UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 2021

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.)**
B1, Business Park Terre Bonne, Route de Crassier 13, 1262 Eysins, Switzerland **(Address of principal executive offices)**	**Not Applicable** **(Zip Code)**

011-41-22-716-9800

(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary Shares, nil par value	**QTNT**	**The Nasdaq Global Market**

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 4, 2021, there were 101,589,125 Ordinary Shares, nil par value, of Quotient Limited outstanding.

EXPLANATORY NOTE

Quotient Limited (the "Company") is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q/A for the three months ended June 30, 2021 (this "Amendment No. 1"), as originally filed with the U.S. Securities and Exchange Commission (the "SEC") on August 5, 2021 (the "Original Form 10-Q") to amend and restate the Company's June 30, 2021 Quarterly Report on Form 10-Q, as further described below.

As previously disclosed, we have restated our audited consolidated financial statements as of and for the year ended March 31, 2021, 2020, and 2019 which restatement was effective with the filing of our Amended Annual Report on Form 10-K/A. As disclosed in our Amended Annual Report, we are also restating our June 30, 2021 Quarterly Report on Form 10-Q to correct for the impact of such restatement on our unaudited quarterly condensed consolidated financial statements, as further described below.

This amended and restated report on Form 10-Q/A is presented as of the filing date of the Original Form 10-Q and does not reflect events occurring after that date or modify or update disclosures in any way other than as required to reflect the restatements impacting our financial statements presented herein. Accordingly, this Amendment No. 1 on Form 10-Q/A should be read in conjunction with our filings with the SEC subsequent to the date on which we filed the Original Form 10-Q.

The Company is filing this Amendment No. 1 on Form 10-Q/A to reflect a restatement of the Company's condensed consolidated financial statements as of and for the three months ended June 30, 2021 and June 30, 2020, to correct errors in the Company's accounting for its 12% Senior Secured Notes due 2024 ("Secured Notes") and related royalty rights agreements. Subsequent to the issuance of the Original Form 10-Q, management of the Company determined that it did not identify the correct accounting treatment at the time of entering into these transactions and accounted for these instruments on a combined basis instead of treating these as separate freestanding financial instruments. This non-cash error resulted in an understatement of interest expense and total liabilities associated with these instruments.

This Amendment No. 1 on Form 10-Q/A sets forth the Original Form 10-Q in its entirety, as amended to reflect the restatements. Among other things, forward-looking statements made in the Original Form 10-Q have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the Original Form 10-Q, and such forward-looking statements should be read in their historical context.

In connection with the filing of this Form 10-Q/A, the Company has also corrected certain errors that the Company had previously determined were not material to the originally issued quarterly condensed consolidated financial statements. Refer to Note 2, *Restatement of Previously Reported Condensed Consolidated Financial Statements*, of this Form 10-Q/A for additional information and for the summary of the accounting impacts of this adjustment to the Company's condensed consolidated financial statements.

The following items have been amended as a result of the restatement:

Part I, Item 1, "Financial Statements",

Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and

Part I, Item 4, "Controls and Procedures",

In accordance with applicable SEC rules, this Amendment No. 1 on Form 10-Q/A includes an updated signature page and certifications of our Chief Executive Officer and Chief Financial Officer in Exhibits 31.1, 31.2 and 32.1 as required by Rule 12b-15.

As a result of the restatement, the Company has concluded its disclosure controls and procedures and internal control over financial reporting were not effective as of June 30, 2021, due to a material weakness in the Company's internal control over financial reporting as of June 30, 2021. See additional discussion included in Part I Item 4 of this amended quarterly report.

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Cautionary note regarding forward-looking statements

This Quarterly Report on Form 10-Q/A, 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 Financial 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," "project," "target," "potential," "will," "would," "could," "should," "continue," "contemplate," "might," "design" and other similar expressions, although not 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 continuing development, regulatory approval and commercialization of the MosaiQ™ technology, or "MosaiQ";
- the design of blood grouping and disease screening capabilities of MosaiQ, the potential for the expansion of MosaiQ into the larger clinical diagnostics market and the benefits of MosaiQ for both customers and patients (including using MosaiQ to test for novel coronavirus disease 2019, or COVID-19, antibodies);
- 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 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 impact on our business, financial condition and available liquidity of the uncertainty as to the timing and amount of future cash distributions by two investment funds in which we have remaining investments of approximately $29 million;
- continued or worsening adverse conditions in the global economic and financial markets, including as a result of the on-going COVID-19 pandemic;
- the long-term impact on our business of the United Kingdom ceasing to be a member of the European Union;
- the effects of competition;
- the expected outcome or impact of arbitration or litigation
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- the status of our business relationship with Ortho;
- our anticipated cash needs, including the adequacy of our available cash and short-term investment balances relative to our forecasted cash requirements for the next 12 months, our expected sources of funding, and our estimates regarding our capital requirements and capital expenditures; 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, or SEC, including but not limited to those discussed in the section entitled "Risk Factors" in our Annual Report on Form 10-K/A for the year ended March 31, 2021, 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.

Available Information

Access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed with or furnished to the SEC, may be obtained through the investor section of our website at www.quotientbd.com as soon as reasonably practical after we electronically file or furnish these reports. We do not charge for access to and viewing of these reports. Information on our website, including in the investor section, is not part of this Quarterly Report on Form 10-Q or any of our other securities filings unless specifically incorporated herein or therein by reference. In addition, our filings with the SEC may be accessed through the SEC's website at www.sec.gov. All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included, and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by law.

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)

	June 30, 2021 As Restated	March 31, 2021 As Restated
ASSETS		
Current assets:		
Cash and cash equivalents	$ 114,547	$ 45,673
Short-term investments	52,112	65,999
Trade accounts receivable, net	4,452	5,323
Inventories	23,161	22,011
Prepaid expenses and other current assets	8,292	4,870
Total current assets	202,564	143,876
Restricted cash	8,306	9,024
Property and equipment, net	38,134	39,071
Operating lease right-of-use assets	21,716	22,011
Intangible assets, net	603	619
Deferred income taxes	239	255
Other non-current assets	4,984	4,956
Total assets	$ 276,546	$ 219,812
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 4,616	$ 4,659
Accrued compensation and benefits	8,314	12,343
Accrued expenses and other current liabilities	10,656	14,009
Current portion of long-term debt	30,208	24,167
Current portion of operating lease liability	3,374	3,446
Current portion of finance lease obligation	883	835
Total current liabilities	58,051	$ 59,459
Long-term debt, less current portion	197,881	145,059
Convertible loan derivatives	29,886	—
Operating lease liability, less current portion	20,872	20,907
Finance lease obligation, less current portion	440	445
Deferred income taxes	1,649	1,152
Defined benefit pension plan obligation	7,218	6,896
7% Cumulative redeemable preference shares	21,738	21,475
Total liabilities	337,735	255,393
Commitments and contingencies		
Shareholders' equity (deficit):		
Ordinary shares (nil par value) 101,527,188 and 101,264,412 issued and outstanding at June 30, 2021 and March 31, 2021 respectively	540,734	540,813
Additional paid in capital	39,939	38,116
Accumulated other comprehensive loss	(14,658)	(14,598)
Accumulated deficit	(627,204)	(599,912)
Total shareholders' equity (deficit)	(61,189)	(35,581)
Total liabilities and shareholders' equity (deficit)	$ 276,546	$ 219,812

The accompanying notes form an integral part of these condensed 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 June 30,	
	2021	2020
	As Restated	As Restated
Revenue:		
Product sales	$ 9,041	$ 8,924
Other revenues	48	—
Total revenue	9,089	8,924
Cost of revenue	(4,777)	(5,414)
Gross profit	4,312	3,510
Operating expenses:		
Sales and marketing	(2,493)	(2,243)
Research and development, net of government grants	(13,531)	(11,415)
General and administrative expense:		
Compensation expense in respect of share options and management equity incentives	(1,823)	(960)
Other general and administrative expenses	(8,353)	(8,578)
Total general and administrative expense	(10,176)	(9,538)
Total operating expense	(26,200)	(23,196)
Operating loss	(21,888)	(19,686)
Other (expense) income:		
Interest expense, net	(3,002)	(6,931)
Other, net	(1,732)	208
Other expense, net	(4,734)	(6,723)
Loss before income taxes	(26,622)	(26,409)
Provision for income taxes	(670)	153
Net loss	$ (27,292)	$ (26,256)
Other comprehensive income (loss):		
Change in fair value of foreign currency cash flow hedges	$ (112)	$ (3)
Change in unrealized gain on short-term investments	(121)	(404)
Foreign currency gain (loss)	158	171
Provision for pension benefit obligation	15	(162)
Other comprehensive loss, net	(60)	(398)
Comprehensive loss	$ (27,352)	$ (26,654)
Net loss available to ordinary shareholders - basic and diluted	$ (27,292)	$ (26,256)
Loss per share - basic and diluted	$ (0.27)	$ (0.33)
Weighted-average shares outstanding - basic and diluted	101,390,749	80,485,985

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (unaudited)
(Expressed in thousands of U.S. Dollars — except for share data)

	Ordinary shares		Additional paid in capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount	As Restated	As Restated	As Restated	As Restated
March 31, 2021	101,264,412	$ 540,813	$ 38,116	$ (14,598)	$ (599,912)	$ (35,581)
Issue of shares upon exercise of incentive share options and vesting of RSUs	262,776	(79)	—	—	—	(79)
Net loss	—	—	—	—	(27,292)	(27,292)
Change in the fair value of foreign currency cash flow hedges	—	—	—	(112)	—	(112)
Change in unrealized gain on short-term investments	—	—	—	(121)	—	(121)
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	(4,989)	—	(4,989)
Retranslation of foreign entities	—	—	—	5,147	—	5,147
Provision for pension benefit obligation	—	—	—	15	—	15
Other comprehensive loss	—	—	—	(60)	—	(60)
Stock-based compensation	—	—	1,823	—	—	1,823
June 30, 2021	101,527,188	$ 540,734	$ 39,939	$ (14,658)	$ (627,204)	$ (61,189)

	Ordinary shares		Additional paid in capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount	As Restated	As Restated	As Restated	As Restated
March 31, 2020	80,398,326	$ 459,931	$ 33,132	$ (12,672)	$ (488,880)	$ (8,489)
Issue of shares upon exercise of incentive share options and vesting of RSUs	195,114	59	—	—	—	59
Net loss	—	—	—	—	(26,256)	(26,256)
Change in the fair value of foreign currency cash flow hedges	—	—	—	(3)	—	(3)
Change in unrealized gain on short-term investments	—	—	—	(404)	—	(404)
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	4,685	—	4,685
Retranslation of foreign entities	—	—	—	(4,514)	—	(4,514)
Provision for pension benefit obligation	—	—	—	(162)	—	(162)
Other comprehensive loss	—	—	—	(398)	—	(398)
Stock-based compensation	—	—	960	—	—	960
June 30, 2020	80,593,440	$ 459,990	$ 34,092	$ (13,070)	$ (515,136)	$ (34,124)

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Expressed in thousands of U.S. Dollars)

