Quotient Ltd
Form 424B3
February 11, 2015

PROSPECTUS SUPPLEMENT NO. 2	Filed Pursuant to Rule 424(b)(3)
(To Prospectus dated December 30, 2014)	Registration No. 333-200938

2,850,000 Ordinary Shares

of

Quotient Limited

This prospectus supplement supplements the prospectus dated December 30, 2014 (the "Prospectus"), which forms a part of our Registration Statement on Form S-1 (Registration Statement No. 333-200938). This prospectus supplement also supplements our Prospectus Supplement No. 1 dated January 29, 2015 ("Supplement No. 1"). The Prospectus, Supplement No. 1 and this prospectus supplement relate to the offer and resale from time to time of up to 2,850,000 ordinary shares of nil par value per share by the selling shareholders identified in the Prospectus.

On February 11, 2015, we filed with the Securities and Exchange Commission a quarterly report on Form 10-Q (the "Quarterly Report"). This prospectus supplement is being filed to update and supplement the information included or incorporated by reference in the Prospectus with the information contained in the Quarterly Report. Accordingly, we have attached the Quarterly Report to this prospectus supplement.

You should read this prospectus supplement in conjunction with the Prospectus and Supplement No. 1, which are to be delivered with this prospectus supplement. If there is any inconsistency between the information in the Prospectus or Supplement No. 1 and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our ordinary shares are listed on The NASDAQ Global Market under the symbol "QTNT". On February 11, 2015 the closing sale price of our ordinary shares on The NASDAQ Global Market was $16.90 per share.

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

Investing in our securities involves a high degree of risk. Before buying any securities, you should carefully read the discussion of material risks of investing in our securities in "Risk Factors" beginning on page 4 of the Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is February 11, 2015.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-36415

QUOTIENT LIMITED

(Exact name of registrant as specified in its charter)

Jersey, Channel Islands (State or other jurisdiction of incorporation or organization)	Not Applicable (I.R.S. Employer Identification No.)
Pentlands Science Park	
Bush Loan, Penicuik, Midlothian	
EH26 0PZ, United Kingdom	Not Applicable

(Address of principal executive offices) (Zip Code)

001-44-131-445-6159

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of February 10, 2015 there were 16,916,528 Ordinary Shares, nil par value, of Quotient Limited outstanding.

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Cautionary note regarding forward-looking statements

This Quarterly Report on Form 10-Q, and exhibits thereto, contains estimates, predictions, opinions, projections and other statements that may be interpreted as "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that involve substantial risks and uncertainties. The forward-looking statements are contained principally in Part I, Item 2: "Management's Discussion and Analysis of Final Condition and Results of Operations" and are also contained elsewhere in this Quarterly Report. Forward-looking statements can be identified by words such as "strategy," "objective," "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "projec "potential," "will," "would," "could," "should," "continue," "contemplate," "might," "design" and other similar expressions, al all forward-looking statements contain these identifying words. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain, and are subject to numerous known and unknown risks and uncertainties.

Forward-looking statements include statements about:

- the development, regulatory approval and commercialization of MosaiQ™;
- the design of blood grouping and disease screening capabilities of MosaiQ™ and the benefits of MosaiQ™ for both customers and patients;
- future demand for and customer adoption of MosaiQ™, the factors that we believe will drive such demand and our ability to address such demand;
- our expected profit margins for MosaiQ™;
- the size of the market for MosaiQ™ ;
- the regulation of MosaiQ™ by the U.S. Food and Drug Administration, or the FDA, or other regulatory bodies, or any unanticipated regulatory changes or scrutiny by such regulators;
- future plans for our conventional reagent products;
- the status of our future relationships with customers, suppliers, and regulators relating to our conventional reagent products;
- future demand for our conventional reagent products and our ability to meet such demand;
- our ability to manage the risks associated with international operations;
- anticipated changes, trends and challenges in our business and the transfusion diagnostics market;
- the effects of competition;
- the expected outcome or impact of threatened litigation;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- our estimates regarding our capital requirements and capital expenditures, including our expenditures associated with the ongoing development of MosaiQ™ and the expected cost of a new expanded manufacturing facility in Edinburgh, Scotland;
- our anticipated cash needs, our expected sources of funding and our ability to obtain expected funding; and
- our plans for executive and director compensation for the future.

You should also refer to the various factors identified in this and other reports filed by us with the Securities and Exchange Commission, including but not limited to those discussed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2014, for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report will prove to be accurate. Further, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us that we will achieve our objectives and plans in any specified time frame, or at all.

The forward-looking statements in this Quarterly Report represent our views only as of the date of this Quarterly Report. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we undertake no obligation to publicly update any forward-looking statements, except as required by law.

You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report.

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You can inspect, read and copy these reports, proxy statements and other information at the Securities and Exchange Commission's Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the Securities and Exchange Commission's Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a website at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge at www.quotientbd.com (in the "Investors" section) copies of materials we file with, or furnish to, the Securities and Exchange Commission. By referring to our corporate website, www.quotientbd.com, we do not incorporate any such website or its contents into this Quarterly Report on Form 10-Q.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Expressed in thousands of U.S. Dollars — except for share data and per share data)

	December 31, 2014	March 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$33,050	$7,192
Trade accounts receivable, net	2,012	2,439
Inventories	4,588	4,557
Prepaid expenses and other current assets	5,412	5,200
Total current assets	45,062	19,388
Property and equipment, net	20,033	8,556
Intangible assets, net	1,020	967
Other non-current assets	481	897
Total assets	$66,596	$29,808
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERENCE SHARES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$5,519	$5,343
Accrued compensation and benefits	1,540	2,014
Accrued expenses and other current liabilities	7,627	4,453
Financial liability in respect of share warrants	41,775	421
Current portion of long-term debt	3,000	—
Current portion of lease incentive	425	485
Current portion of capital lease obligation	277	183
Total current liabilities	60,163	12,899
Long-term debt, less current portion	12,230	15,105
Lease incentive, less current portion	1,807	2,423
Capital lease obligation, less current portion	332	154
Total liabilities	74,532	30,581
Commitments and contingencies	—	—
A preference shares (nil par value) zero and 12,719,954 issued and outstanding at December 31, 2014 and March 31, 2014 respectively;	—	13,180
B preference shares (nil par value) zero and 14,583,407 issued and outstanding at	—	14,991

