



Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Xero Limited

ABN

160 661 183 (ARBN)

Quarter ended

30 September 2015

Under the conditions of listing on the ASX in November 2012, Xero Limited (**Xero**) is required to provide a quarterly cash flow report to the ASX. Attached is the the unaudited cash flow report for the quarter ended 30 September 2015.

Xero had cash and short term deposit balances of NZ\$224.5 million at 30 September 2015 resulting in a cash movement of \$(19.1) million for the quarter.

Cash usage from operating and investing activities at \$(21.0) million in the current quarter declined from the usage in the prior four quarters.

The primary reason for the stronger quarterly result is the improvement in operating cash flows, notwithstanding the deterioration of the NZD, which impacted current period operating and investing cash flows adversely by \$2.0 million compared to the same period last year.

Operating cash flow improvements have been driven by strong revenue increases and operating efficiencies which have allowed investments in distribution channels and product development to drive sustained global customer and revenue growth.

Below is a summary of movements in operating and investing cash flows between the current quarter and the comparative quarter last year as well as the quarter ended 30 June 15.

	Sept 15 quarter NZ\$M	Sept 14 quarter NZ\$M	% change	June 15 quarter NZ\$M	% change
Cash flows from operating activities	(6.4)	(9.6)	-33%	(17.0)	-62%
Cash flows from investing activities	(14.6)	(13.0)	12%	(11.5)	27%
Cash flows from operating and investing activities	(21.0)	(22.6)	-7%	(28.5)	-26%



Unaudited consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
1.1	Receipts from customers	48,191	88,667
1.2	Payments for		
	(a) staff costs	(28,248)	(60,052)
	(b) advertising and marketing	(13,618)	(25,077)
	(c) research and development	-	-
	(d) leased assets	(2,206)	(4,193)
	(e) other working capital	(13,050)	(26,546)
1.3	Dividends received	-	-
1.4	Interest received	2,299	4,002
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(1,175)	(2,309)
1.7	Other income	1,469	2,144
Net operating cash flows		(6,338)	(23,364)

Cash flows related to investing activities		Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(13,471)	(23,439)
	(d) physical non-current assets	(1,002)	(2,571)
	(e) other non-current assets	(132)	(139)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(14)	33
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other	-	-
Net investing cash flows		(14,619)	(26,116)
1.14	Total operating and investing cash flows	(20,957)	(49,480)



Cash flows related to financing activities		Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
1.15	Proceeds from issues of shares	466	852
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other: movement in short term deposits	19,000	25,000
Net financing cash flows		19,466	25,852
Net increase (decrease) in cash held		(1,491)	(23,628)
1.21	Cash at beginning of quarter/year to date	39,511	58,866
1.22	Exchange rate adjustments to item 1.21	1,439	4,221
1.23	Cash at end of quarter/year to date	39,459	39,459

Reconciliation of cash and short term deposits

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

		Current Quarter \$NZ'000	Previous Quarter \$NZ'000
4.1	Cash	39,459	39,511
4.2	Deposits on call	-	-
4.3	Bank overdraft	-	-
4.4	Short term deposits	185,000	204,000
Total	Cash and short term deposits at end of quarter	224,459	243,511

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities:

1.24 Aggregate amount of payments to the parties included in item 1.2

1.25 Aggregate amount of loans to the parties included in item 1.11

1.26 Explanation necessary for an understanding of the transactions:

1.24 includes directors' fees and executive director's salary

Current quarter \$NZ'000
229
-



Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
N/A
- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest
N/A

Financing facilities available

- 3.1 Loan facilities
- 3.2 Credit standby arrangements

Amount available \$NZ'000	Amount used \$NZ'000
-	-
-	-

Acquisitions and disposals of business entities during the quarter

- 5.1 Name of entity
- 5.2 Place of incorporation or registration
- 5.3 Consideration for acquisition or disposal
- 5.4 Total net assets
- 5.5 Nature of business

Acquisitions	Disposals
-	-
-	-
-	-
-	-
-	-

Compliance statement

1. Xero Limited has received a waiver from the ASX to provide its reporting in New Zealand dollars and in compliance with New Zealand GAAP.
2. This statement has been prepared under New Zealand GAAP.
3. This statement gives a true and fair view of the matters disclosed.

Date 30 October 2015

Sankar Narayan
CFO