA grew by £0.28 million to £0.43 million, an increase of 190%, driven by new customers and as a result of commercial activities by the team in the UK.

During the year the team delivered nine new supply, development and distribution agreements, including distribution partnerships in Korea and Japan. Most of these agreements closed in the second half of the year. In addition, the Company has seen its pericardium tissue business grow by 30% resulting in a specific initiative to diversify and increase its tissue supply base in Australia and New Zealand to meet the additional demand.

Innovation and product development

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

With Australia-New Zealand tissue sourcing becoming a more significant part of our core business, we were pleased to have been granted a patent from the Australian Patent Office for the use of their novel ultra-thin processed pericardium material, which can be used for heart valve replacement medical devices and other applications. Patent coverage has already been established in New Zealand and USA.

Related to our bone graft substitute programme, we have added substantial expertise in this field with our new Scientific Advisory Board as well as Chris Wattengel's background. With this group's guidance, we've completed surgeon and industry voice of customer feedback, identified the regulatory and pre-clinical pathways, and established a revised plan to meet these needs resulting in a mid-2019 estimate for regulatory clearance. We also filed a provisional US patent application covering novel properties of a bone graft substitute formulation. The provisional patent covers several novel, proprietary characteristics related to the product's superior handling properties and inorganic particle retention, which will enhance ease-of-use for the surgeon and ensure that the substitute remains at the operative site.

Our wound healing project is based upon core technology we developed over several years, with promising results presented at multiple conferences including the recent Society for Biomaterials Annual Meeting in Minneapolis. The Company's scientists presented new data related to the potential for a fibrillar collagen-based matrix that protects autologous cells during delivery and promotes cellular adhesion to a wound site. The potential of the research may address the limitations of current split or full-thickness autologous skin grafts, particularly in large wound sites. We have completed surgeon and industry voice of customer feedback, identified the regulatory and pre-clinical pathways, and targeted our pre-clinical trials to begin early 2018 with wound market clearance expected to follow in late 2018.

Additionally, the Company's cartilage ChondroMimetic® programme has advanced significantly since the acquisition of the assets of Orthomimetics at the end of 2015. With first human use in 2009 and original launch in 2010, ChondroMimetic® offers a rare opportunity to come to market with over seven years of in-patient results. We recently initiated the extension of the original clinical study to review the results of the first patients from a safety study conducted in 2009, and have begun manufacturing validations of the product at our Glasgow UK facility. The long-term extension study will collect 7-8 year data from up to 15 of the original 17 patients. Our CE mark submission is pending this study conclusion and completing internal validations, with a target commercialisation outside the US, in mid-2018.

Finally, we recognise the need for close coordination between our global commercial and R&D teams as well as the expertise needed for successful development and regulatory approvals of our proprietary medical devices. We recently announced our plans to relocate our US R&D from San Jose to Minneapolis, where we will realise some operational cost savings by merging the two sites, and also enhance our global R&D and commercial coordination with leadership and both teams at the same Minneapolis site.

Strategic Initiatives
Last year was the first implementation of our global strategic planning process resulting in several initiatives we felt critical to our future growth. I am pleased with the results the team delivered on these initiatives and look forward to accomplishing similar success on our initiatives for FY 2018.

Our 2017 initiatives generally focused on three areas: sales channel development, marketing brand launch, and operational excellence. Our sales channel development initiative resulted in the recruitment, hiring, and training, of a full specialised direct sales team and support including our new VP of Global Sales & Marketing as well as sales process improvements that led to nine new customer agreements in the fiscal year.
Our marketing brand launch initiative resulted in execution of a full integrated marketing communications programme leading to an increase in several customer touch-point metrics in terms of commercial leads, web traffic, and social media engagement. Finally, we successfully completed several initiatives to improve operational excellence including a new OEM programme that improved time-to-close deal flow and throughput, contributing to nine new agreements during the year.

Looking forward to FY 2018 we are continuing our strategic initiative programme and selected four "Vital Few" initiatives aligned with our strategic pillars of Customers, Our People, Products and Capabilities, and Growth summarised as follows:

Customers: Identify and attain more high value customers
Our People: Implement an employee-driven Individual Development Plan programme
Products and Capabilities: Secure and create a stronger pericardium business
Growth: Successfully develop and partner our three key proprietary products

Conclusion
The critically important financing of the Company that closed at the end of the last financial year has put us in a strong position to execute on our growth initiatives, including fueling our proprietary products development, and was a significant focus of the Company. We delivered growth based on commercial investments made in the prior year and also recruited necessary talent in R&D, Commercial, and General Management to execute on these growth initiatives, and continue towards our shared vision to be the industry's first choice for regenerative biomaterials.