December 31, 2014 and March 31, 2014 respectively;		
C Preference shares (nil par value) zero and 929,167 issued and outstanding at December 31, 2014 and March 31, 2014 respectively;	—	2,592
Shareholders' equity (deficit)		
Ordinary shares (nil par value) 16,430,431 and 60,044 issued and outstanding at December 31, 2014 and March 31, 2014 respectively;	73,847	247
A Ordinary shares (nil par value) zero and 244,141 issued and outstanding at December 31, 2014 and March 31, 2014 respectively;	—	—
B Ordinary shares (nil par value) zero and 37,957 issued and outstanding at December 31, 2014 and March 31, 2014 respectively;	—	—
Distribution in excess of capital	(7,156)	(16,793)
Accumulated other comprehensive income (loss)	(2,694)	305
Accumulated deficit	(71,933)	(15,295)
Total shareholders' equity (deficit)	(7,936)	(31,536)
Total liabilities, redeemable convertible preference shares and shareholders' equity	$66,596	$29,808

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

(Expressed in thousands of U.S. Dollars — except for share data and per share data)

	Quarter ended December 31		Nine months ended December 31	
	2014	2013	2014	2013
Revenue:				
Product sales	$3,962	$3,910	$13,756	$12,332
Other revenues	100	—	750	2,768
Total revenue	4,062	3,910	14,506	15,100
Cost of revenue	(2,204)	(1,941)	(7,361)	(6,271)
Gross profit	1,858	1,969	7,145	8,829
Operating expenses:				
Sales and marketing	(789)	(826)	(2,095)	(2,057)
Research and development, net of government grants	(4,453)	(1,708)	(13,573)	(4,916)
General and administrative expense:	—			
Compensation expense in respect of share options and management equity incentives	(305)	(279)	(814)	(701)
Other general and administrative expenses	(3,638)	(1,955)	(10,617)	(5,442)
Total general and administrative expense	(3,943)	(2,234)	(11,431)	(6,143)
Total operating expense	(9,185)	(4,768)	(27,099)	(13,116)
Operating loss	(7,327)	(2,799)	(19,954)	(4,287)
Other expense				
Interest expense, net	(541)	(424)	(1,613)	(582)
Change in financial liability for share warrants	(34,565)	—	(33,581)	—
Other, net	130	(45)	(1,490)	(83)
Other expense, net	(34,976)	(469)	(36,684)	(665)
Loss before income taxes	(42,303)	(3,268)	(56,638)	(4,952)
Provision for income taxes	—	—	—	—
Net loss	$(42,303)	$(3,268)	$(56,638)	$(4,952)
Other comprehensive income (loss):				
Change in fair value of effective portion of foreign currency cash flow hedges	$(35)	$—	$(288)	$—
Foreign currency gain (loss)	(1,219)	186	(2,711)	665
Other comprehensive income (loss)	(1,254)	186	(2,999)	665
Comprehensive loss	$(43,557)	$(3,082)	$(59,637)	$(4,287)
Net loss available to ordinary shareholders - basic and diluted	$(42,303)	$(3,268)	$(56,638)	$(4,952)
Loss per share - basic and diluted	$(2.80)	$(3.94)	$(3.95)	$(34.34)
Weighted-average shares outstanding - basic and	15,101,441	829,168	14,352,476	144,178

diluted

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES AND CHANGES IN SHAREHOLDERS' DEFICIT (unaudited)

(Expressed in thousands of U.S. Dollars — except for share data)

	Redeemable Convertible Preference Shares		Ordinary shares		Distribution in excess of capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances, March 31, 2014	28,232,528	$30,763	342,142	$247	$(16,793)	$305	$(15,295)	$(31,536)
Conversion of shares	(28,232,528)	(30,763)	9,034,405	30,866	421	—	—	31,287
Issue of shares, net of expenses	—	—	7,000,000	42,318	—	—	—	42,318
Issue of pre-funded warrants	—	—	—	—	8,067	—	—	8,067
Exercise of incentive share options	—	—	8,913	20	—	—	—	20
Exercise of warrants	—	—	44,971	396	335	—	—	731
Net loss	—	—	—	—	—	—	(56,638)	(56,638)
Change in the fair value of the effective portion of foreign currency cash flow hedges	—	—	—	—	—	(288)	—	(288)
Foreign currency translation loss	—	—	—	—	—	(2,711)	—	(2,711)
Other comprehensive loss	—	—	—	—	—	(2,999)	—	(2,999)
Stock-based compensation	—	—	—	—	814	—	—	814
Balances, December 31, 2014	—	$—	16,430,431	$73,847	$(7,156)	$(2,694)	$(71,933)	$(7,936)

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Expressed in thousands of U.S. Dollars)