	Quarter ended June 30, 2021 As Restated	Quarter ended June 30, 2020 As Restated
OPERATING ACTIVITIES:		
Net loss	$ (27,292)	$ (26,256)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and loss on disposal of fixed assets	1,930	2,093
Share-based compensation	1,823	960
Increase in deferred lease rentals	176	169
Swiss pension obligation	188	253
Amortization of deferred debt issue costs	(1,641)	3,083
Change in fair value of convertible loan derivatives	1,984	—
Impairment of short term investments	—	—
Accrued preference share dividends	263	263
Income taxes	502	(153)
Net change in assets and liabilities:	—	—
Trade accounts receivable, net	893	(587)
Inventories	(834)	(638)
Accounts payable and accrued liabilities	(2,382)	(1,664)
Accrued compensation and benefits	(4,181)	(2,025)
Other assets	(3,482)	(306)
Net cash used in operating activities	(32,053)	(24,808)
INVESTING ACTIVITIES:		
Increase in short-term investments	(4,500)	—
Realization of short-term investments	18,551	29,314
Purchase of property and equipment	(1,405)	(830)
Net cash provided by investing activities	12,646	28,484
FINANCING ACTIVITIES:		
Repayment of finance leases	(213)	(171)
Proceeds from issuance of long-term debt	104,222	—
Debt issuance costs	(3,732)	—
Repayments of long-term debt	(12,083)	—
(Cost of) proceeds from issuance of ordinary shares and warrants	(79)	59
Net cash provided by (used in) financing activities	88,115	(112)
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	(552)	(158)
Change in cash, cash equivalents and restricted cash	68,156	3,406
Beginning cash, cash equivalents and restricted cash	54,697	12,940
Ending cash, cash equivalents and restricted cash	$ 122,853	$ 16,346
Supplemental cash flow disclosures:		
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 114,547	$ 7,325
Restricted cash	8,306	9,021
Total cash, cash equivalents and restricted cash	$ 122,853	$ 16,346

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

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 normal and recurring adjustments considered necessary to present fairly the financial position, results of operations, changes in shareholders' equity and cash flows for the interim periods presented. The March 31, 2021 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, 2021 included in the Company's Annual Report on Form 10-K/A for the year then ended. The results of operations for the three month period ended June 30, 2021 are not necessarily indicative of the results of operations that may be expected for the year ending March 31, 2022 and any future period.

The Company has incurred net losses and negative cash flows from operations in each year since it commenced operations in 2007 and had an accumulated deficit of $627.2 million as of June 30, 2021. At June 30, 2021, the Company had available cash holdings and short-term investments of $166.7 million. These holdings include $32.6 million of investments, which is net of impairment and foreign currency impacts, held in two short-term investment funds with Credit Suisse Asset Management ('CSAM') that are currently in the process of being liquidated. The remaining short-term investments to be liquidated are subject to significant valuation uncertainty. The Company recognized an impairment of $2.3 million related to one of the funds invested with CSAM for the year ended March 31, 2021. No additional information was received during the quarter ended June 30, 2021 that would indicate further impairments were required.

During July of 2021, payments from the CSAM funds of $5.8 million were received. While the timing and amount of further payments are not clear (see Note 7), the Company estimates that it will receive the remaining distributions over the next year. Should that not be the case, the Company has identified compensating, controllable operating expense and discretionary capital expenditure mitigation measures which would not adversely impact strategic objectives.

The Company's existing available cash and short-term investment balances are adequate to meet its forecasted cash requirements for the next twelve months and accordingly the financial statements have been prepared on the going concern basis.

Thereafter, the Company expects to fund its operations, including the ongoing development of MosaiQ through successful field trial completion, achievement of required regulatory authorizations and commercialization, from existing available cash and short-term investment balances, the sale of rights and other assets, and the issuance of new equity or debt.

Use of Estimates

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

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The extent to which the COVID-19 pandemic will impact the Company's business, operations and financial results will depend on future developments and numerous evolving factors, which are highly uncertain and difficult to predict. As of the date of issuance of these unaudited condensed consolidated financial statements, the Company is not aware of any specific event or circumstance that would require the Company to further update estimates, judgments or revise the carrying value of any assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's condensed consolidated financial statements.

Note 2: Restatement of Previously Reported Consolidated Financial Statements

Restatement

In connection with the preparation of the company's unaudited condensed consolidated financial statements for the fiscal quarter ended September 30, 2021, management of the Company identified an error related to the accounting of the Senior Secured Notes and royalty rights agreements originating in October 2016, August 2018, and June 2019. Specifically, management of the Company determined that it did not identify the correct accounting treatment at the time of entering into these transactions and accounted for these instruments on a combined basis instead of treating these as separate freestanding financial instruments. As a result, the Company under recognized interest expense between 2016 and June 30, 2021 in the amount of $9.5 million. The Company has restated its financial statements for the fiscal years ended March 31, 2021 and March 31, 2020 and financial statements for the quarter ended June 30, 2021 and June 30, 2020 to correct the error. There is no net impact on the Company's total operating, financing, or investing cash flows given the non-cash nature of the adjustment. The restatement also includes corrections for other errors identified as immaterial, individually and in the aggregate, to our condensed consolidated financial statements. We have summarized the impact on our June 30, 2021, and 2020 financial statements below.

Refer to our annual report on Form 10-K/A for information regarding the restatement of the March 31, 2021 balance sheet.

Description of Misstatements

(A) The Company historically accounted for its term debt and royalty rights agreements on a combined basis instead of separately recognizing them as standalone financial instruments. Over time, the subsequent accounting on a standalone basis differed from the combined accounting treatment and resulted in an increase to Interest expense, increase to long-term debt, and increase or decrease to foreign exchange gains/(losses) over the impacted periods.

(B) Over recognition of depreciation expense related to specific property and equipment. The Company has recorded adjustments to recognize these amounts in the appropriate period(s).

(C) Under-accrual for fringe benefits and taxes associated with employee compensation arrangements. The Company has recorded adjustments to recognize these amounts in the appropriate period(s).

(D) Adjustment to recognize the foreign currency impact of certain immaterial monetary items within Other, net previously recognized in Foreign currency gain (loss) within other comprehensive income (loss).

(E) The Company recognized an out of period adjustment for deferred tax assets related to certain research and development initiatives.

(F) Correction of other immaterial errors.

	June 30, 2021			
	As previously Reported	Restatement Impacts	Restatement Reference	As Restated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 114,547	$ —		$ 114,547
Short-term investments	52,112	—		52,112
Trade accounts receivable, net	4,452	—		4,452
Inventories	23,161	—		23,161
Prepaid expenses and other current assets	8,292	—		8,292
Total current assets	202,564	—		202,564
Restricted cash	8,306	—		8,306
Property and equipment, net	38,134	—		38,134
Operating lease right-of-use assets	21,716	—		21,716
Intangible assets, net	603	—		603
Deferred income taxes	239	—		239
Other non-current assets	4,984	—		4,984
Total assets	$ 276,546	$ —		$ 276,546
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 4,616	$ —		$ 4,616
Accrued compensation and benefits	8,314	—		8,314
Accrued expenses and other current liabilities	10,656	—		10,656
Current portion of long-term debt	30,208	—		30,208
Current portion of operating lease liability	3,374	—		3,374
Current portion of finance lease obligation	883	—		883
Total current liabilities	58,051	—		58,051
Long-term debt, less current portion	188,388	9,493	(A)	197,881
Convertible loan derivatives	29,886	—		29,886
Operating lease liability, less current portion	20,872	—		20,872
Finance lease obligation, less current portion	440	—		440
Deferred income taxes	1,649	—		1,649
Defined benefit pension plan obligation	7,218	—		7,218
7% Cumulative redeemable preference shares	21,738	—		21,738
Total liabilities	328,242	9,493		337,735
Commitments and contingencies				
Shareholders' equity (deficit):				
Ordinary shares (nil par value) 101,527,188 and 101,264,412 issued and outstanding at June 30, 2021 and March 31, 2021 respectively	540,734	—		540,734
Additional paid in capital	39,939	—		39,939
Accumulated other comprehensive loss	(16,066)	1,408	(D)	(14,658)
Accumulated deficit	(616,303)	(10,901)	(A)(D)	(627,204)
Total shareholders' equity (deficit)	(51,696)	(9,493)		(61,189)
Total liabilities and shareholders' equity (deficit)	$ 276,546	$ —		$ 276,546

(unaudited)

	Quarter ended June 30, 2021			
	As previously Reported	Restatement Impacts	Restatement Reference	As Restated
Revenue:				
Product sales	$ 9,041	$ —		$ 9,041
Other revenues	48	—		48
Total revenue	9,089	—		9,089
Cost of revenue	(5,290)	513	(F)	(4,777)
Gross profit	3,799	513		4,312
Operating expenses:				
Sales and marketing	(2,493)	—		(2,493)
Research and development, net of government grants	(12,477)	(1,054)	(B)(F)	(13,531)
General and administrative expense:				
Compensation expense in respect of share options and management equity incentives	(1,823)	—		(1,823)
Other general and administrative expenses	(8,983)	630	(C)(E)	(8,353)
Total general and administrative expense	(10,806)	630		(10,176)
Total operating expense	(25,776)	(424)		(26,200)
Operating loss	(21,977)	89		(21,888)
Other income (expense):				
Interest expense, net	(632)	(2,370)	(A)	(3,002)
Other, net	(1,791)	59	(D)	(1,732)
Other income (expense), net	(2,423)	(2,311)		(4,734)
Loss before income taxes	(24,400)	(2,222)		(26,622)
Provision for income taxes	2	(672)	(D)	(670)
Net loss	$ (24,398)	$ (2,894)		$ (27,292)
Other comprehensive income (loss):				
Change in fair value of effective portion of foreign currency cash flow hedges	$ (112)	$ —		$ (112)
Unrealized gain (loss) on short-term investments	(121)	—		(121)
Foreign currency gain (loss)	217	(59)	(D)	158
Provision for pension benefit obligation	15	—		15
Other comprehensive loss, net	(1)	(59)		(60)
Comprehensive loss	$ (24,399)	$ (2,953)		$ (27,352)
Net loss available to ordinary shareholders - basic and diluted	$ (24,398)	$ (2,894)		$ (27,292)
Loss per share - basic and diluted	$ (0.24)	$ (0.03)		$ (0.27)
Weighted-average shares outstanding - basic and diluted	101,390,749	—		101,390,749

(unaudited)

	Quarter ended June 30, 2020			
	As previously Reported	Restatement Impacts	Restatement Reference	As Restated
Revenue:				
Product sales	$ 8,924	$ —		$ 8,924
Other revenues	—	—		—
Total revenue	8,924	—		8,924
Cost of revenue	(5,414)	—		(5,414)
Gross profit	3,510	—		3,510
Operating expenses:				
Sales and marketing	(2,243)	—		(2,243)
Research and development, net of government grants	(11,450)	35	(B)(F)	(11,415)
General and administrative expense:				
Compensation expense in respect of share options and management equity incentives	(960)	—		(960)
Other general and administrative expenses	(8,578)	—		(8,578)
Total general and administrative expense	(9,538)	—		(9,538)
Total operating expense	(23,231)	35		(23,196)
Operating loss	(19,721)	35		(19,686)
Other income (expense):				
Interest expense, net	(5,926)	(1,005)	(A)	(6,931)
Other, net	233	(25)	(D)	208
Other income (expense), net	(5,693)	(1,030)		(6,723)
Loss before income taxes	(25,414)	(995)		(26,409)
Provision for income taxes	(15)	168	(E)	153
Net loss	$ (25,429)	$ (827)		$ (26,256)
Other comprehensive income (loss):				
Change in fair value of effective portion of foreign currency cash flow hedges	$ (3)	$ —		$ (3)
Unrealized gain (loss) on short-term investments	(404)	—		(404)
Foreign currency gain (loss)	146	25	(D)	171
Provision for pension benefit obligation	13	(175)	(F)	(162)
Other comprehensive loss, net	(248)	(150)		(398)
Comprehensive loss	$ (25,677)	$ (977)		$ (26,654)
Net loss available to ordinary shareholders - basic and diluted	$ (25,429)	$ (827)		$ (26,256)
Loss per share - basic and diluted	$ (0.32)	$ (0.01)		$ (0.33)
Weighted-average shares outstanding - basic and diluted	80,485,985	—		80,485,985