Jamal Rushdy
Chief Executive Officer
10 July 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2017

	Notes	Before separately identifiable items £	Separately identifiable items (note 5) £	**Total 2017 £**	Before separately identifiable items £	Separately identifiable items (note 5) £	Total 2016 £
Revenue		3,945,787	-	**3,945,787**	3,129,862	-	3,129,862
Cost of sales		(983,632)	-	**(983,632)**	(811,327)	-	(811,327)
Gross profit		2,962,155	-	**2,962,155**	2,318,535	-	2,318,535
Share-based compensation		(50,585)	-	**(50,585)**	(35,831)	-	(35,831)
Administrative expenses		(3,596,707)	227,155	**(3,369,552)**	(2,473,689)	152,365	(2,321,324)
Selling and marketing costs		(718,986)	-	**(718,986)**	(333,426)	-	(333,426)
Other income		144,762	-	**144,762**	114,395	-	114,395
Operating loss before interest, tax, depreciation and amortisation		(1,259,361)	227,155	**(1,032,206)**	(410,016)	152,365	(257,651)
Amortisation and depreciation		(449,427)	-	**(449,427)**	(346,569)	-	(346,569)
Finance income		2,841	-	**2,841**	10,262	-	10,262
Finance expense		(134,958)	-	**(134,958)**	(272,332)	-	(272,332)
Loss before taxation		(1,840,905)	227,155	**(1,613,750)**	(1,018,655)	152,365	(866,290)
Taxation		(141,928)	-	**(141,928)**	(114,174)	-	(114,174)
Loss for the year		(1,982,833)	227,155	**(1,755,678)**	(1,132,829)	152,365	(980,464)
Attributable to:							
Owners of the parent		(1,934,420)	227,155	**(1,707,265)**	(1,132,829)	152,365	(980,464)
Non – controlling interest		(48,413)	-	**(48,413)**	-	-	-
		(1,982,833)	227,155	**(1,755,678)**	(1,132,829)	152,365	(980,464)
Currency translation difference		1,392,495	-	**1,392,495**	(113,585)	-	(113,585)
Other comprehensive income/(loss)		1,392,495	-	**1,392,495**	(113,585)	-	(113,585)
Total comprehensive loss for the year		(590,338)	227,155	**(363,183)**	(1,246,414)	152,365	(1,094,049)
Attributable to:							
Owners of the parent		(554,162)	227,155	**(327,007)**	(1,246,414)	152,365	(1,094,049)
Non – controlling interest		(36,176)	-	**(36,176)**	-	-	-
		(590,338)	227,155	**(363,183)**	(1,246,414)	152,365	(1,094,049)
Basic and diluted loss per share	4			**(0.95p)**			(0.57p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

	Notes	**2017** **£**	2016 £
ASSETS			
Non-current assets			
Intangible assets		**14,581,893**	12,971,078
Property, plant and equipment		**1,142,741**	1,160,852
		15,724,634	14,131,930
Current assets			
Inventories		**313,395**	264,074
Trade and other receivables		**806,566**	636,044
Cash and cash equivalents		**8,978,150**	2,493,146
		10,098,111	3,393,264
Total assets		**25,822,745**	17,525,194
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	6	**3,287,991**	1,759,038
Share premium		**14,851,092**	7,892,330
Share-based payment reserve		**137,809**	87,224
Shares to be issued reserve		**131,934**	2,050,706
Merger reserve		**4,531,798**	4,531,798
Translation reserve		**1,539,676**	159,418
Retained deficit		**(4,291,319)**	(2,584,054)
		20,188,981	13,896,460
Equity attributable to non-equity holders of the parent company			
Non-controlling interest reserve		**97,157**	-
Total equity		**20,286,138**	13,896,460
Non-current liabilities			
Deferred tax		**221,847**	253,112
Other financial liabilities		**1,289,357**	2,437,100
Borrowings		**1,879,899**	62,837
Total non-current liabilities		**3,391,103**	2,753,049
Current liabilities			
Trade and other payables		**1,000,086**	829,354
Income tax liabilities		**58,530**	-
Other financial liabilities		**1,060,484**	25,353
Borrowings		**26,404**	20,978
Total current liabilities		**2,145,504**	875,685
Total liabilities		**5,536,607**	3,628,734
Total liabilities and equity		**25,822,745**	17,525,194