	Nine months ended December 31,	
	2014	2013
OPERATING ACTIVITIES:		
Net loss	$(56,638)	$(4,952)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	938	376
Share-based compensation	814	701
Amortization of lease incentive	(345)	—
Amortization of deferred debt issue costs	587	—
Change in financial liability for share warrants	33,581	—
Net change in assets and liabilities:		
Trade accounts receivable, net	161	(148)
Inventories	(365)	(949)
Accounts payable and accrued liabilities	4,109	821
Accrued compensation and benefits	(320)	154
Other assets	(731)	(592)
Net cash used in operating activities	(18,209)	(4,589)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(13,429)	(416)
Refund (purchase) of intangible assets	(203)	87
Net cash used in investing activities	(13,632)	(329)
FINANCING ACTIVITIES:		
Proceeds from (repayment of) finance leases	304	(149)
Proceeds from drawdown of new debt	—	15,000
Repayment of debt	—	(3,000)
Debt issue costs	—	(557)
Proceeds from issuance of ordinary and preference shares	59,329	2,944
Net cash generated from financing activities	59,633	14,238
Effect of exchange rate fluctuations on cash and cash equivalents	(1,934)	217
Change in cash and cash equivalents	25,858	9,537
Beginning cash and cash equivalents	7,192	4,219
Ending cash and cash equivalents	$33,050	$13,756
Supplemental cash flow disclosures:		
Income taxes paid	$—	$—
Interest paid	$346	$296

The accompanying notes form an integral part of these consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. Dollars — except for share data and per share data, unless otherwise stated)

Note 1. Description of Business and Basis of Presentation

Description of Business

The principal activity of Quotient Limited (the "Company") and its subsidiaries (the "Group") is the development, manufacture and sale of products for the global transfusion diagnostics market. Products manufactured by the Group are sold to hospitals, blood banking operations and other diagnostics companies worldwide.

Basis of Presentation

The condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and are unaudited. In accordance with those rules and regulations, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. The March 31, 2014 balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The financial statements should be read in conjunction with the audited consolidated financial statements at and for the year ended March 31, 2014 included in the Company's Annual Report on Form 10-K for the year then ended. The results of operations for the quarter and the nine months ended December 31, 2014 are not necessarily indicative of the results of operations that may be expected for the year ending March 31, 2015 and any future period.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2014 and March 31, 2014, all cash and cash equivalents comprised readily accessible cash balances except for $307 at December 31, 2014 and $345 at March 31, 2014 held in a restricted account as security for the property rental obligations of the Company's Swiss subsidiary.

Trade accounts receivable

Trade accounts receivable are recorded at the invoiced amount and are not interest bearing. The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible trade receivables. Additions to the allowance for doubtful accounts are recorded as General and administrative expenses. The Company reviews its trade receivables to identify specific customers with known disputes or collectability issues. In addition, the Company maintains an allowance for all other receivables not included in the specific reserve by applying specific rates of projected uncollectible receivables to the various aging categories. In determining these percentages, the Company analyzes its historical collection experience, customer credit-worthiness, current economic trends and changes in customer payment terms.

Concentration of Credit Risks and Other Uncertainties

The carrying amounts for financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short maturities. Derivative instruments, consisting entirely of foreign exchange contracts, are stated at their estimated fair values, based on quoted market prices for the same or similar instruments. The counterparties to the agreements relating to the Company’s derivative instruments consist of large financial institutions of high credit standing.

The Company's main financial institutions for banking operations hold all of the Company's cash and cash equivalents as of December 31, 2014 and 99% at March 31, 2014. The Company's accounts receivable are derived from net revenue to customers and distributors located in the United States and other countries. The Company performs credit evaluations of its customers' financial condition. The Company provides reserves for potential credit losses but has not experienced significant losses to date. There was one customer whose accounts receivable balance represented 10% or more of total accounts receivable, net, as of December 31, 2014 and March 31, 2014. This customer represented 64% and 53% of the accounts receivable balances as of December 31, 2014 and March 31, 2014, respectively.

The Company currently sells products through its direct sales force and through third-party distributors. There was one direct customer that accounted for 10% or more of total product sales for the nine months ended December 31, 2014 and December 31, 2013. This customer represented 55% and 57% of total product sales for the nine months ended December 31, 2014 and December, 2013, respectively.

Fair Value of Financial Instruments

The Company defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company's valuation techniques used to measure fair value maximized the use of observable inputs and minimized the use of unobservable inputs. The fair value hierarchy is based on the following three levels of inputs:

Level 1—Quoted prices in active markets for identical assets or liabilities.
Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

See Note 6, "Commitment and Contingencies," for information and related disclosures regarding the Company's fair value measurements.

Inventory

Inventory is stated at the lower of standard cost (which approximates actual cost) or market, with cost determined on the first-in-first-out method. Accordingly, allocation of fixed production overheads to conversion costs is based on normal capacity of production. Abnormal amounts of idle facility expense, freight, handling costs and spoilage are expensed as incurred and not included in overhead. No stock-based compensation cost was included in inventory as of December 31, 2014 and March 31, 2014.

Property and equipment

Property, equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets as follows:

Plant, machinery and equipment—4 to 25 years;
Leasehold improvements—the shorter of the lease term or the estimated useful life of the asset.

Repairs and maintenance expenditures, which are not considered improvements and do not extend the useful life of property and equipment, are expensed as incurred.

Intangible Assets and Goodwill

Intangible assets related to product licenses are recorded at cost, less accumulated amortization. Intangible assets related to technology and other intangible assets acquired in acquisitions are recorded at fair value at the date of acquisition, less accumulated amortization. Intangible assets are amortized over their estimated useful lives, on a straight-line basis as follows:

Customer relationships—5 years

Brands associated with acquired cell lines—40 years

Product licenses—10 years

Other intangibles assets—7 years

The Company reviews its intangible assets for impairment and conducts an impairment review when events or circumstances indicate the carrying value of a long-lived asset may be impaired by estimating the future undiscounted cash flows to be derived from an asset to assess whether or not a potential impairment exists. No impairment losses have been recorded in either of the nine month periods ended December 31, 2014 or December 31, 2013.