(unaudited)

	Ordinary shares		Additional paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount				
As Previously Reported						
March 31, 2021	101,264,412	$ 540,813	$ 38,116	$ (16,065)	$ (591,905)	$ (29,041)
Issue of shares upon exercise of incentive share options and vesting of RSUS	262,776	(79)	—	—	—	(79)
Net loss	—	—	—	—	(24,398)	(24,398)
Change in fair value of the effective portion of foreign currency cash flow hedges	—	—	—	(112)	—	(112)
Change in unrealized gain in short-term investments	—	—	—	(121)	—	(121)
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	(4,989)	—	(4,989)
Retranslation of foreign entities	—	—	—	5,206	—	5,206
Provision for pension benefit obligation	—	—	—	15	—	15
Other comprehensive loss	—	—	—	(1)	—	(1)
Stock-based compensation	—	—	1,823	—	—	1,823
June 30, 2021	101,527,188	540,734	39,939	(16,066)	(616,303)	(51,696)
Restatement Impacts						
March 31, 2021	—	$ —	$ —	$ 1,467	$ (8,007)	$ (6,540)
Issue of shares upon exercise of incentive share options and vesting of RSUS	—	—	—	—	—	—
Net loss	—	—	—	—	(2,894)	(2,894)
Change in fair value of the effective portion of foreign currency cash flow hedges	—	—	—	—	—	—
Change in unrealized gain in short-term investments	—	—	—	—	—	—
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	—	—	—
Retranslation of foreign entities	—	—	—	(59)	—	(59)
Provision for pension benefit obligation	—	—	—	—	—	—
Other comprehensive loss	—	—	—	(59)	—	(59)
Stock-based compensation	—	—	—	—	—	—
June 30, 2021	—	—	—	1,408	(10,901)	(9,493)
As Restated						
March 31, 2021	101,264,412	$ 540,813	$ 38,116	$ (14,598)	$ (599,912)	$ (35,581)
Issue of shares upon exercise of incentive share options and vesting of RSUS	262,776	(79)	—	—	—	(79)
Net loss	—	—	—	—	(27,292)	(27,292)
Change in fair value of the effective portion of foreign currency cash flow hedges	—	—	—	(112)	—	(112)
Change in unrealized gain in short-term investments	—	—	—	(121)	—	(121)
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	(4,989)	—	(4,989)
Retranslation of foreign entities	—	—	—	5,147	—	5,147
Provision for pension benefit obligation	—	—	—	15	—	15
Other comprehensive loss	—	—	—	(60)	—	(60)
Stock-based compensation	—	—	1,823	—	—	1,823
June 30, 2021	101,527,188	540,734	39,939	(14,658)	(627,204)	(61,189)

(unaudited)

	Ordinary shares		Additional paid in capital	Accumulated other comprehensive loss	Accumulated deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount				
As Previously Reported						
March 31, 2020	80,398,326	$ 459,931	$ 33,132	$ (15,155)	$ (483,435)	$ (5,527)
Issue of shares upon exercise of incentive share options and vesting of RSUS	195,114	59	—	—	—	59
Net loss	—	—	—	—	(25,429)	(25,429)
Change in fair value of the effective portion of foreign currency cash flow hedges	—	—	—	(3)	—	(3)
Change in unrealized gain in short-term investments	—	—	—	(404)	—	(404)
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	4,685	—	4,685
Retranslation of foreign entities	—	—	—	(4,539)	—	(4,539)
Provision for pension benefit obligation	—	—	—	13	—	13
Other comprehensive loss	—	—	—	(248)	—	(248)
Stock-based compensation	—	—	960	—	—	960
June 30, 2020	80,593,440	459,990	34,092	(15,403)	(508,864)	(30,185)
Restatement Impacts						
March 31, 2020	—	$ —	$ —	$ 2,483	$ (5,445)	$ (2,962)
Issue of shares upon exercise of incentive share options and vesting of RSUS	—	—	—	—	—	—
Net loss	—	—	—	—	(827)	(827)
Change in fair value of the effective portion of foreign currency cash flow hedges	—	—	—	—	—	—
Change in unrealized gain in short-term investments	—	—	—	—	—	—
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	—	—	—
Retranslation of foreign entities	—	—	—	25	—	25
Provision for pension benefit obligation	—	—	—	(175)	—	(175)
Other comprehensive loss	—	—	—	(150)	—	(150)
Stock-based compensation	—	—	—	—	—	—
June 30, 2020	—	—	—	2,333	(6,272)	(3,939)
As Restated						
March 31, 2020	80,398,326	$ 459,931	$ 33,132	$ (12,672)	$ (488,880)	$ (8,489)
Issue of shares upon exercise of incentive share options and vesting of RSUS	195,114	59	—	—	—	59
Net loss	—	—	—	—	(26,256)	(26,256)
Change in fair value of the effective portion of foreign currency cash flow hedges	—	—	—	(3)	—	(3)
Change in unrealized gain in short-term investments	—	—	—	(404)	—	(404)
Foreign currency gain (loss) on:						
Long-term investment nature intra-entity balances	—	—	—	4,685	—	4,685
Retranslation of foreign entities	—	—	—	(4,514)	—	(4,514)
Provision for pension benefit obligation	—	—	—	(162)	—	(162)
Other comprehensive loss	—	—	—	(398)	—	(398)
Stock-based compensation	—	—	960	—	—	960
June 30, 2020	80,593,440	459,990	34,092	(13,070)	(515,136)	(34,124)

(unaudited)

	Quarter ended June 30, 2021		
	As previously Reported	Restatement Impacts	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (24,398)	$ (2,894)	$ (27,292)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, amortization and loss on disposal of fixed assets	1,389	541	1,930
Share-based compensation	1,823	—	1,823
Increase in deferred lease rentals	176	—	176
Swiss pension obligation	188	—	188
Amortization of deferred debt issue costs	(4,011)	2,370	(1,641)
Change in fair value of convertible loan derivatives	1,984	—	1,984
Accrued preference share dividends	263	—	263
Income taxes	(170)	672	502
Net change in assets and liabilities:			
Trade accounts receivable, net	893	—	893
Inventories	(834)	—	(834)
Accounts payable and accrued liabilities	(2,203)	(179)	(2,382)
Accrued compensation and benefits	(3,671)	(510)	(4,181)
Other assets	(3,482)	—	(3,482)
Net cash used in operating activities	(32,053)	—	(32,053)
INVESTING ACTIVITIES:			
Increase in short-term investments	(4,500)	—	(4,500)
Realization of short-term investments	18,551	—	18,551
Purchase of property and equipment	(1,405)	—	(1,405)
Net cash from (used in) investing activities	12,646	—	12,646
FINANCING ACTIVITIES:			
Repayment of finance leases	(213)	—	(213)
Proceeds from drawdown of new debt	104,222	—	104,222
Debt issue costs	(3,732)	—	(3,732)
Fee paid to noteholders	(12,083)	—	(12,083)
Proceeds from issuance of ordinary shares and warrants	(79)	—	(79)
Net cash generated from financing activities	88,115	—	88,115
Effect of exchange rate fluctuations on cash and cash equivalents	(552)	—	(552)
Change in cash and cash equivalents	68,156	—	68,156
Beginning cash and cash equivalents	54,697	—	54,697
Ending cash and cash equivalents	$ 122,853	$ —	$ 122,853
Supplemental cash flow disclosures:			
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	$ 114,547	$ —	$ 114,547
Restricted cash	$ 8,306	$ —	$ 8,306
Total cash, cash equivalents and restricted cash	$ 122,853	$ —	$ 122,853

(unaudited)

	Quarter ended June 30, 2020		
	As previously Reported	Restatement Impacts	As Restated
OPERATING ACTIVITIES:			
Net loss	$ (25,429)	$ (827)	$ (26,256)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, amortization and loss on disposal of fixed assets	1,953	140	2,093
Share-based compensation	960	—	960
Increase in deferred lease rentals	169	—	169
Swiss pension obligation	253	—	253
Amortization of deferred debt issue costs	2,078	1,005	3,083
Accrued preference share dividends	263	—	263
Income taxes	15	(168)	(153)
Net change in assets and liabilities:			
Trade accounts receivable, net	(587)	—	(587)
Inventories	(638)	—	(638)
Accounts payable and accrued liabilities	(1,514)	(150)	(1,664)
Accrued compensation and benefits	(2,025)	—	(2,025)
Other assets	(306)	—	(306)
Net cash used in operating activities	(24,808)	—	(24,808)
INVESTING ACTIVITIES:			
Realization of short-term investments	29,314	—	29,314
Purchase of property and equipment	(830)	—	(830)
Net cash from (used in) investing activities	28,484	—	28,484
FINANCING ACTIVITIES:			
Repayment of finance leases	(171)	—	(171)
Proceeds from issuance of ordinary shares and warrants	59	—	59
Net cash generated from financing activities	(112)	—	(112)
Effect of exchange rate fluctuations on cash and cash equivalents	(158)	—	(158)
Change in cash and cash equivalents	3,406	—	3,406
Beginning cash and cash equivalents	12,940	—	12,940
Ending cash and cash equivalents	$ 16,346	$ —	$ 16,346
Supplemental cash flow disclosures:			
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	$ 7,325	$ —	$ 7,325
Restricted cash	$ 9,021	$ —	$ 9,021
Total cash, cash equivalents and restricted cash	$ 16,346	$ —	$ 16,346

Note 3. Summary of Significant Accounting Policies

Restricted Cash

Restricted cash comprised $8.0 and $8.7 million, respectively at June 30, 2021 and March 31, 2021, held in a cash reserve account pursuant to the indenture governing the Company's 12% Senior Secured Notes ("the Secured Notes") and $306 and $324 at June 30, 2021 and March 31, 2021, respectively, held in a restricted account as security for the property rental obligations of the Company's Swiss subsidiary.

Concentration of Credit Risks and Other Uncertainties

On March 12, 2021, the Company announced that two funds managed by CSAM in which the Company had invested an aggregate of approximately $110.35 million had suspended redemptions. The investments into these funds were made in accordance with the Company's investment policy of making individual investments with a minimum of an A rating from a leading credit-rating agency. Each fund holds short-term credit obligations of various obligors. According to a press release issued by CSAM, redemptions in the funds were suspended because "certain part of the Subfunds' assets is currently subject to considerable uncertainties with respect to their accurate valuation." CSAM subsequently began a liquidation of the funds. Pursuant to the liquidation, the Company has already received cash distributions of approximately $81.4 million. Based on information provided by Credit Suisse, the Company expects to receive further cash distributions from the funds in the next several months; however, there can be no assurance as to the timing or amount of any such distributions. Of this $81.4 million, the Company received $18.5 million of distributions during the quarter ended June 30, 2021 and $5.8 million was received subsequent to quarter end. While Credit Suisse has advised that the credit assets held by the funds are covered by insurance that potentially will be available to cover losses the funds would incur if any of the obligors on the funds' credit assets were to default, the Company does not know if the funds will incur losses (net of insurance) on the credit assets held by the funds.

