Rule 4.7B

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

Name of entity

Xero Limited

ABN	Quarter ended
160 661 183 (ARBN)	30 September 2013

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 2013.

Net cash outflows for the current quarter were NZ$13.1 million compared with NZ$9.7 million for the June 2013 quarter, driven by a significant increase in investing activities being internal software development and new office fit-outs in San Francisco and Denver USA.

There was a small increase in operating cash outflows from the prior quarter with increased activity levels driving increased receipts from customers and higher payments for other working capital and advertising and marketing expenditure. Staff cash costs were lower as the June 2013 quarter included cash bonus payments in respect of the previous financial year.

In October 2013, Xero announced a capital raise of NZ$180 million through the issue of 9.92 million ordinary shares at a price of NZ$18.15. The cash balance as at the date of this report is in excess of NZ$230 million. Xero will release its Interim Report in November.

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		15,764	28,729
1.2	Payments for	(a) staff costs	(7,186)	(17,309)
		(b) advertising and marketing	(4,189)	(6,279)
		(c) research and development	-	-
		(d) leased assets	(933)	(1,660)
		(e) other working capital	(8,805)	(13,871)
1.3	Dividends received		-	-
1.4	Interest received		413	1,166
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		(63)	(136)
1.7	Other - Government grant revenue		481	481
	Net operating cash flows		**(4,518)**	**(8,879)**

		Current quarter $NZ'000	Year to date (6 months) $NZ'000
1.8	Net operating cash flows (carried forward)	**(4,518)**	**(8,879)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(6,777)	(10,582)
	(d) physical non-current assets	(1,690)	(2,524)
	(e) other non-current assets	(161)	(848)
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	**(8,628)**	**(13,954)**
1.14	**Total operating and investing cash flows**	**(13,146)**	**(22,833)**
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares	-	-
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 - Issue costs	-	-
	Net financing cash flows	**-**	**-**
	Net increase (decrease) in cash held	**(13,146)**	**(22,833)**
1.21	Cash at beginning of quarter/year to date	68,849	78,244
1.22	Exchange rate adjustments to item 1.21	(371)	(79)
1.23	**Cash at end of quarter**	**55,332**	**55,332**

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	151
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 director's fees and salaries paid in the quarter.

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	-	-

Reconciliation of cash

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 on hand and at bank	18,032	8,764
4.2	Deposits at call	-	1,785
4.3	Bank overdraft	-	-
4.4	Term deposits	37,300	58,300
	Total: cash at end of quarter (item 1.23)	**55,332**	**68,849**

Acquisitions and disposals of business entities during quarter

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
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 2013

Ross Jenkins
CFO