Revenue Recognition

The Company recognizes revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Customers have no right of return except in the case of damaged goods. The Company has not experienced any significant returns of its products. Shipping and handling costs are expensed as incurred and included in cost of product sales. In those cases where the Company bills shipping and handling costs to customers, the amounts billed are classified as revenue.

The Company enters into revenue arrangements that may consist of multiple deliverables of its products and services. The terms of these arrangements may include non-refundable upfront payments, milestone payments, other contingent payments and royalties on any product sales derived on collaboration. Up-front fees received in connection with collaborative agreements are deferred upon receipts, are not considered a separate unit of accounting and are recognized as revenues over the relevant performance periods. Revenues related to research and development services included in a collaboration agreement are recognized as research and services are performed over the related performance periods for each contract. A payment that is contingent upon the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved.

In June 2013, the Company entered into an agreement with Ortho-Clinical Diagnostics Inc. (“OCD”) to develop a range of rare antisera products. The Company had been working on this project for more than a year before the formal agreement was signed with OCD. Under the terms of the agreement, the Company is entitled to receive milestone payments of $2,750 upon the receipt of CE-marks for the rare antisera products, $1,400 upon the receipt of FDA approval of the rare antisera products and two further milestones of $500 each upon the updating of the CE-mark and FDA approvals to cover use of the products on OCD’s automation platform. The Company concluded that as each of these milestones required significant levels of development work to be undertaken and there was no certainty at the start of the project that the development work would be successful, these milestones are substantive and will be accounted for under the milestone method of revenue recognition. The agreement also contains one further milestone of $650 payable upon fulfillment of $250 of cumulative orders of the rare antisera products covered by the agreement. This payment represents a royalty payment and was recognized in the nine month period ended December 31, 2014 when the sales target was achieved. During the nine month period ended December 31, 2013, the Company recognized $2,750 of milestone revenue relating to the achievement of the CE marketing milestone.

Research and Development

Research and development expenses consist of costs incurred for company-sponsored and collaborative research and development activities. These costs include direct and research-related overhead expenses. The Company expenses research and development costs, including the expenses for research under collaborative agreements, as such costs are incurred. Where government grants are available for the sponsorship of such research, the grant receipt is included as a credit against the related expense.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Condensed Consolidated Statements of Comprehensive Loss.

In determining fair value of the stock-based compensation payments, the Company uses the Black–Scholes model and a single option award approach, which requires the input of subjective assumptions. These assumptions include: the fair value of the underlying share, estimating the length of time employees will retain their vested stock options before exercising them (expected term), the estimated volatility of the Company's ordinary shares price over the expected term (expected volatility), risk-free interest rate (interest rate), expected dividends and the number of shares subject to options that will ultimately not complete their vesting requirements (forfeitures).

Note 3. Intangible Assets

	December 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Ave. Remaining Useful Life
Customer relationships	$3,070	$ (3,070)	$ —	—
Brands associated with acquired cell lines	633	(116)	517	32.7 years
Product licenses	739	(236)	503	6.8 years
Other Intangibles	200	(200)	—	—
Total	$4,642	$ (3,622)	$ 1,020	

	March 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Ave. Remaining Useful Life
Customer relationships	$3,283	$ (3,283)	$ —	—
Brands associated with acquired cell lines	677	(112)	565	33.4 years
Product licenses	589	(200)	389	6.6 years
Other Intangibles	213	(200)	13	0.4 years
Total	$4,762	$ (3,795)	$ 967	

Note 4. Debt

Long-term debt comprises:

	Dec 31, 2014	March 31, 2014
Total debt	$15,000	$15,000
Less current portion	(3,000)	—
Long-term debt	$12,000	$15,000
Fees due on final repayment of debt	487	487
Fair value of associated share warrant, net of amortization	(257)	(382)

$12,230	$15,105

On December 9, 2013, the Company drew down $15,000 under a new secured credit facility agreement with MidCap Financial LLC. The new facility is repayable over a four year period with no repayments being due until 18 months from the date of drawdown and then equal amounts being repayable monthly over the remaining 30 months. The facility bears interest at LIBOR plus 6.7%. The LIBOR rate applicable is the higher of the actual market rate from time to time or 2.0%.

At December 31, 2014, the outstanding debt is repayable as follows:

Within 1 year	$3,000
Between 1 and 2 years	6,000
Between 2 and 3 years	6,000
Between 3 and 4 years	—
Total debt	$15,000

Note 5. Consolidated Balance Sheet Detail

Inventory

The following table summarizes inventory by category for the dates presented:

	Dec 31, 2014	March 31, 2014
Raw materials	$1,171	$1,420
Work in progress	2,414	2,031
Finished goods	1,003	1,106
Total inventories	$4,588	$4,557

Property and equipment

The following table summarizes property and equipment by categories for the dates presented:

	Dec 31, 2014	March 31, 2014
Plant and Machinery	$16,833	$7,063
Leasehold improvements	5,983	3,594
Total property and equipment	22,816	10,657
Less: accumulated depreciation	(2,783)	(2,101)
Total property and equipment, net	$20,033	$8,556

Depreciation expenses were $873 and $298 in the nine month periods ended December 31, 2014 and December 31, 2013 respectively.

Accrued compensation and benefits

Accrued compensation and benefits consist of the following:

	Dec 31, 2014	March 31, 2014
Salary and related benefits	$324	$75
Accrued vacation	24	26
Accrued payroll taxes	343	281
Accrued incentive payments	849	1,632
Total accrued compensation and benefits	$1,540	$2,014

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	Dec 31, 2014	March 31, 2014
Accrued legal and professional fees	$357	$2,007
Accrued interest	112	112
Goods received not invoiced	848	590
Accrued development expenditure	5,390	799
Other accrued expenses	920	945
Total accrued expenses and other current liabilities	$7,627	$4,453

Note 6. Commitments and Contingencies

Government Grant

In 2008, the Company was awarded research and development grant funding from Scottish Enterprise amounting to £1,791, for the development of its Q Screen product. The total grant claimed to December 31, 2014 is £1,790. Regular meetings are held to update

Scottish Enterprise with the status of the project and while the terms of the grant award provide for full repayment of the grant in certain circumstances, the Company does not consider that any repayment is likely.