On April 22, 2021, Credit Suisse published its FY 2021 Q1 press release with commentary related to the supply chain financing funds. Notably, Credit Suisse indicated that the investors in the funds should assume losses will be incurred.

The Company evaluated the investments in the CSAM managed funds for impairment, in accordance with ASC 321-10-35, *Investments – Equity Securities*, and determined that its investment in one of the funds was impaired. The Company recognized an impairment expense of $2.3 million during the year ended March 31, 2021 related to this fund. No additional information was received during the quarter ended June 30, 2021, that would indicate further impairments were required.

The Company views the liquidation of the supply chain finance funds as a fluid situation with a significant amount of valuation uncertainty. The Company will closely monitor the situation and in the event that new information is released that provides valuation clarity, it will evaluate the accounting implications accordingly. The Company believes, and has advised Credit Suisse, that any losses on the supply chain funds should be borne by Credit Suisse. The Company will pursue all available options to recoup the full amount of its investment in the supply chain funds prior to liquidation.

The Company's main financial institutions for banking operation held all of the Company's cash and cash equivalents as of June 30, 2021 and March 31, 2021.

Revenue Recognition

In the three month period ended June 30, 2021, revenue recognized from performance obligations related to prior periods was not material. Other than those described in Note 1 to the audited annual Consolidated Financial statements for the year ended March 31, 2021, there were no other material revenues to be recognized in future periods related to remaining performance obligations at June 30, 2021.

The Company's other significant accounting policies are described in Note 1 to the audited annual Consolidated Financial Statements for the year ended March 31, 2021 included in our Annual Report on Form 10-K/A for the fiscal year ended March 31, 2021.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). The guidance simplifies the complexity associated with applying U.S. GAAP for certain financial instruments with characteristics of liabilities and equity. More specifically, the amendments focus on the guidance for convertible instruments and derivative scope exception for contracts in an entity's own equity. The new guidance also requires the if-converted method to be applied for all convertible instruments and requires additional disclosures. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted this guidance on April 1, 2021 using the modified retrospective approach and it did not have a material impact on its financial statements. See Note 4 "Debt" for further detail on the Company's accounting policy for convertible debt instruments.

Note 4. Debt

Total debt comprises:

	June 30, 2021 As Restated	March 31, 2021 As Restated
Secured Notes	$ 132,917	$ 145,000
Debt discount, net of amortization	(9,966)	(11,127)
Deferred debt costs, net of amortization	(3,689)	(4,261)
Carrying value Secured Notes	$ 119,262	129,612
Royalty liability	35,785	39,614
Convertible Notes	105,000	—
Debt discount, net of amortization	(28,286)	—
Deferred debt costs, net of amortization	(3,672)	—
Total Convertible Notes	73,042	—
Total Debt	$ 228,089	$ 169,226

The Company's debt at June 30, 2021 comprises the Secured Notes, the royalty liability and the Convertible Notes. The Company's debt at March 31, 2021 comprised the Secured Notes and the royalty liability. The Company's long term debt included $30,208 as of June 30, 2021 and $24,167 as of March 31, 2021 of principal payments due within 1 year which are classified as current within the balance sheet.

Secured Notes

On October 14, 2016, the Company completed the private placement of up to $120 million aggregate principal amount of the Secured Notes and entered into an indenture governing the Secured Notes with the guarantors party thereto and U.S. Bank National Association, a national banking association, as trustee and collateral agent. The Company issued $84 million aggregate principal amount of the Secured Notes on October 14, 2016 and an additional $36 million aggregate principal amount of the Secured Notes on June 29, 2018. On December 18, 2018, the Company also completed certain amendments to the indenture governing the Secured Notes. The amendments included an increase to the aggregate principal amount of Secured Notes that can be issued under the indenture from $120 million to up to $145 million following the European CE Marking of the Company's initial MosaiQ IH Microarray. On April 30, 2019, the Company was notified that it had received the European CE Marking of the initial MosaiQ IH Microarray and, on May 15, 2019, the Company issued the additional $25 million of Secured Notes.

The obligations of the Company under the indenture and the Secured Notes are unconditionally guaranteed on a secured basis by the guarantors, which include all the Company's subsidiaries, and the indenture governing the Secured Notes contains customary events of default. The Company and its subsidiaries must also comply with certain customary affirmative and negative covenants, including a requirement to maintain six-months of interest in a cash reserve account maintained with the collateral agent. Upon the occurrence of a Change of Control, subject to certain conditions, or certain Asset Sales (each, as defined in the indenture), holders of the Secured Notes may require the Company to repurchase for cash all or part of their Secured Notes at a repurchase price equal to 101% or 100%, respectively, of the principal amount of the Secured Notes to be repurchased, plus accrued and unpaid interest to the date of repurchase.

The Company paid $8.7 million of the total proceeds of the three issuances into the cash reserve account maintained with the collateral agent under the terms of the indenture, $1.5 million of which related to the third issuance on May 15, 2019. Following the April 15, 2021 repayment of the Secured Notes the balance held in the cash reserve account was reduced to $8.0 million.

Interest on the Secured Notes accrues at a rate of 12% per annum and is payable semi-annually on April 15 and October 15 of each year commencing on April 15, 2017. On April 15, 2021, the Company made a $12.1 million principal payment on the Secured Notes. Additionally, principal payments are due on each April 15 and October 15 until April 15, 2024 pursuant to a fixed amortization schedule.

Royalty liability

In connection with the three issuances of the Secured Notes as well as the December 2018 amendment of the related indenture, the Company has entered into royalty rights agreements, pursuant to which the Company has agreed to pay 3.4% of the aggregate net sales of MosaiQ instruments and consumables made in the donor testing market in the United States and the European Union. The royalties will be payable beginning on the date that the Company or its affiliates makes its first sale of MosaiQ consumables in the donor testing market in the European Union or the United States and will end on the last day of the calendar quarter in which the eighth anniversary of the first sale date occurs. The royalty rights agreements are treated as sales of future revenues that meet the requirements of Accounting Standards Codification Topic 470 "Debt" to be treated as debt. The future cash outflows under the royalty rights agreements were estimated at $65.2 million at June 30, 2021, and $106.5 million at March 31, 2021. The royalty rights agreements are accounted for separately as freestanding financial instruments. Consideration received for the Secured Notes and royalty rights was allocated to each component on a relative fair value basis. The difference between the relative fair value of the royalty rights agreements and the principle on the Secured Notes is accounted for as debt discount and amortized through non-cash interest expense over the life of the Secured Notes. Estimating the future cash outflows under the royalty rights agreements requires the Company to make certain estimates and assumptions about future sales of MosaiQ products. These estimates of the magnitude and timing of MosaiQ sales are subject to significant variability due to the current status of development of MosaiQ products, and thus are subject to significant uncertainty. Therefore, the estimates are likely to change as the Company gains experience of marketing MosaiQ, which may result in future adjustments to the accretion of the interest expense and amortized cost based carrying value of the royalty liability. The decrease in value of the future cash outflows under the royalty rights agreement as of June 30, 2021 is driven by a shift of expected revenues towards markets outside of Europe and the USA.

Convertible Notes

On May 26, 2021 the Company issued $95.0 million aggregate principal amount of convertible senior notes and on June 2, 2021, the Company issued an additional $10.0 million aggregate principal amount of convertible senior notes in connection with the original $95.0 million (collectively the " Convertible Notes"). The Convertible Notes bear interest at an annual rate of 4.75%. The Convertible Notes will mature on May 26, 2026. At June 30, 2021, accrued interest of $469 is included in accrued expenses and other current liabilities in the accompanying consolidated financial statements.

At any time before the close of business on the second business day immediately before the maturity date, holders of the Convertible Notes can convert the Convertible Notes either in whole or in part into the Company's ordinary shares at an initial conversion rate of 176.3668 ordinary shares per $1,000 principal amount of the Convertible Notes, subject to customary anti-dilution adjustments.

The Convertible Notes are accounted for in accordance with ASC 470-20, Debt with Conversion and Other Options ("ASC 470-20") and ASC 815-40, Contracts in Entity's Own Equity ("ASC 815-40"). Based upon the Company's analysis, it was determined the Convertible Notes contain embedded features that need to be separately accounted for as a derivative liability component. The proceeds received from the issuance of the convertible debt instruments were bifurcated and recorded as a liability within convertible loan derivatives in the consolidated balance sheet. The convertible loan derivative is measured at fair value and changes are recognized within other, net in the accompanying consolidated financial statements.

The Company incurred approximately $3.7 million of debt issuance costs relating to the issuance of the Convertible Notes, which were recorded as a reduction to the Convertible Notes on the consolidated balance sheet, none of the issuance costs were attributable to the derivative component. The debt issuance costs and the debt discount are being amortized and recognized as additional interest expense over the expected life of the Convertible Notes using the effective interest rate method. We determined the expected life of the debt is equal to the five-year term of the Senior Convertible Notes. The effective interest rate on the Convertible Notes is 12.9%. For the quarter ended June 30, 2021, the total interest expense was $923 with coupon interest of $469 and the amortization of debt discount and issuance costs of $454.

At June 30, 2021, the Company's Secured Notes and Convertible Notes were repayable as follows:

Within 1 year	$	30,208
Between 1 and 2 years		48,334
Between 2 and 3 years		54,375
Between 3 and 4 years		—
Between 4 and 5 years		105,000
Total debt	$	237,917

Note 5. Consolidated Balance Sheet Detail

Inventory

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

	June 30, 2021	March 31, 2021 As Restated
Raw materials	$ 9,287	$ 9,189
Work in progress	9,260	9,105
Finished goods	4,614	3,717
Total inventories	$ 23,161	$ 22,011

Inventory at June 30, 2021 included $6,676 of raw materials, $4,308 of work in progress and $2,443 of finished goods related to the MosaiQ project. Inventory at March 31, 2021, included $6,829 of raw materials and $4,321 of work in progress and $1,465 of finished goods related to the MosaiQ project.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	June 30, 2021	March 31, 2021 As Restated
Accrued legal and professional fees	$ 1,633	$ 1,005
Accrued interest	3,834	8,009
Goods received not invoiced	2,946	1,722
Accrued capital expenditure	83	1,201
Other accrued expenses	2,160	2,072
Total accrued expenses and other current liabilities	$ 10,656	$ 14,009

Note 6. Commitments and contingencies

Hedging arrangements

The Company's subsidiary in the United Kingdom ("UK") has entered into three foreign currency forward contracts to sell $500 and purchase pounds sterling at a rate of £1:$1.2600 in each calendar month from July 2021 through September 2021, three contracts to sell $500 in each calendar month from October 2021 through December 2021 at £1:$1.3090 and three contracts to sell $500 in each calendar month from January 2022 through March 2022 at £1:$1.3735, as hedges of its U.S. dollar denominated revenues. The fair values of these contracts in place at June 30, 2021, and similar contracts in place at March 31, 2021, amounted to assets of $243 and $355, respectively.

