



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 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 31 December 2014.

Net cash outflows from operating and investing activities for the current quarter were NZ\$22.9 million compared with NZ\$22.6 million for the September 2014 quarter. The table below provides a summary of the percentage increase in cash flows for the current quarter and year to date with comparative periods last year.

	Quarterly increase % year on year	Year to date increase % year on year
Receipts from customers	81%	79%
Payments for operating activities	74%	79%
Payments for investing activities	97%	72%

Items to note:

- Growth in receipts from customers is in line with guidance provided for revenue growth.
- 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 investing activities were incremented during the period due to the acquisition of Monchilla Inc. in November 2014 (cash portion of acquisition price was \$5.3 million).
- Excluding the Monchilla acquisition, cash outflows decreased compared to the previous quarter. This is driven by the timing of cash flows; in particular, Government grants were received in December 2014 reducing the quarterly cash outflow and fit out costs for Milton Keynes and Auckland office space were incurred in September 2014 increasing the cash outflow for that quarter.

Xero had cash and short term deposit balances of NZ\$147.8 million at 31 December 2014.



Unaudited consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
1.1 Receipts from customers	32,548	83,921
1.2 Payments for		
(a) staff costs	(24,133)	(62,175)
(b) advertising and marketing	(6,112)	(17,134)
(c) research and development	-	-
(d) leased assets	(1,578)	(4,710)
(e) other working capital	(11,686)	(33,627)
1.3 Dividends received	-	-
1.4 Interest received	1,823	6,974
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(776)	(1,471)
1.7 Other income	1,379	1,781
Net operating cash flows	(8,535)	(26,441)

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)	(5,349)	(5,349)
(b) equity investments	-	-
(c) intellectual property	(7,059)	(22,109)
(d) physical non-current assets	(1,729)	(7,897)
(e) other non-current assets	(229)	(1,018)
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	-	-
Net investing cash flows	(14,366)	(36,373)
1.14 Total operating and investing cash flows	(22,901)	(62,814)

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Cash flows related to financing activities		Current quarter \$NZ'000	Year to date (9 months) \$NZ'000
1.15	Proceeds from issues of shares	113	481
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	27,000	61,000
Net financing cash flows		27,113	61,481
Net increase (decrease) in cash held		4,212	(1,333)
1.21	Cash at beginning of quarter/year to date	9,768	14,886
1.22	Exchange rate adjustments to item 1.21	(146)	281
1.23	Cash at end of quarter/year to date	13,834	13,834

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	13,834	9,768
4.2	Deposits on call	-	-
4.3	Bank overdraft	-	-
4.4	Short term deposits	134,000	161,000
Total	Cash and short term deposits at end of quarter	147,834	170,768

Payments to directors of the entity and associates of the directors

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

		Current quarter \$NZ'000
1.24	Aggregate amount of payments to the parties included in item 1.2	535
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
- 238,490 shares were issued as part consideration for the acquisition of Monchilla Inc. (see item 5 for further detail)
- 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

	Acquisitions	Disposals
5.1 Name of entity	Monchilla Inc.	-
5.2 Place of incorporation or registration	United States of America	-
5.3 Consideration for acquisition or disposal	NZ\$5.3 million cash and 238,490 shares	-
5.4 Total net assets	An independent valuation of Monchilla Inc.'s intangible assets is underway	-
5.5 Nature of business	Online payroll software	-

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 January 2015

Ross Jenkins
CFO

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