Hedging arrangements

The Company's subsidiary in the United Kingdom ("UK") has entered into nine forward exchange contracts to sell $300 and purchase pounds sterling at rates of between £1:$1.7227 and £1:$1.60 in each calendar month through September 2015 as a hedge of its U.S. dollar denominated revenues.

Share warrants

As part of its initial public offering in April 2014 the Company issued 5 million warrants each to acquire 0.8 of an ordinary share for a price of $8.80 per whole share. During the quarter ended December 31, 2014, there were 56,215 exercises of these warrants resulting in 4,943,785 remaining at December 31, 2014. The financial statements include a financial liability in respect of these warrants which is equal to the market price of the warrants at the end of each financial period.

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	$—	$ —	$ —	$ —
Total assets measured at fair value	$—	$ —	$ —	$ —

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Foreign currency forward contracts	$194	$ —	$ —	$194
Fair value of share warrants	41,775	—	—	41,775
Total liabilities measured at fair value	$41,969	$ —	$ —	$41,969

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency forward contracts	$94	$ —	$ —	$ 94
Total assets measured at fair value	$94	$ —	$ —	$ 94

	March 31, 2014
	Total

	Level 1	Level 2	Level 3	
Liabilities:				
Fair value of share warrants	$—	$ —	$421	$421
Total liabilities measured at fair value	$—	$ —	$421	$421

The change in the estimated fair value of share warrant liabilities is summarized below:

March 31,2014	$421
Transfer of liability to shareholders' equity upon the conversion of the preference share warrant to a warrant in respect of ordinary shares	(421)
Issue of ordinary share warrants as part of the company's initial public offering	8,529
Change in fair value of ordinary share warrants	33,581
Exercise of warrants	(335)
December 31, 2014	$41,775

Note 7. Ordinary, Deferred and Preference Shares

Ordinary and Deferred shares

The Company's issued and outstanding ordinary and deferred shares consist of the following:

	Shares Issued and Outstanding		
	Dec 31, 2014	March 31, 2014	Par value
Ordinary shares	16,430,431	60,044	$ —
A Ordinary shares	—	244,141	—
B Ordinary shares	—	37,957	—
Total	16,430,431	342,142	$ —

Preference shares

The Company's issued and outstanding preference shares consist of the following:

	Shares Issued and Outstanding		Liquidation amount per share	
	Dec 31, 2014	March 31, 2014	Dec 31, 2014	March 31, 2014
A Preference shares	—	12,719,954	$ —	$ 1.32
B Preference shares	—	14,583,407	$ —	$ 1.28
C Preference shares	—	929,167	$ —	$ 3.11
Total	—	28,232,528		

On April 3, 2014, all of the outstanding A ordinary shares, B ordinary shares and preference shares were converted into ordinary shares. The ordinary shares then outstanding were consolidated on the basis of 32 new ordinary shares for every existing 100 ordinary shares. The number of ordinary and deferred shares and number of options and warrants to acquire ordinary shares are presented in these financial statements on the basis of the number after this consolidation. The numbers of preference shares are shown on the basis of the numbers before this consolidation.

Note 8. Share-Based Compensation

The Company records share-based compensation expense in respect of options and restricted stock units ("RSU's") issued under its share incentive plans and in respect of the deferred shares issued to employees. Share-based compensation expense amounted to $814 and $701 in the nine month periods ended December 31, 2014 and December 31, 2013, respectively.

Share option activity

The following table summarizes share option activity:

	Number of Share Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Months)	Aggregate Intrinsic Value (1)
Outstanding — March 31, 2014	779,462	$ 2.92	109	$ 3,960
Granted	591,850	8.18	120	—
Exercised	(8,913)	2.25	—	—
Forfeited	(32,740)	7.82	—	—
Outstanding — December 31, 2014	1,329,659	$ 5.17	105	$ 17,060
Exercisable — December 31, 2014	418,250	$ 1.92	97	$ 6,725

(1) Intrinsic value is calculated as the difference between the fair value of the Company's ordinary shares as of the end of each reporting period and the exercise price of the option. The Company's closing share price on December 31, 2014 was $18.00.

The following table summarizes the options granted in the current financial year with their exercise prices, the fair value of ordinary shares as of the applicable grant date, and the intrinsic value, if any:

Grant Date	Number of Options Granted	Weighted Average Exercise Prices	Ordinary Shares Fair Value Per Share at Grant Date	Intrinsic Value
April 29, 2014	524,900	$ 8.00	$ 8.00	$ —
August 6, 2014	31,600	$ 9.26	$ 9.26	$ —
October 31, 2014	30,150	$ 9.95	$ 9.95	$ —
November 5, 2014	5,200	$ 9.89	$ 9.89	$ —

Determining the fair value of share incentive awards

The fair value of each share incentive grant was determined by the Company using the Black-Scholes options pricing model.

Assumptions used in the option pricing models are discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

Expected volatility. The expected volatility was based on the historical share volatilities of a number of the Company’s publicly listed peers over a period equal to the expected terms of the options as the Company did not have a sufficient trading history to use the volatility of its own ordinary shares.

Fair value of ordinary shares. Transactions involving the preference share capital of the Company determined the fair values of the preference shares at those dates. The preference shares had preferred rights versus the ordinary shares as regards capital redemption and dividends but after all other shares had been paid out the balance of any residual assets was shared amongst the ordinary shareholders. The preference shareholders may have converted their shares to ordinary shares at any time.