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Share capital £	Share premium £	Share-based payment reserve £	Shares to be issued reserve £	Merger reserve £	Translation reserve £	Retained deficit £	Total £	Non-Controlling Interest £	Total Equity £
At 1 April 2015	1,754,689	7,845,973	51,393	-	4,531,798	273,003	(1,603,590)	12,853,266	-	12,853,266
Issue of shares on acquisition of assets	4,349	46,357	-	-	-	-	-	50,706	-	50,706
Total transactions with owners in their capacity as owners	4,349	46,357	-	-	-	-	-	50,706	-	50,706
Share-based compensation	-	-	35,831	-	-	-	-	35,831	-	35,831
Shares to be issued to Collagen Solutions (UK) vendors as contingent consideration	-	-	-	2,000,000	-	-	-	2,000,000	-	2,000,000
Shares to be issued on acquisition of assets	-	-	-	50,706	-	-	-	50,706	-	50,706
Loss for the year	-	-	-	-	-	-	(980,464)	(980,464)	-	(980,464)
Currency translation difference	-	-	-	-	-	(113,585)	-	(113,585)	-	(113,585)
Loss and total comprehensive loss for the year	-	-	-	-	-	(113,585)	(980,464)	(1,094,049)	-	(1,094,049
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 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	160,000	1,840,000	-	(2,000,000)	-	-	-	-	-	-
Issue of shares on acquisition of assets	2,175	23,178	-	(25,353)	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	1,528,953	6,958,762	-	(2,025,353)	-	-	-	6,462,362	-	6,462,362
Share-based compensation	-	-	50,585	-	-	-	-	50,585	-	50,585
Norgine warrants to be issued	-	-	-	106,581	-	-	-	106,581	-	106,581
Non-controlling interest share of net assets	-	-	-	-	-	-	-	-	133,333	133,333
Loss for the year	-	-	-	-	-	-	(1,707,265)	(1,707,265)	(48,413)	(1,755,678)
Currency translation difference	-	-	-	-	-	1,380,258	-	1,380,258	12,237	1,392,495
Loss and total comprehensive loss for the year	-	-	-	-	-	1,380,258	(1,707,265)	(327,007)	(36,176)	(363,183)
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**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2017

	2017	2016
	£	£
Cash flow from operating activities		
Loss before taxation	**(1,613,750)**	(866,290)
Share-based compensation	**50,585**	35,831
Depreciation	**234,390**	175,039
Amortisation	**215,037**	171,530
Decrease in contingent consideration	**(325,390)**	(192,393)
Finance expense	**134,958**	272,332
Finance income	**(2,841)**	(10,261)
Loss/(gain) on sale of property, plant and equipment	**993**	(689)
Increase in inventories	**(54,345)**	(47,773)
Increase in trade and other receivables	**(212,571)**	(9,954)
Increase in trade and other payables	**190,947**	479,308
Cash (used in)/ generated from operations	**(1,381,987)**	6,680
Interest paid	**(7,082)**	(7,844)
Taxation paid	**(104,941)**	(193,657)
Net cash used in operations	**(1,494,010)**	(194,821)
Investing activities		
Proceeds from sale of property, plant and equipment	**414**	746
Payments to acquire property, plant and equipment	**(137,324)**	(464,327)
Payments to acquire licensed IP and patents, and development costs	**(341,502)**	(206,692)
Interest received	**2,841**	10,261
Net cash used in investing activities	**(475,571)**	(660,012)
Financing activities		
Net proceeds on issue of ordinary shares	**6,462,362**	-
Net proceeds from Bond issue	**1,940,000**	-
Repayment of related party loan	**(10,931)**	(25,591)
Net cash generated from/(used in) financing activities	**8,391,431**	(25,591)
Net increase/(decrease) in cash and cash equivalents	**6,421,850**	(880,424)
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**63,154**	(17,786)
Net increase/(decrease) in cash and cash equivalents	**6,485,004**	(898,210)
Cash and cash equivalents at the beginning of the financial year	**2,493,146**	3,391,356
Cash and cash equivalents at the end of the financial year	**8,978,150**	2,493,146

NOTES TO THE AUDITED PRELIMINARY ANNOUNCEMENT

1. BASIS OF THE ANNOUNCEMENT

The audited preliminary results for the year ended 31 March 2017 were approved by the Board of directors on 10 July 2017. The financial information in this preliminary announcement does not constitute full accounts within the meaning of section 434 (3) of the Companies Act 2006 but is derived from the accounts for the year ended 31 March 2017. The figures for the year are audited. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 March 2017. Those accounts upon which the auditors issued an unqualified opinion, also had no statement under section 498(2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement 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.