The foreign currency forward contracts were entered into to mitigate the foreign exchange risk arising from the fluctuations in the value of U.S. dollar denominated transactions entered into by our UK subsidiary. These foreign currency forward contracts are designated as cash flow hedges and are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gains or losses included in accumulated other comprehensive loss and subsequently recognized in revenue/expense in the same period the hedged items are recognized.

Note 7. Fair value measurement

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:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Pension plan assets(1)	$ —	$ 17,040	$ —	$ 17,040
Short-term investments(2)	—	19,500	—	19,500
Foreign currency forward contracts(3)	$ —	$ 243	$ —	$ 243
Total assets measured at fair value	$ —	$ 36,783	$ —	$ 36,783

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Convertible loan derivatives(4)	$ —	$ 29,886	$ —	$ 29,886
Total liabilities measured at fair value	$ —	$ 29,886	$ —	$ 29,886

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Pension plan assets(1)	$ —	$ 15,751	$ —	$ 15,751
Short-term investments(2)	—	15,000	—	15,000
Foreign currency forward contracts(3)	—	355	—	355
Total assets measured at fair value	$ —	$ 31,106	$ —	$ 31,106

(1) The fair value of pension plan assets has been determined as the surrender value of the portfolio of active insured employees held within the AXA LLP Foundation Suisse Romande collective investment fund.

(2) The fair value of short-term investments has been determined based on the quoted value of the units held in the money market fund at the balance sheet date. The short-term investments as of June 30, 2021, relate to investments made in a Treasury Money Market Fund.

(3) The fair value of foreign currency forward contracts has been determined by calculating the present value of future cash flows, estimated using market-based observable inputs including forward and spot exchange rates and interest rate curves obtained from third party market price quotations.

(4) The fair value of the Convertible loan derivatives has been determined by utilizing a single factor lattice model using market-based observable inputs such as historical share prices for Quotient Limited, interest rates derived from the U.S. Dollar Swap interest rate curve, credit spread, and implied volatility obtained from third party market price quotations.

On March 12, 2021, the Company announced that two funds managed by CSAM in which the Company had invested an aggregate of approximately $110.35 million had suspended redemptions. The investments into these funds were made in accordance with the Company’s investment policy of making individual investments with a minimum of an A rating from a leading credit-rating agency. Each fund holds short-term credit obligations of various obligors. According to a press release issued by CSAM, redemptions in the funds were suspended because “certain part of the Subfunds’ assets is currently subject to considerable uncertainties with respect to their accurate valuation.” CSAM subsequently began a liquidation of the funds. Pursuant to the liquidation, the Company has already received cash distributions of approximately $81.4 million. Of this $81.4 million, the Company received $18.5 million of distributions during the quarter ended June 30, 2021 and $5.8 million was received subsequent to quarter end. Based on information provided by Credit Suisse, the Company expects to receive further cash distributions from the funds in the next several months; however, there can be no assurance as to the timing or amount of any such distributions. Credit Suisse has advised that the credit assets held by the funds are covered by insurance that potentially will be available to cover losses the funds would incur if any of the obligors on the funds’ credit assets were to default.

On April 22, 2021, Credit Suisse published its FY 2021 Q1 press release with commentary related to the supply chain financing funds. Notably, Credit Suisse indicated that the investors in the funds should assume losses will be incurred.

For the year ended March 31, 2021, Credit Suisse's decision to liquidate funds in which the Company held short-term investments served as a trigger to evaluate the investments for impairment. Accordingly, we performed a qualitative assessment for impairment. As a result of this assessment, Quotient determined that an impairment was required. The Credit Suisse linked short-term investment asset with a carrying value of $110.3 million was written down to its estimated fair value of $108.0 million, resulting in an impairment of $2.3 million. This impairment was included in Other, net within our consolidated statements of comprehensive loss for the year ended March 31, 2021. No additional information was received during the quarter ended June 30, 2021 that would indicate further impairments were required. The carrying value of the investments at June 30, 2021 was $32.6 million.

The Company views the liquidation of the supply chain finance funds as a fluid situation with a significant amount of valuation uncertainty. The Company will closely monitor the situation and in the event that new information is released that provides valuation clarity, it will evaluate the accounting implications accordingly. The Company believes, and has advised Credit Suisse, that any losses on the supply chain funds should be borne by Credit Suisse. The Company will pursue all available options to recoup the full amount of its investment in the supply chain funds prior to liquidation.

The total unrealized gains on the short-term investments were $359 and $317 in the three month periods ended June 30, 2021 and June 30, 2020, respectively. The amount of these unrealized gains reclassified to earnings were $121 and $721 in the three month periods ended June 30, 2021 and June 30, 2020, respectively.

Note 8. Ordinary and Preference Shares

Ordinary shares

The Company's issued and outstanding ordinary shares were as follows:

	Shares Issued and Outstanding		
	June 30, 2021	March 31, 2021	Par value
Ordinary shares	101,527,188	101,264,412	$ —
Total	101,527,188	101,264,412	$ —

Preference shares

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

	Shares Issued and Outstanding		Liquidation amount per share	
	June 30, 2021	March 31, 2021	June 30, 2021	March 31, 2021
7% Cumulative Redeemable Preference shares	666,665	666,665	$ 32.61	$ 32.21
Total	666,665	666,665		

The 7% Cumulative Redeemable Preference shares were issued to Ortho-Clinical Diagnostics Finco S.A.R.L., an affiliate of Ortho on January 29, 2015 at a subscription price of $22.50 per share. These preference shares are redeemable at the request of the shareholder on the "Redemption Trigger Date" which is currently the date of the eighth anniversary of the date of issue of the preference shares, but the Company may further extend the redemption date in one year increments up to the tenth anniversary of the date of issue. Because the 7% Cumulative Redeemable Preference shares are redeemable at the option of the shareholders, they are shown as a liability in the unaudited condensed consolidated balance sheet.

Note 9. Share-Based Compensation

The Company records share-based compensation expense in respect of options and restricted share units ("RSUs") issued under its share incentive plans. Share-based compensation expense amounted to $1,823 and $960 in the quarters ended June 30, 2021 and June 30, 2020, 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)
Outstanding — March 31, 2021	1,810,785	$ 7.69	68
Granted	990,401	3.77	120
Exercised	—	—	—
Forfeited	(146,110)	6.57	—
Outstanding — June 30, 2021	2,655,076	$ 6.29	85
Exercisable —June 30, 2021	1,421,792	$ 8.22	58

The closing price of the Company's ordinary shares on the Nasdaq Global Market at June 30, 2021 was $3.64.

The following table summarizes the options granted in the quarter end June 30, 2021 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	Exercise Price	Ordinary Shares Fair Value Per Share at Grant Date	Per Share Intrinsic Value of Options
April 1, 2021 (1)	857,015	$ 3.68	$ 3.68	$ 2.41
June 10, 2021	133,386	4.37	4.37	2.85

(1) On April 1, 2021, in connection with the appointment of Manuel O. Méndez as Chief Executive Officer, we granted Mr. Méndez 857,015 options to purchase ordinary shares at an exercise price of $3.68 per share. These grants, which were issued outside of our 2014 Stock Incentive Plan, were approved by our Board of Directors and the Remuneration Committee of our Board pursuant to the inducement grant exception under Nasdaq Rule 5635(c)(4), as an inducement that is material to Mr. Méndez joining our Company. The options vest in three equal installments on each first, second and third anniversary of the grant date. The options have a term of ten years and will be forfeited if not exercised before the expiration of their term. In addition, in the event Mr. Méndez's service is terminated, any options not vested shall be forfeited upon termination.

Determining the fair value of share options

The fair value of each grant of share options was determined by the Company using the Black Scholes option pricing model. The total fair value of option awards in the quarter ended June 30, 2021 and June 30, 2020 amounted to $2,447 and $294, respectively.

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 price volatility of the Company's shares over a period equal to the expected terms of the options.

Fair value of ordinary shares. Since the Company's initial public offering in April 2014, the fair value of ordinary shares has been based on the share price of the Company's shares on the Nasdaq Global Market immediately prior to the grant of the options concerned.

Risk-Free Interest Rate. The risk-free interest rate is based on the UK Government 10-year bond yield curve in effect at the time of grant prior to the initial public offering and 10-year U.S. Treasury Stock for awards from April 2014 onwards.

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 quarter ended June 30, 2021 is as follows:

	April 1, 2021	June 10, 2021
Risk-free interest rate	1.74%	1.48%
Expected lives (years)	6	6
Volatility	74.20%	74.10%
Dividend yield	—	—
Grant date fair value (per share)	$ 3.68	$ 4.37
Number granted	857,015	133,386

A summary of the RSUs in issue at June 30, 2021 is as follows:

	Number of RSUs Outstanding	Weighted Average Remaining Vesting Period (Months)	Period in which the target must be achieved
RSUs subject to time based vesting	1,833,825	18	N/A
RSUs subject to milestone and performance based vesting	362,770	N/A	N/A

At June 30, 2021, 1,833,825 RSUs were subject to time-based vesting and the weighted average remaining vesting period was 18 months. In addition, 91,031 RSUs were subject to vesting based on the achievement of various business milestones related mainly to the development, approval and marketing of MosaiQ. 271,739 RSUs were subject to vesting based on the achievement of financial objectives in the year 2024.

Note 10. Income Taxes

A reconciliation of the income tax expense at the statutory rate to the provision for income taxes is as follows:

	Quarter ended June 30,	
	2021	2020
	As Restated	As Restated
Tax rate change	$ (335)	$ —
Impact of tax uncertainties		
Foreign tax rate differential	583	1,015
Increase in valuation allowance against deferred tax assets	(918)	(862)
Provision for income tax	$ (670)	$ 153

Note 11. Defined Benefit Pension Plans

The Company’s Swiss subsidiary has a fully insured pension plan managed by AXA LPP Foundation Suisse Romande. The costs of this plan were:

	Quarter ended June 30,	
	2021	2020
Employer service cost	$ 626	$ 571
Interest cost	22	30
Expected return on plan assets	(76)	(57)
Amortization of prior service credit	15	13
Amortization of net loss	—	—
Net pension cost	$ 587	$ 557

The employer contributions for the quarters ended June 30, 2021 and June 30, 2020 were $398 and $317, respectively. The estimated employer contributions for the fiscal year ending March 31, 2022 are $1,436.

Note 12. Net Loss Per Share

In accordance with Accounting Standards Codification Topic 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 warrants to acquire ordinary shares, the ordinary shares issuable upon vesting of the RSUs, and the ordinary shares issuable on conversion of the Convertible Notes.