Based on these share rights, the fair value of the ordinary shares would not have exceeded the fair value of the preference shares but may have equaled it, if it appeared likely that the value of the Company as a whole exceeded the entitlements of the preference shares thus making it more likely than not that the preference shareholders would have opted to convert their shares.

The directors have considered the progress of the Company at each option award date and determined the fair market value of the ordinary shares by reference to the fair values of the preference shares plus an appropriate discount.

Risk-Free Interest Rate. The risk-free interest rate is based on the UK Government 10 year bond yield in effect at the time of grant.

Expected term. The expected term is determined after giving consideration to the contractual terms of the share-based awards, graded vesting schedules ranging from one to three years and expectations of future employee behavior as influenced by changes to the terms of its share-based awards.

Expected dividend. According to the terms of the awards, the exercise price of the options is adjusted to take into account any dividends paid. As a result dividends are not required as an input to the model, as these reductions in the share price are offset by a corresponding reduction in exercise price.

A summary of the assumptions applicable to the share options issued in the current financial year is as follows:

	April 29, 2014	August 6, 2014	October 31, 2014	November 5, 2014
Risk-free interest rate	2.69 %	2.46 %	2.22 %	2.22 %
Expected lives (years)	3	3	3	3
Volatility	59.83 %	59.39 %	57.36 %	57.36 %
Dividend yield	—	—	—	—
Grant date fair value (per share)	$8.00	$9.26	$ 9.95	$ 9.89
Number granted	524,900	31,600	30,150	5,200

During the quarter ended September 30, 2014, the Company awarded 50,000 restricted stock units to a non-executive director upon his appointment as a director of the Company. These vest in equal annual installments over the four year period following the date of grant.

Note 9. Net Loss Per Share

In accordance with ASC 260 “Earnings Per Share”, basic earnings available to ordinary shareholders per share is computed based on the weighted average number of ordinary shares outstanding during each period. Diluted earnings available to ordinary shareholders per share is computed based on the weighted average number of ordinary shares outstanding during each period, plus potential ordinary shares considered outstanding during the period, as long as the inclusion of such shares is not anti-dilutive. Potential ordinary shares consist of the incremental ordinary shares issuable upon the exercise of share options (using the treasury shares method), the conversion of the Company’s deferred and preference shares and the warrants to acquire preference shares.

The following table sets forth the computation of basic and diluted earnings per ordinary share.

	Quarter ended December 31		Nine months ended December 31	
	2014	2013	2014	2013
Numerator:				
Net loss	$(42,303)	$(3,268)	$(56,638)	$(4,952)
Net loss available to ordinary shareholders - basic and diluted	$(42,303)	$(3,268)	$(56,638)	$(4,952)
Denominator:				
Weighted-average shares outstanding - basic and diluted	15,101,441	829,168	14,352,476	144,178
Loss per share - basic and diluted	$(2.80)	$(3.94)	$(3.95)	$(34.34)

The options to purchase ordinary shares, and prior to their conversion to ordinary shares, the deferred shares, the A preference shares, the B preference shares, the C preference shares and the warrants to purchase A preference shares, B preference shares and C preference shares were excluded from the above computations of earnings per share.

B preference shares and C preference shares were participating securities with no contractual obligation to share in the losses of the Company. Accordingly, no losses were allocated to B preference shares and C preference shares in the calculation of loss per share in the periods presented.

No cumulative A preference share dividend was included in the net loss for EPS calculation as A preference share dividends, based on their terms were not considered earned and they received no dividend at the time of their conversion to ordinary shares.

The following sets out the numbers of ordinary shares excluded from the above computation of earnings per share at December 31, 2014 and March 31, 2014 as their inclusion would have been anti-dilutive.

	Dec 31, 2014	March 31, 2014
Ordinary shares issuable on exercise of options to purchase ordinary shares	1,329,659	779,462
Ordinary shares issuable on exercise of warrants at $9.37 per share	64,000	—
Ordinary shares issuable on exercise of warrants at $8.80 per share	3,955,028	—
Ordinary shares issuable on exercise of pre-funded warrants at $0.01 per share	850,000	—
Ordinary shares issuable on conversion of A Preference shares	—	4,070,385
Ordinary shares issuable on conversion of B Preference shares	—	4,666,690
Ordinary shares issuable on conversion of C Preference shares	—	297,333
	6,198,687	9,813,870

Note 10. Subsequent Events

On January 29, 2015, the Company entered into a Distribution and Supply Agreement with OCD for an initial term of 20 years. Pursuant to this agreement, OCD will exclusively commercialize MosaiQ™ for the global patient testing market, as well as the donor testing market in territories other than those in which the Company will commercialize MosaiQ™. OCD has agreed to pay the Company one time payments upon the achievement of certain milestones totaling in the aggregate $59 million and reimburse the Company for the cost of goods sold incurred for MosaiQ™ instruments and associated replacement parts sold to OCD, as well as the cost of ancillary products sold to OCD (other than quality control products), plus 10% of such ancillary product costs. A transfer price mechanism for MosaiQ™ consumables sold to OCD has also been established, which will increase based on agreed-upon revenue milestones. The Company and OCD also entered into a Subscription Agreement pursuant to which OCD subscribed for 444,445 newly issued ordinary shares of the Company at a price of $22.50 per share and 666,665 newly issued 7% cumulative redeemable preference shares, of no par value, of the Company at a price of $22.50 per share, for an aggregate subscription price of approximately $25 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the corresponding section of our Annual Report on Form 10-K for the year ended March 31, 2014 filed with the Securities and Exchange Commission on June 27, 2014.

The information set forth and discussed below for the nine month periods ended December 31, 2014 and December 31, 2013 is derived from the Condensed Consolidated Financial Statements included under Item 1 above. The financial information set forth and discussed below is unaudited but includes all adjustments (consisting of normal recurring adjustments) that our management considers necessary for a fair presentation of the financial position and the operating results and cash flows for those periods. Our results of operations for a particular quarter may not be indicative of the results that may be expected for other quarters or the entire year.

