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.

TABLE OF CONTENTS

- i -

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 2014	2013	Nine months ended December 31 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	Accumulated Other Comprehensive Income	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	of capital	(Loss)	Deficit	Equity
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.

- 5 -

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.

- 6 -

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