The following table sets forth the computation of basic and diluted loss per ordinary share:

	Quarter ended June 30,	
	As Restated 2021	As Restated 2020
Numerator:		
Net loss	$ (27,292)	$ (26,256)
Net loss available to ordinary shareholders - basic and diluted	$ (27,292)	$ (26,256)
Denominator:		
Weighted-average shares outstanding - basic and diluted	101,390,749	80,485,985
Loss per share - basic and diluted	$ (0.27)	$ (0.33)

The following table sets out the numbers of ordinary shares excluded from the above computation of earnings per share at June 30, 2021 and June 30, 2020 as their inclusion would have been anti-dilutive:

	June 30, 2021	June 30, 2020
Ordinary shares issuable on conversion of Senior Convertible Notes at $5.67 per share	18,518,514	-
Restricted share units awarded	2,196,595	896,130
Ordinary shares issuable on exercise of options to purchase ordinary shares	1,421,792	1,877,923
Ordinary shares issuable on exercise of warrants at $16.14 per share	111,525	111,525
Ordinary shares issuable on exercise of warrants at $9.375 per share	64,000	64,000
	22,312,426	2,949,578

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the corresponding section of our Annual Report on Form 10-K/A for the year ended March 31, 2021 filed with the SEC on November 15, 2021.

The information set forth and discussed below for the quarters ended June 30, 2021 and June 30, 2020 is derived from the condensed consolidated financial statements included under Part I, Item 1 "Financial Statements" above. The financial information set forth and discussed below is unaudited but includes all normal and 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.

In addition to historical financial information, the following discussion contains forward looking statements that reflect our plans, estimates, beliefs and expectations that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report, and our Annual Report on Form 10-K/A for the year ended March 31, 2021, particularly in "Risk Factors."

Overview

We were incorporated in Jersey, Channel Islands on January 18, 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.

Our Business

We are a commercial-stage diagnostics company committed to reducing healthcare costs and improving patient care through the provision of innovative tests within established markets. Our initial focus is on blood grouping and donor disease screening, which is 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 detection. Disease screening involves the screening of donor blood for unwanted pathogens using two different methods, a serological approach (testing for specific antigens or antibodies) and a molecular approach (testing for DNA or RNA).

We have over 35 years of experience developing, manufacturing and commercializing 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 transform transfusion diagnostics, significantly reducing the cost of blood grouping in the donor and patient testing environments, while improving patient outcomes.

We currently operate as one business segment with 427 employees in the United Kingdom, Switzerland and the United States, as of June 30, 2021. Our principal markets are the United States, Europe and Japan. Based on the location of the customer, revenues outside the United States accounted for 44% of total revenue during the quarter ended June 30, 2021 and 44% during the quarter ended June 30, 2020.

We have incurred net losses and negative cash flows from operations in each year since we commenced operations in 2007. As of June 30, 2021, we had an accumulated deficit of $627.2 million. We expect our operating losses to continue for at least the remainder of the fiscal year ending March 31, 2022 as we continue our investment in the commercialization of MosaiQ. For the quarter ended June 30, 2021, our total revenue was $9.1 million and our net loss was $27.3 million.

From our incorporation in 2012 to March 31, 2021, we have raised $160.0 million of gross proceeds through the private placement of our ordinary and preference shares and warrants, $433 million of gross proceeds from public offerings of our shares and issuances of ordinary shares upon exercise of warrants and $145.0 million of gross proceeds from the issuance of 12% Senior Secured Notes, or the "Secured Notes".

On May 26, 2021, we issued $95.0 million aggregate principal amount of the 4.75% Convertible Notes due 2026 (the "Convertible Notes") and on June 2, 2021, we issued an additional $10.0 million aggregate principal amount of the Convertible Notes.

As of June 30, 2021, we had available cash, cash equivalents and short-term investments of $166.7 million and $8.3 million of restricted cash held as part of the arrangements relating to our Secured Notes and the lease of our property in Eysins, Switzerland.

Regulatory and Commercial Milestones

You should read the following regulatory and commercial milestones update in conjunction with the discussion included under the sections “Item 1. Business” and “Item 1A. Risk Factors” of our Annual Report on Form 10-K/A for the year ended March 31, 2021 filed with the SEC on November 15, 2021.

- Initial European Regulatory Approval – we filed for European regulatory approval for our initial MosaiQ IH Microarray in late September 2018 and were notified of its approval on April 30, 2019. We also filed for European regulatory approval of the initial MosaiQ SDS Microarray in June 2019 and were notified of its approval on February 14, 2020.
- Ongoing Microarray Menu Development – our activities for the expansion of our IH and SDS, testing menus included the completion of the validation and verification, or “V&V”, concordance study for the expanded MosaiQ IH Microarray menu, which we announced in October 2019. The V&V study for the expanded MosaiQ SDS Microarray is planned for the coming months.
- Field Trials – we commenced field trials for the expanded MosaiQ IH Microarray in Europe in the first quarter of calendar year 2020. These trials were initially suspended due to the COVID-19 pandemic in March 2020, but by the end of May 2020, quarantine and containment measures and restrictions had eased in all three trial locations allowing the work to recommence. However, subsequent governmental restrictions implemented towards the end of 2020 have impacted our ability to conduct these trials, as discussed below. We announced the initial results from these trials in November 2020. Based on our internal performance testing, we subsequently determined to enhance a limited number of the tests on the expanded MosaiQ IH Microarray. In June 2021, we restarted field trials in Europe. The commencement of field trials in the United States for the expanded MosaiQ IH Microarray has also been postponed due to the COVID-19 pandemic. We expect these trials to commence in the fourth quarter of calendar year 2021. We expect field trials for the expanded MosaiQ SDS Microarray to commence in the second quarter of calendar year 2022.
- Ongoing Regulatory Approval Process – we filed for U.S. regulatory approval for our initial MosaiQ SDS Microarray on December 23, 2019. On January 21, 2020, we received a request from the FDA for additional testing data related to specific individual performance characteristics of the assays on this microarray. We anticipate that we will resubmit our filing for 510(k) clearance for the initial MosaiQ SDS Microarray around year-end of calendar year 2021. We expect to make the initial European regulatory submissions for our expanded MosaiQ IH Microarray during the third quarter of calendar year 2021, with the U.S. regulatory submissions following in the fourth quarter of calendar year 2021 or first quarter of calendar year 2022. We expect to receive the CE mark for the expanded MosaiQ IH Microarray around year end. We expect to make a European regulatory submission for the expanded MosaiQ SDS Microarray in the third quarter of calendar year 2022, with the U.S. regulatory submission following in the third or fourth quarter of calendar year 2022. As noted above, our progress toward regulatory approvals has been adversely impacted by the disruptive effect of the COVID-19 pandemic. Our timing expectations described in this paragraph are subject to a variety of factors, including COVID-19 impacts, that could cause further delays.
- Patient IH Microarray – we are developing for Ortho-Clinical Diagnostics Inc. (or Ortho), a dedicated MosaiQ IH Microarray optimized for the patient transfusion market (which we refer to as the MosaiQ IH3 Microarray), and we expect to submit it for CE mark in the third quarter of calendar year 2022.

COVID-19 Pandemic

You should read the following COVID-19 pandemic update in conjunction with the discussion included under the sections “Item 1. Business” and “Item 1A. Risk Factors” of our Annual Report on Form 10-K/A for the year ended March 31, 2021 filed with the SEC on November 15, 2021.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The governments of each of the major locations in which we operate, the United Kingdom, Switzerland and the United States, have implemented varying measures and restrictions to combat the COVID-19 pandemic.

The restrictions implemented at the beginning of the pandemic directly impacted our on-going clinical trials for our expanded MosaiQ IH Microarray in Europe and the commencement of clinical trials for our expanded MosaiQ IH Microarray in the United States. All external work on these trials was suspended in March 2020 until such time as the existing restrictions in the relevant jurisdictions are removed or moderated. By the end of May 2020, quarantine and containment measures and restrictions had eased in all of the three European trial locations allowing the work to recommence.

In addition, on April 6, 2020, we announced the completion of the development phase of the MosaiQ COVID-19 Microarray, in response to the COVID-19 pandemic. On April 27, 2020, we published the final performance data for the MosaiQ COVID-19 Microarray, achieving 100% sensitivity and 99.8% specificity, and on May 1, 2020, we announced the CE Mark for this Microarray. In addition, in May 2020, we submitted an application to the FDA for an Emergency Use Authorization (EUA) of the MosaiQ COVID-19 Microarray in the United States, and in September 2020, we announced the EUA had been issued by the FDA for this Microarray. We signed the first commercial contract for the sale of the MosaiQ COVID-19 Microarray in May 2020, and we have subsequently entered into nine additional contracts with customers in Europe and the United States. In addition, we developed an enhanced, semi-quantitative MosaiQ COVID-19 Microarray, which has been CE marked as of January 29, 2021.

In spite of this widespread increase of COVID-19 infections, the COVID-19 pandemic and the associated restrictions have not had a material adverse impact on our conventional reagent revenues. Customer demand has remained robust since March 31, 2020 and, to date, supply chain disruptions have been minimal. Our manufacturing operations in Edinburgh, Scotland have been adapted to meet social distancing requirements, which impacted our operating costs during the quarter ended June 30, 2021 and 2020.

However, the COVID-19 pandemic has negatively affected the on-going field trials for our expanded MosaiQ IH Microarray, with travel restrictions and lockdowns making it difficult for relevant teams to spend time on-site and resulting in trials repeatedly stopping and restarting. Furthermore, these restrictions and lockdowns have impacted our research and development activities, slowed down the regulatory approval process and delayed the timing of customer tenders. There continue to be surges in various countries or regions resulting in a continuous process of restriction and lockdown relaxations and re-instatement. This continues to be a challenge to realization of all research and development activities including the clinical trial performance evaluations.

The extent to which the COVID-19 pandemic will impact our business, operations and financial results will depend on future developments and numerous evolving factors, which are highly uncertain and difficult to predict.

Revenue

We generate product sales 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 67% and 69% for the quarter ended June 30, 2021 and June 30, 2020, 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.

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 U.S. Dollars, Pounds Sterling or Euros. Our expenses are generally denominated in the currencies in which our operations are located, which are primarily in the United Kingdom, Switzerland and the United States. 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.

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, gross margin represents gross profit expressed as a percentage of total revenue, and gross margin on product sales represents gross margin excluding other revenues as a percentage of revenues excluding other revenues. 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 achieve efficiencies in our manufacturing operations, primarily through increasing production volumes.

Our sales and marketing expenses include costs associated with our sales organization for conventional reagent products, including our direct sales force, as well as our marketing and customer service personnel and the costs of the MosaiQ commercial team. These expenses consist principally of salaries, commissions, bonuses and employee benefits, as well as travel and other costs related to our sales and 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 and as we grow the MosaiQ commercial team.

Our research and development expenses include costs associated with performing research, development, field trials and our regulatory activities, as well as production costs incurred in advance of the commercial launch of MosaiQ. 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 received and tax credits. Our UK subsidiary claims certain tax credits on its research and development expenditures and these are included as an offset to our research and development expenses. 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. We are nearing completion of the initial development of MosaiQ and expect our costs associated with field trials and regulatory approvals will increase at the same time as our development costs decrease. As we move to commercialization of MosaiQ in the donor testing market, we expect our overall research and development expense to decrease.

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 include depreciation and amortization. We expect our general and administrative expenses to increase as our business develops and also 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 investor relations expenses.

Net interest expense consists primarily of interest charges on our Secured Notes and Convertible Notes and the amortization of debt issuance costs (which includes amortization of the one-time consent payment of $3.9 million paid to holders of our Secured Notes in December 2018), as well as accrued dividends on the 7% cumulative redeemable preference shares issued in January 2015. We amortize debt issuance costs and debt discount over the life of the instrument and report them as interest expense in our statements of operations. Net interest also includes the expected costs of the royalty rights agreements we entered into in October 2016, June 2018, December 2018 and May 2019 with the purchasers and consenting holders, as applicable, of our Secured Notes. See Note 4, "Debt" and Note 8, "Ordinary and Preference Shares" to our condensed consolidated financial statements included in this Quarterly Report for additional information.