The statutory accounts for the financial year ended 31 March 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. GOING CONCERN

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled “Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks 2016”. In determining the appropriate basis of preparing the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the financial statements. As at 31 March 2017 the Group had cash and cash equivalents of £8.98 million and net current assets of £7.95 million.

Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. Cash flow forecasts and projections have been prepared through to 30 September 2018, and take into account sensitivities on revenues and costs. Having made relevant and appropriate enquiries, including consideration of the Company’s and Group’s current cash resources and the working capital forecasts, the Directors have a reasonable expectation that the Company and Group will have adequate cash resources to continue to meet the requirements of the business for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

3. SEGMENTAL REPORTING

The Group’s Chief Operating Decision Maker, the Chief Executive Officer, is responsible for resource allocation and the assessment of performance. In the performance of this role, the Chief Executive Officer reviews the Group’s activities, in aggregate. The Group has therefore determined that it has only one reportable segment under IFRS 8, Operating Segments, which is biomaterials.

4. LOSS PER SHARE

The calculation of basic loss attributable to the equity holders of the parent is based on losses of £1,755,678 (2016: £980,464) and on 185,776,383 (2016: 171,210,108) ordinary shares being the weighted average number of shares in issue during the year.

The loss for the year and the weighted average number of ordinary shares for calculating the diluted loss per share for 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 ordinary share and would therefore not be dilutive under the terms of International Accounting Standard (IAS) No. 33.

5. SEPARATELY IDENTIFIABLE ITEMS

	2017 £	2016 £
Included within administrative expenses:		
Release of contingent consideration provision[1]	**553,063**	152,365
Foreign exchange loss[2]	**(253,027)**	-
Legal costs Bond facility arrangement [3]	**(72,881)**	-
	227,155	152,365

1. The release of the contingent consideration provision in the year ended 31 March 2017 relates to the reassessment of the earn-outs payable for the acquisitions of Collagen Solutions LLC and Southern Lights Ventures 2002 Limited. The release in the year ended 31 March 2016 relates to the reassessment of the earn-outs payable for the acquisition of Collagen Solutions LLC
2. The foreign exchange translation loss relates to the translation of the earn-out payable in New Zealand Dollars to Sterling for the acquisition of Southern Lights Ventures 2002 Limited.
3. The legal costs in relation to setting up the Norgine bond facility arrangement during the year ended 31 March 2017 have been expensed in the Consolidated statement of comprehensive income and are shown as a separately identifiable item. The issue costs in relation to the drawdown of tranche A of the bond facility on 31 March 2017 have been netted off against the proceeds of the bond received and its carrying value.

6. SHARE CAPITAL

	2017 Number	**2017 £**	2016 Number	2016 £
Issued and fully paid				
Issued ordinary shares of 1p	**324,299,077**	**3,242,991**	171,403,815	1,714,038
Issued deferred shares of 9p	**500,000**	**45,000**	500,000	45,000
Balance at the end of the year	**324,799,077**	**3,287,991**	171,903,815	1,759,038

Ordinary shares

The total number of issued shares at 31 March 2017 was 324,299,077 (2016: 171,403,815).

On 9 September 2016, 217,475 ordinary shares were issued to Orthomimetics Limited as part of the consideration paid by the Company for ChondroMimetic assets. Further ordinary shares are required to be issued by the Company under the asset purchase agreement of £25,353 on 11 September 2017.

On 9 September 2016, 8 million ordinary shares were issued as part of the deferred consideration payable to the vendors of Collagen Solutions (UK) Limited. A further 8 million ordinary shares were issued on 30 March 2017 as the final deferred consideration payable to these vendors.

On 6 March 2017, 136,677,787 ordinary shares were issued as part of a placing and open offer for up to 159,724,257 ordinary shares.

Deferred shares

The total number of deferred shares at 31 March 2017 was 500,000 (2016: 500,000). The deferred shares do not confer any voting rights.

Options and warrants

At 31 March 2017 the Company had 18,013,632 (2016: 9,238,349) unissued ordinary shares of 1p each under the Company's share option and warrant schemes, details of which are as follows:

Grant date	Number	Option price (in p)	Date from which exercisable	Expiry date
29 March 2013	4,050,000	10	29 March 2013	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	9.63	1 April 2018	31 March 2025
15 December 2015	3,300,000	8.89	15 December 2018	14 December 2025
14 July 2016	2,700,000	8.13	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	5.91	31 March 2017	30 March 2027

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.