Overview

We were incorporated in Jersey, Channel Islands on January 28, 2012. On February 16, 2012, we acquired the entire issued share capital of Alba Bioscience Limited (or Alba), Quotient Biodiagnostics, Inc. (or QBDI) and QBD (QSIP) Limited (or QSIP) from Quotient Biodiagnostics Group Limited (or QBDG), our predecessor.

The acquisition of Alba, QBDI and QSIP by us is treated for accounting purposes as a combination of entities under common control as these entities were all controlled by QBDG prior to their acquisition by us. We recognized the assets and liabilities of Alba, QBDI and QSIP at their carrying amounts in the financial statements of those companies. We are a continuation of QBDG and its subsidiaries and, accordingly, our consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries transferred since their inception.

Our Business

We are an established, commercial-stage diagnostics company committed to reducing healthcare costs and improving patient care through the development and commercialization of innovative tests for blood grouping and serological disease screening, commonly referred to as transfusion diagnostics. Blood grouping involves specific procedures performed at donor or patient testing laboratories to characterize blood, which includes antigen typing and antibody identification.

We have over 30 years experience manufacturing and supplying conventional reagent products used for blood grouping within the global transfusion diagnostics market. We are developing MosaiQ™, our proprietary technology platform, to better address the comprehensive needs of this large and established market. We believe MosaiQ™ has the potential to be a transformative technology that will significantly reduce the cost of blood grouping in the donor and patient testing environments while improving patient outcomes.

We currently operate as one business segment with over 210 employees in the United States, the United Kingdom and Switzerland. Our principal markets are the United States, Europe and Japan. Based on the location of the customer, revenues outside the United States accounted for 55% and 48% of total revenue during nine month periods ended December 31, 2014 and December 31, 2013, respectively.

We have incurred net losses and negative cash flows from operations in each year since we commenced operations in 2007. As of December 31, 2014, we had an accumulated deficit of $71.9 million. We expect our operating losses will continue at least for the next several years as we continue our investment in the development and commercialization of MosaiQ™. For the nine months ended December 31, 2014, our total revenue was $14.5 million and our net loss was $56.6 million, although as described below $34.2 million of this loss arose on the mark to market of the warrants issued at the time of our initial public offering in April 2014.

On April 29, 2014 we completed our initial public offering and issued 5,000,000 units at $8.00 per unit. Each unit comprised one ordinary share and one warrant to acquire 0.8 of an ordinary share at an exercise price of $8.80 per whole share. We raised $40.0 million of equity share capital before issuance costs of approximately $6.4 million. At the time of the offering, we recorded a financial liability in our financial statements amounting to $8.5 million, which represents the value ascribed to the warrants attributable to our initial public offering of units. On May 27, 2014, our ordinary shares and warrants began trading separately on The NASDAQ Global Market and the units were delisted. During the quarter ended December 31, 2014 there were exercises of 56,215 of these warrants resulting in the issue of 44,971 ordinary shares. At December 31, 2014, 4,943,785 of these warrants remained outstanding and the market value of the warrants at December 31, 2014 was $41.8 million. We have recorded the increase in the market value of the warrants since our initial public offering as an expense of $33.6 million within net other income (expense) in our income statement for the nine month period ended December 31, 2014. In the nine month period ended December 31, 2014, we also incurred non-recurring expenses of $628,000 and $383,000, representing the portion of the costs of our initial public offering that are attributable to the warrants and the settlement of a dispute with Scottish National Blood Transfusion Service respectively, which are included in other expense in our income statement.

On November 25, 2014 we entered into subscription agreements for the private placement of 2,000,000 newly issued ordinary shares at a price of $9.50 per share and 850,000 newly issued pre-funded warrants at a price of $9.49 per warrant. Each of these warrants is exercisable for one ordinary share and has an exercise price of $0.01 per warrant share.

Revenue

We generate revenue from the sale of conventional reagent products directly to hospitals, donor collection agencies and independent testing laboratories in the United States, the United Kingdom and to distributors in Europe and the rest of the world, and indirectly through sales to our original equipment manufacturer (or OEM) customers. We recognize revenues in the form of product sales when the goods are shipped. Products sold by standing purchase orders as a percentage of product sales revenue were 72% and 73% for the nine month periods ended December 31, 2014 and December 31, 2013, respectively. We also provide product development services to our OEM customers. We recognize revenue from these contractual relationships in the form of product development fees, which are included in Other revenues. For a description of our revenue recognition policies, see "—Critical Accounting Policies and Significant Judgments and Estimates—Revenue Recognition and Accounts Receivable."

Our revenue is denominated in multiple currencies. Sales in the United States and to certain of our OEM customers are denominated in U.S. Dollars. Sales in Europe and the rest of the world are denominated primarily in Pounds Sterling, Euros or Yen. Our expenses are generally denominated in the currencies in which our operations are located, which is primarily in the United Kingdom, United States and Switzerland. We operate globally and therefore changes in foreign currency exchange rates may become material to us in the future due to factors beyond our control. See Part I, Item 3: "Quantitative and Qualitative Disclosure About Market Risk—Foreign Currency Exchange Risk."

Cost of revenue and operating expenses

Cost of revenue consists of direct labor expenses, including employee benefits, overhead expenses, material costs and freight costs, along with the depreciation of manufacturing equipment and leasehold improvements. Our gross profit represents total revenue less the cost of revenue and gross margin represents gross profit expressed as a percentage of total revenue. Our gross margin was 49% and 58% for the nine month periods ended December 31, 2014 and December 31, 2013, respectively. Excluding other revenues, which consist of product development fees, our gross margin on product sales was 46% and 49% for the nine month periods ended December 31, 2014 and December 31, 2013, respectively. We expect our overall cost of revenue to increase in absolute U.S. Dollars as we continue to increase our product sales volumes. However, we also believe that we can continue to achieve additional efficiencies in our manufacturing operations, primarily through increasing sales volumes, which should improve our gross margin on product sales.