Other income (expense), net consists of the change in fair value of our convertible debt derivative and the impact of exchange rate fluctuations. See Note 4, "Debt" and Note 7, "Fair value measurement" to our condensed consolidated financial statements included in this Quarterly Report for additional information. Exchange rate fluctuations include realized exchange fluctuations resulting from the settlement of transactions in currencies other than the functional currencies of our businesses. 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 legal entities are Pounds Sterling, Swiss Francs and U.S. Dollars depending on the entity.

Provision for income taxes in the quarter ended June 30, 2021 and 2020, reflected the taxes chargeable on the taxable income of our subsidiaries.

Results of Operations

Comparison of the Quarters ended June 30, 2021 and 2020

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 June 30,					
	2021		2020		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
			As Restated			
	(in thousands, except percentages)					
Revenue:						
Product sales	$ 9,041	99%	$ 8,924	100%	$ 117	1%
Other revenues	48	1%	—	0%	48	100%
Total revenue	9,089	100%	8,924	100%	165	2%
Cost of revenue	4,777	53%	5,414	61%	(637)	-12%
Gross profit	4,312	47%	3,510	39%	802	23%
Operating expenses:						
Sales and marketing	2,493	27%	2,243	25%	250	11%
Research and development	13,531	149%	11,415	128%	2,116	19%
General and administrative	10,176	112%	9,538	107%	638	7%
Total operating expenses	26,200	288%	23,196	260%	3,005	13%
Operating loss	(21,888)	-241%	(19,686)	-221%	(2,202)	11%
Other (expense) income:						
Interest expense, net	(3,002)	-33%	(6,931)	-78%	3,929	-57%
Other, net	(1,732)	-19%	208	2%	(1,940)	-933%
Total other expense, net	(4,734)	-52%	(6,723)	-75%	1,989	-30%
Loss before income taxes	(26,622)	-293%	(26,409)	-296%	(213)	1%
Provision for income taxes	(670)	—	153	—	(823)	-538%
Net loss	$ (27,292)	-300%	$ (26,256)	-294%	$ (1,036)	4%

Revenue

Total revenue for the quarter ended June 30, 2021 increased by 2% to $9.1 million, compared with $8.9 million for the quarter ended June 30, 2020. Product sales for the quarter ended June 30, 2021 increased by 1% to $9.0 million, compared with $8.9 million for the quarter ended June 30, 2020. The increase in product sales was primarily attributable to growth in incremental direct sales of conventional reagent products to customers in the United States. Other revenues for the quarter ended June 30, 2021 related to a small development project for an OEM customer. There were no similar development projects during the quarter ended June 30, 2020.

Products sold by standing purchase order were 67% of product sales for the quarter ended June 30, 2021, compared with 69% for the quarter ended June 30, 2020.

The table below sets forth revenue by product group:

	Quarter ended June 30,					
	2021		2020		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
	(in thousands, except percentages)					
Revenue:						
Product sales - OEM customers	$ 5,856	64%	$ 6,184	69%	$ (328)	-5%
Product sales - direct customers and distributors	$ 3,145	35%	2,629	29%	516	20%
Product sales - MosaiQ	40	0%	111	1%	(71)	-64%
Other revenues	48	1%	—	0%	48	100%
Total revenue	$ 9,089	100%	$ 8,924	100%	$ 165	2%

OEM Sales. Product sales to OEM customers decreased 5% to $5.9 million for the quarter ended June 30, 2021, compared with $6.2 million for the quarter ended June 30, 2020. The decrease was due to there being only three shipment cycles for our red blood cell-based products in the quarter ended June 30, 2021, compared to four shipment cycles in the quarter ended June 30, 2020. There were also price decreases related to certain OEM customers effective in the quarter ended June 30, 2021.

Direct Sales to Customers and Distributors. Product sales directly to customers and distributors of $3.1 million for the quarter ended June 30, 2021 increased by $0.5 million compared with $2.6 million for the quarter ended June 30, 2020. This increase was due to increased direct sales in the United States which increased to $2.8 million in the quarter ended June 30, 2021 from $2.4 million in the quarter ended June 30, 2020 as a result of growth in sales to existing customers and expansion of our customer base.

MosaiQ Product Sales. MosaiQ sales in the quarters ended June 30, 2021 and June 30, 2020 consisted of revenues from our MosaiQ COVID-19 Microarray.

Other Revenues. Other revenues in the quarter ended June 30, 2021 related to a small development project for an OEM customer. There were no similar development projects during the quarter ended June 30, 2020.

Cost of revenue and gross margin

Cost of revenue reduced by 12% to $4.8 million for the quarter ended June 30, 2021 compared with $5.4 million for the quarter ended June 30, 2020. This decrease was mainly attributable to higher production activity in the UK for the quarter ended June 30, 2021 and a reduction in costs associated with operating under social distancing restrictions compared to the prior year.

Gross profit on total revenue for the quarter ended June 30, 2021 was $4.3 million, an increase of 23% when compared with $3.5 million for the quarter ended June 30, 2020. The increase was mainly attributable to the increase in gross margin on product sales described below.

Gross profit on product sales, which excludes other revenues, was $4.3 million for the quarter ended June 30, 2021, an increase of 21% when compared with $3.5 million for the quarter ended June 30, 2020. This increase was mainly attributable to higher production activity in the UK for the quarter ended June 30, 2021, a change in mix of product sales and reduction in costs associated with operating under social distancing restrictions compared to the prior year.

Gross margin on product sales, which excludes other revenues, was 47% for the quarter ended June 30, 2021 compared with 39% for the quarter ended June 30, 2020.

Sales and marketing expenses

Sales and marketing expenses were $2.5 million for the quarter ended June 30, 2021, compared with $2.2 million for the quarter ended June 30, 2020. This increase was attributable to greater personnel and other expenses related to the planned commercial launch of MosaiQ. As a percentage of total revenue, sales and marketing expenses were 27% for the quarter ended June 30, 2021 compared to 25% for the quarter ended June 30, 2020.

Research and development expenses

	Quarter ended June 30,					
	2021		2020		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
			As Restated			
	(in thousands, except percentages)					
Research and development expenses:						
MosaiQ research and development	$ 13,410	148%	$ 11,068	124%	$ 2,342	21%
Other research and development	356	4%	467	5%	(111)	-24%
Tax credits	(235)	-3%	(120)	-1%	(115)	96%
Total research and development expenses	$ 13,531	149%	$ 11,415	128%	$ 2,116	19%

Research and development expenses increased by 19% to $13.5 million for the quarter ended June 30, 2021 compared with $11.4 million for the quarter ended June 30, 2020. During the quarter ended June 30, 2021, the increase in MosaiQ research and development costs is driven by higher material expenses, salary and benefit costs, and provisions on certain raw materials and offset by changes to the estimated useful economic lives of certain operating equipment.

General and administrative expenses

General and administrative expenses increased by 7% to $10.2 million for the quarter ended June 30, 2021, compared with $9.5 million for the quarter ended June 30, 2020. This increase was attributable to additional costs, including stock compensation charges, associated with changes in company management offset by lower legal and professional expenses. We recognized $1.8 million of stock compensation expense in the quarter ended June 30, 2021 compared with $1.0 million in the quarter ended June 30, 2020. As a percentage of total revenue, general and administrative expenses were 112% for the quarter ended June 30, 2021 compared to 107% for the quarter ended June 30, 2020.

Other (expense) income

Net interest expense was $3.0 million for the quarter ended June 30, 2021 compared with $6.9 million for the quarter ended June 30, 2020. Interest expense in the three month period ended June 30, 2021 included $1.9 million of interest charges on our Secured Notes and royalty liabilities compared with $7.3 million in the three month period ended June 30, 2020. The decreased expense reflected a decrease in the projected sales for products subject to the royalty rights agreements, resulting in a reduction of the overall royalty cost estimates. Interest expense for the quarter ended June 30, 2021 also included $0.9 million of interest charges related to the Convertible Notes which were issued during the quarter. Net interest expense also included $0.3 million of dividends accrued on the 7% cumulative redeemable preference shares in each of the quarters ended June 30, 2021 and June 30, 2020. In addition, in the quarter ended June 30, 2021 we realized gains of $0.1 million on our short-term money market investments compared to $0.7 million for the quarter ended June 30, 2020.

Other, net was $1.7 million in expense for the quarter ended June 30, 2021 compared with $0.2 million in income for the quarter ended June 30, 2020. For the quarter ended June 30, 2021 this comprised of $2.0 million expense related to the change in fair value associated with the Convertible Loan derivative and $0.3 million in foreign exchange gain arising on monetary assets and liabilities denominated in foreign currencies compared to $0.2 million of foreign exchange gains for the quarter ended June 30, 2020.

Provision for income taxes

Provision for income taxes in the quarter ended June 30, 2021 and 2020, reflected the taxes chargeable on the taxable income of our subsidiaries.

Quarterly Results of Operations

Our quarterly product sales can fluctuate depending upon the shipment cycles for our red blood cell-based products, which account for approximately two-thirds of our current product sales. For these products, we typically experience 13 shipping cycles per year. This equates to three shipments of each product per quarter, except for one quarter per year when four shipments occur. In fiscal 2021 we made 14 shipments with the additional shipments in the first and fourth quarters. In fiscal 2022, the greatest impact of extra product shipments is expected to occur in our fourth quarter. The timing of shipment of bulk antisera products to our OEM customers may also move revenues from quarter to quarter. We also experience some seasonality in demand around holiday periods in both Europe and the United States. As a result of these factors, we expect to continue to see seasonality and quarter-to-quarter variations in our product sales.

The timing of product development fees included in other revenues is mostly dependent upon the achievement of pre-negotiated project milestones.

Liquidity and Capital Resources

Since our commencement of operations in 2007, we have incurred net losses and negative cash flows from operations. As of June 30, 2021, we had an accumulated deficit of $627.2 million. During the quarter ended June 30, 2021, we incurred a net loss of $27.3 million and used $32.1 million of cash in operating activities. As described under results of operations, our use of cash during the quarter ended June 30, 2021 was primarily attributable to our investment in the development of MosaiQ and corporate costs, including costs related to being a public company.

From our incorporation in 2012 to March 31, 2021, we have raised $160.0 million of gross proceeds through the private placement of our ordinary and preference shares and warrants, $433.0 million of gross proceeds from public offerings of our shares and issuances of ordinary shares upon exercise of warrants and $145.0 million of gross proceeds from the issuance of the Secured Notes.

On May 26, 2021, we issued and sold $95.0 million aggregate principal amount of the Convertible Notes to in a private offering to institutional investors and on June 2, 2021, we issued an additional $10.0 million aggregate principal amount of the Convertible Notes. The Convertible Notes are guaranteed by our material subsidiaries. The Convertible Notes are our unsecured, senior obligations and rank equally in right of payment with all of our existing and future unsecured, unsubordinated indebtedness. The Convertible Notes are convertible at the option of the holders at an initial conversion rate of 176.3668 ordinary shares per $1,000.00 principal amount of Convertible Notes, subject to customary anti-dilution adjustments. We have the right to redeem the Convertible Notes in certain circumstances.

