



Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Xero Limited

ABN

160 661 183 (ARBN)

Quarter ended

31 December 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 unaudited cash flow report for the quarter ended 31 December 2015.

Xero had cash and short term deposit balances of NZ\$202.7 million at 31 December 2015.

Cash usage from operating and investing activities was \$(20.1) million in the current quarter. The deterioration of the NZD impacted current period operating and investing cash flows adversely by \$1.8 million compared to Q3 FY15, resulting in a year-on-year reduction of \$4.6 million excluding the impact of foreign exchange.

Continued global customer and revenue growth, sustained operating efficiencies, and developing economies of scale in distribution channels and product development have delivered improvement in net operating and investing cash flow.

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 September 2015.

	Dec 15 quarter NZ\$M	Dec 14 quarter NZ\$M	% change	Sept 15 quarter NZ\$M	% change
Cash flows from operating activities	(6.5)	(8.5)	-24%	(6.4)	2%
Cash flows from investing activities	(13.6)	(14.4)	-6%	(14.6)	-7%
Cash flows from operating and investing activities	(20.1)	(22.9)	-12%	(21.0)	-4%



Cash flows related to operating activities		Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
1.1	Receipts from customers	52,607	141,274
1.2	Payments for		
	(a) staff costs	(32,376)	(92,428)
	(b) advertising and marketing	(14,139)	(39,216)
	(c) research and development	-	-
	(d) leased assets	(2,088)	(6,281)
	(e) other working capital	(13,437)	(39,983)
1.3	Dividends received	-	-
1.4	Interest received	3,084	7,086
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(1,057)	(3,366)
1.7	Other income	867	3,011
Net operating cash flows		(6,539)	(29,903)

Cash flows related to investing activities		Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(11,071)	(34,510)
	(d) physical non-current assets	(1,354)	(3,925)
	(e) other non-current assets	(1,184)	(1,337)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	47
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other	-	-
Net investing cash flows		(13,609)	(39,725)
1.14	Total operating and investing cash flows	(20,148)	(69,628)



Cash flows related to financing activities		Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
1.15	Proceeds from issues of shares	199	1,051
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	-	-
Net financing cash flows		199	1,051
Net increase (decrease) in cash held		(19,949)	(68,577)
1.21	Cash at beginning of quarter/year to date	224,459	269,866
1.22	Exchange rate adjustments to item 1.21	(1,804)	2,417
1.23	Cash at end of quarter/year to date	202,706	202,706

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	39,706	39,459
4.2	Deposits on call	-	-
4.3	Bank overdraft	-	-
4.4	Short term deposits	163,000	185,000
Total	Cash and short term deposits at end of quarter	202,706	224,459

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
331
-



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

	Amount available \$NZ'000	Amount used \$NZ'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Acquisitions and disposals of business entities during the quarter

	Acquisitions	Disposals
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	-	-

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 29 January 2016

Sankar Narayan
CFO