Our sales and marketing expenses include costs associated with our sales organization, including our direct sales force, as well as our marketing and customer service personnel. These expenses consist principally of salaries, commissions, bonuses and employee benefits, as well as travel costs related to our sales activities. These expenses also include direct and indirect costs associated with our product marketing activities. We expense all sales and marketing costs as incurred. We expect sales and marketing expense to increase in absolute U.S. Dollars, primarily as a result of commissions on increased product sales in the United States, but decline as a percentage of product sales.

Our research and development expenses include costs associated with performing research, development, field trials and our regulatory activities. Research and development expenses include research personnel-related expenses, fees for contractual and consulting services, travel costs, laboratory supplies and depreciation of laboratory equipment. We expense all research and development costs as incurred, net of government grants and tax credits received. In 2008, we were awarded grant funding totaling £1.8 million, or $2.8 million at December 31, 2014 exchange rates, by Scottish Enterprise, a public body of the Scottish Government, relating to the development of MosaiQ™. Our research and development efforts are focused on developing new products and technologies for the global transfusion diagnostics market. We segregate research and development expenses for the MosaiQ™ project from expenses for other research and development projects. We do not maintain detailed records of these other costs by activity. Since the 2007 purchase of Alba to December 31, 2014, total expenditures on the MosaiQ™ project have amounted to approximately $42.1 million including capitalized and prepaid expenditure. Of this amount, $27.6 million was research and development expenditure. We expect overall research and development expense to increase in absolute U.S. Dollars as we focus on completing the development of MosaiQ™. See "—Liquidity and Capital Resources" below for further information.

Our general and administrative expenses include costs for our executive, accounting and finance, legal, corporate development, information technology and human resources functions. We expense all general and administrative expenses as incurred. These expenses consist principally of salaries, bonuses and employee benefits for the personnel performing these functions, including travel costs. These expenses also include share-based compensation, professional service fees (such as audit, tax and legal fees), costs related to our Board of Directors, and general corporate overhead costs, which includes depreciation and amortization. We expect our general and administrative expenses to increase, primarily due to the costs of operating as a public company, such as additional legal, accounting and corporate governance expenses, including expenses related to compliance with the Sarbanes-Oxley Act, directors' and officers' insurance premiums and expenses for investor relations.

Net interest expense consists primarily of interest charges on our loan balances and the amortization of debt issuance costs. We amortize debt issuance costs over the life of the loan and report them as interest expense in our statements of comprehensive loss.

Net other income (expense) consists primarily of realized exchange fluctuations resulting from the settlement of transactions in currencies other than the functional currencies of our businesses and expenses related to share warrants. Monetary assets and liabilities that are denominated in foreign currencies are measured at the period-end closing rate with resulting unrealized exchange fluctuations. The functional currencies of our businesses are Pounds Sterling, Swiss Francs and U.S. Dollars depending on the entity. In the nine month period ended December 31, 2014, net other income (expense) also includes the change in the fair value of our warrants and the two other non-recurring items as mentioned above.

Results of Operations

Comparison of the Quarters ended December 31, 2014 and 2013

The following table sets forth, for the periods indicated, the amounts of certain components of our statements of operations and the percentage of total revenue represented by these items, showing period-to-period changes.

	Quarter ended December 31,								
	2014			2013			Change		
	Amount	% of revenue		Amount	% of revenue		Amount	%	
	(in thousands, except percentages)								
Revenue:									
Product sales	$3,962	98	%	$3,910	100	%	$51	1	%
Other revenues	100	2	%	—	0	%	100	0	%
Total revenue	4,062	100	%	3,910	100	%	151	4	%

Cost of revenue	2,204	54	%	1,941	50	%	263	14 %
Gross profit	1,858	46	%	1,969	50	%	(112)	-6 %
Operating expenses:								
Sales and marketing	789	19	%	826	21	%	(37)	-4 %
Research and development	4,453	110	%	1,708	44	%	2,745	161 %
General and administrative	3,943	97	%	2,234	57	%	1,709	76 %
Total operating expenses	9,185	226	%	4,768	122	%	4,417	93 %
Operating (loss)	(7,327)	-180	%	(2,799)	-72	%	(4,529)	162 %
Other expense:								
Interest expense, net	(541)	-13	%	(424)	-11	%	(117)	27 %
Other, net	(34,435)	-848	%	(45)	-1	%	(34,390)	—
Total other expense, net	(34,976)	-861	%	(469)	-12	%	(34,507)	—
Loss before income taxes	(42,303)	-1041	%	(3,268)	-84	%	(39,035)	1194 %
Provision for income taxes	—	0	%	—	0	%	—	—
Net loss	$(42,303)	-1041	%	$(3,268)	-84	%	$(39,035)	1194 %

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Revenue

Total revenue for the quarter ended December 31, 2014 was $4.1 million, compared with $3.9 million for the quarter ended December 31, 2013. The revenue for the quarter ended December 31, 2014 included $0.1 million of revenue related to our product development services and product sales amounted to $4.0 million. Higher product sales volumes were offset by a $0.2 million negative impact of a stronger U.S. dollar relative to the British Pound and Euro. Products sold by standing purchase order were 74% of product sales for the quarter ended December 31, 2014, compared with 72% for the quarter ended December 31, 2013.

The below table sets forth revenue by product group:

	Quarter ended December 31,					
	2014		2013		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
	(in thousands, except percentages)					
Revenue:						