On March 12, 2021, we announced that two funds managed by CSAM in which we had invested an aggregate of approximately $110.35 million had suspended redemptions. The investments into these funds were made in accordance with our investment policy of making individual investments with a minimum of an A rating from a leading credit-rating agency. Each fund holds short-term credit obligations of various obligors. According to a press release issued by CSAM, redemptions in the funds were suspended because “certain part of the Subfunds’ assets is currently subject to considerable uncertainties with respect to their accurate valuation.” CSAM subsequently began a liquidation of the funds. Pursuant to the liquidation, we have already received cash distributions of approximately $81.4 million. Based on information provided by Credit Suisse, we expect to receive further cash distributions from the funds in the next several months; however, there can be no assurance as to the amount or timing of any such distribution.

While Credit Suisse has advised that the credit assets held by the funds are covered by insurance that potentially will be available to cover losses the funds would incur if any of the obligors on the funds’ credit assets were to default, we do not know if the funds will incur losses (net of insurance) on the credit assets held by the funds. We believe, and have advised Credit Suisse, that any such losses should be borne by Credit Suisse.

We expect to fund our operations in the near-term, including the ongoing development of MosaiQ through successful field trial completion, achievement of required regulatory authorizations and commercialization from a combination of funding sources. These expected funding sources include the use of existing available cash and short-term investment balances, the sale of rights and other assets, and the issuance of new equity or debt.

As of June 30, 2021, we had available cash, cash equivalents and short-term investments of $166.7 million and $8.3 million of restricted cash held as part of the arrangements relating to our Secured Notes and the lease of our property in Eysins, Switzerland.

Cash Flows for the Quarters ended June 30, 2021 and 2020

Operating activities

Net cash used in operating activities was $32.1 million during the three month period ended June 30, 2021, which included net losses of $27.3 million offset by non-cash items of $5.2 million. Non-cash items were depreciation and amortization expense of $1.9 million, share-based compensation expense of $1.8 million, change in fair value of convertible loan derivatives of $2.0 million, Swiss pension costs of $0.2 million, a credit related to amortization of deferred debt issue costs and royalties of $1.6 million, accrued preference share dividends of $0.3 million, deferred lease rentals of $0.2 million and a credit to deferred income taxes of $0.4 million. We also experienced a net cash outflow of $10.0 million from changes in operating assets and liabilities during the period, consisting of a $4.2 million reduction in accrued compensation and benefits, a $0.8 million increase in inventories, a $3.5 million increase in other assets and a $2.4 million reduction in accounts payable and accrued liabilities, offset by a $0.9 million reduction in accounts receivables.

Net cash used in operating activities was $24.8 million during the quarter ended June 30, 2020, which included net losses of $26.3 million offset by non-cash items of $6.7 million. Non-cash items were depreciation and amortization expense of $2.1 million, share-based compensation expense of $1.0 million, Swiss pension costs of $0.3 million, amortization of deferred debt issue costs of $3.1 million, accrued preference share dividends of $0.3 million, deferred lease rentals of $0.1 million, and a credit for income taxes of $0.2. We also experienced a net cash outflow of $5.2 million from changes in operating assets and liabilities during the period, consisting of a $1.6 million reduction in accounts payable and accrued liabilities, a $2.0 million reduction in accrued compensation and benefits, a $0.6 million increase in accounts receivable, a $0.6 million increase in inventories and a $0.3 million increase in other assets.

Investing activities

Net provided by investing activities was $12.6 million for the quarter ended June 30, 2021 compared to $28.5 million for the quarter ended June 30, 2020. We spent $1.4 million on purchases of property and equipment in the quarter ended June 30, 2021, which was mainly related to purchasing MosaiQ instruments and investments in our IT infrastructure. Purchases of property and equipment in the quarter ended June 30, 2020 were $0.8 million, which was mainly related to payments for an additional assembly unit for our MosaiQ manufacturing facility. We also received distributions on our short-term money market investments of $18.5 million from CSAM in the quarter ended June 30, 2021 and invested $4.5 million in other short-term money market investments, compared with distributions of $29.3 million for the quarter ended June 30, 2020.

Financing activities

Net cash provided by (used in) financing activities was $88.1 million during the quarter ended June 30, 2021, consisting of $100.5 million generated from the issuance of the Convertible Notes, net of debt issue costs, offset by $12.1 million repayment of the Secured Notes, expenses related to restricted stock units vested of $0.1 million and $0.2 million of repayments on finance leases. Net cash used in financing activities was $0.1 million during the quarter ended June 30, 2020, consisting of $0.1 million generated from the exercise of share options, offset by $0.2 million of repayments on finance leases.

Operating and Capital Expenditure Requirements

We have not achieved profitability on an annual basis since we commenced operations in 2007 and we expect to incur net losses for at least the next fiscal year. As we move towards the commercial launch of MosaiQ in the donor testing market, we expect our operating expenses during the year ended March 31, 2022 to be similar to those of the year ended March 31, 2021, as we continue to invest in growing our customer base, expanding our marketing and distribution channels, completing field trials and regulatory filings, hiring additional employees and investing in other product development opportunities while our development expenditures on MosaiQ decrease.

As of June 30, 2021, we had $166.7 million of available cash, cash equivalents and short-term investments and $8.3 million of restricted cash held as part of the arrangements relating to our Secured Notes and the lease of our property in Eysins, Switzerland.

Our future capital requirements will depend on many factors, including:

- our progress in developing and commercializing MosaiQ and the cost required to complete development, obtain regulatory approvals and complete our manufacturing scale up;
- our ability to pursue successful alternatives for commercializing MosaiQ in the patient market;
- our ability to manufacture and sell our conventional reagent products, including the costs and timing of further expansion of our sales and marketing efforts;
- the impact of the COVID-19 pandemic on the global economy, our business and our development timeline for MosaiQ;
- our ability to recoup the remaining approximately $29 million of funds invested in two funds that have suspended redemptions;
- our ability to collect our accounts receivable;
- our ability to generate cash from operations;
- any acquisition of businesses or technologies that we may undertake; and
- our ability to penetrate our existing market and new markets.

We currently expect that the additional net cash generated from the Convertible Notes issuance combined with our existing available cash and short-term investment balances are adequate to meet our forecasted cash requirements for the next twelve months.

We expect to fund our operations in the near-term, including the ongoing development of MosaiQ through successful field trial completion, achievement of required regulatory authorizations and commercialization from a combination of funding sources. These expected funding sources include the use of existing available cash and short-term investment balances, the sale of rights and other assets, and the issuance of new equity or debt.

Critical Accounting Policies and Significant Judgments and Estimates

We have prepared our condensed consolidated financial statements in accordance with U.S. GAAP. Our preparation of these condensed consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, expenses and related disclosures at the date of the consolidated financial statements, as well as revenue and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from these estimates under different assumptions or conditions.

For a detailed discussion of our critical accounting policies, see Note 1, 'Organization and Summary of Significant Accounting Policies.' to our Annual Report on Form 10-K/A for the year ended March 31, 2021. For a detailed description of our significant judgements and estimates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K/A for the year ended March 31, 2021. We have summarized material new significant judgements and estimates and critical accounting policies during the quarter-ended June 30, 2021 below.

Convertible loan derivatives

The Convertible Notes are accounted for in accordance with ASC 470-20, Debt with Conversion and Other Options ("ASC 470-20") and ASC 815-40, Contracts in Entity's Own Equity ("ASC 815-40"). Based upon the Company's analysis, it was determined the Convertible Notes contain embedded features that need to be separately accounted for as a derivative liability component. The proceeds received from the issuance of the convertible debt instruments were bifurcated and recorded as a liability within convertible loan derivatives in the consolidated balance sheet. The convertible loan derivatives are measured at fair value and changes are recognized within other, net in the accompanying consolidated financial statements.

The fair value of the convertible loan derivatives have been determined by utilizing a single factor lattice model using market-based observable inputs. The value of these derivatives could vary materially based on changes in these inputs and any such changes could materially impact our reported results. See Note 4, "Debt" and Note 7, "Fair value measurement" to our condensed consolidated financial statements included in this Quarterly Report for additional information.

Recent Accounting Pronouncements

Except as discussed in Note 3**, "**Summary of Significant Accounting Policies," we did not adopt any other new accounting pronouncements during the three months ended June 30, 2021 that had a significant effect on our condensed consolidated financial statements included in this Quarterly Report.

Item 3. Reserved

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that, as of June 30, 2021, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive and Chief Financial Officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. However, management has subsequently determined the disclosure controls and procedures were not effective at the reasonable assurance level due to a material weakness in internal control over financial reporting related to the accounting for our Senior Secured Notes and royalty rights agreements which existed as of June 30, 2021.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Based on its evaluation in accordance with the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), management identified a material weakness in the operation of our internal control related to the historical accounting of the Senior Secured Notes and royalty rights agreements originating in October 2016, August 2018, and June 2019. Specifically, management of the Company determined that it did not identify the correct accounting treatment at the time of entering into these transactions and accounted for these instruments on a combined basis instead of treating these as separate freestanding financial instruments This material weakness resulted in a material misstatement of interest expense for the years ended March 31, 2021 and 2020. This material weakness resulted in the restatement of the Company's previously filed consolidated financial statements as of and for the fiscal year ended March 31, 2021 and 2020 and relevant unaudited condensed consolidated financial information for the fiscal year 2021 quarterly periods. This also resulted in a restatement of our June 30, 2021 Form 10-Q.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

To remediate the material weakness identified above, we have implemented additional controls and procedures, which include but are not limited to:

- increased involvement of external accounting specialists to assist and review complex, non-routine financing transactions entered into after March 31, 2021
- management review (with the assistance of external accounting advisors) of the accounting treatment of all historical debt arrangements under US GAAP.

Based on the foregoing process and remediation measures, management believes that the above mentioned control deficiency will be remediated, but the material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the Company’s first fiscal quarter of 2022 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently party to any pending legal or governmental proceedings that we believe could have a material adverse effect on our business or financial condition. However, we may be subject to various claims and legal actions arising in the ordinary course of business from time to time.

Item 1A. Risk Factors

There have been no material changes in the risk factors described in Item 1A "Risk Factors" of our Annual Report on Form 10-K/A for the year ended March 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q/A:

Exhibit No.	Description
10.1	Employment Agreement, dated February 23, 2021 (amended June 7, 2021), between the Company and Manuel O. Méndez (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q on August 5, 2021 and incorporated herein by reference))
31.1	Certification of Manuel O. Méndez, Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Peter Buhler, Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Manuel O. Méndez, Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Peter Buhler, Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2021 filed with the SEC, formatted in Inline eXtensible Business Reporting Language (Inline XBRL): (i) Condensed Consolidated Balance Sheets (unaudited), (ii) Condensed Consolidated Statements of Comprehensive Loss (unaudited), (iii) Condensed Consolidated Statements of Changes in Shareholders' Deficit (unaudited), (iv) Condensed Consolidated Statements of Cash Flows (unaudited) and (v) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File, formatted in Inline XBRL (included as Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUOTIENT LIMITED

Date: November 15, 2021

/s/ Manuel O. Méndez
Manuel O. Méndez
Chief Executive Officer