



## Appendix 4C

### Quarterly report for entities admitted on the basis of commitments

#### Xero Limited

ABN

160 661 183 (ARBN)

Quarter ended

30 September 2014

Under the conditions of listing on the ASX in November 2012, Xero Limited is required to provide quarterly cash flow reports to the ASX. This unaudited cash flow report is for the quarter ended 30 September 2014.

Net cash outflows from operating and investing activities for the current quarter were NZ\$22.6 million compared with NZ\$17.3 million for the June 2014 quarter. The table below provides a summary of the percentage increase in cash flows for the current quarter and half year with the comparative periods last year.

	Quarterly increase % year on year	Half yearly increase % year on year
Receipts from customers	77%	79%
Payments for operating activities	85%	91%
Payments for investing activities	51%	58%

Items to note:

- Growth in receipts from customers is in line with reported revenue increase.
- Payments for staff costs exceed headcount growth over the same period due to the timing of cash flows and lower capitalisation rates of software development salaries (which increases payments for staff costs and reduces payments for intellectual property).
- Payments for physical non current assets include the fit out of offices in Milton Keynes and Auckland.

Xero had cash and short term deposit balances of NZ\$170.8 million at 30 September 2014.



## 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	27,902	51,373
1.2 Payments for		
(a) staff costs	(18,965)	(38,042)
(b) advertising and marketing	(6,862)	(11,022)
(c) research and development	-	-
(d) leased assets	(1,537)	(3,132)
(e) other working capital	(11,673)	(21,941)
1.3 Dividends received	-	-
1.4 Interest received	1,724	5,151
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(177)	(695)
1.7 Other income	27	402
<b>Net operating cash flows</b>	<b>(9,561)</b>	<b>(17,906)</b>

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	(8,027)	(15,050)
(d) physical non-current assets	(4,458)	(6,168)
(e) other non-current assets	(529)	(788)
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	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
<b>Net investing cash flows</b>	<b>(13,014)</b>	<b>(22,006)</b>
1.14 <b>Total operating and investing cash flows</b>	<b>(22,575)</b>	<b>(39,912)</b>



<b>Cash flows related to financing activities</b>		<b>Current quarter \$NZ'000</b>	<b>Year to date (6 months) \$NZ'000</b>
1.15	Proceeds from issues of shares	289	367
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	25,000	34,000
<b>Net financing cash flows</b>		<b>25,289</b>	<b>34,367</b>
<b>Net increase (decrease) in cash held</b>		<b>2,714</b>	<b>(5,545)</b>
1.21	Cash at beginning of quarter/year to date	6,680	14,886
1.22	Exchange rate adjustments to item 1.21	374	427
1.23	<b>Cash at end of quarter/year to date</b>	<b>9,768</b>	<b>9,768</b>

### 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:

		<b>Current Quarter \$NZ'000</b>	<b>Previous Quarter \$NZ'000</b>
4.1	Cash	9,768	6,679
4.2	Deposits on call	-	-
4.3	Bank overdraft	-	-
4.4	Short term deposits	161,000	186,000
<b>Total</b>	<b>Cash and short term deposits at end of quarter</b>	<b>170,768</b>	<b>192,679</b>

### Payments to directors of the entity and associates of the directors

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

		<b>Current quarter \$NZ'000</b>
1.24	Aggregate amount of payments to the parties included in item 1.2	320
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



### 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

	Amount available \$NZ'000	Amount used \$NZ'000
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 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 31 October 2014

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Ross Jenkins  
CFO