



PRESS RELEASE, 8 NOVEMBER 2007

XERO LIVE LIMITED – UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

XERO LIVE LIMITED – RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period	6 months to 30 September 2007
Previous Reporting Period	3 months to 30 September 2006

	Amount (\$NZ'000s)	Percentage change (%)
Revenue from ordinary activities	194	Not applicable*
Profit from ordinary activities after tax attributable to shareholders	(1,725)	Not applicable*
Net Profit available to shareholders	(1,725)	Not applicable*

*There was no revenue for the previous reporting period.

	Amount per security
Interim dividend for the half year to 30 September 2007	Nil
Record Date	Not applicable
Dividend Payment Date	Not applicable

Audit – The half year financial statements attached to this report have been reviewed and are not subject to any qualification.

Comments – Refer to the following section for commentary

Performance Highlights for the half year to 30 September 2007

(No comparable numbers or percentage changes are shown in this section as prior period information would not be meaningful in this situation)

- Revenue from subscriptions of \$24k
- 204 paying customers with 240 organisations and 404 users
- Operating costs for suppliers and employees of \$2.2m
- 41 employees
- A net loss for the six month period of \$1,725k reflecting the substantial investment in building software functionality and sales and marketing capability
- Cash and bank balances of \$12.6m
- Xero moved to General Release in August 2007 and continues to add software functionality on a 3-4 week basis in line with its planned delivery cycle
- 52 accounting partners, with 95 accounting firms having received Xero training
- Delivery of automated bank feeds for customers from three major trading banks in addition to the ASB, being Kiwibank, ANZ and National Bank

The operating revenue from customer subscriptions was \$24k for the six months, the first period in which Xero collected revenue from customer subscriptions. In addition, Xero received grant funding from New Zealand Trade & Enterprise and the Foundation for Research Science & Technology of \$170k. Interest earned on bank deposits was \$319k.

Payments to suppliers and employees totalled \$2.2m for the six-month period compared to \$129k for the previous reporting period.

In a very tight labour market, Xero continued successfully to hire high-quality employees to join its multi-disciplined team. At the end of the period the number of employees totalled 41 and within that the product development team has grown from 9 to 22. This is close to the planned headcount for the period.

The costs associated with the development of operations to date are in line with forecasts issued in the Offer Document.

The result for the six months was a net loss before tax of \$1,725k.

Cash flow and balance sheet

The net cash used for operations amounted to \$1,750k compared to \$128k for the previous reporting period. These increased costs are primarily attributable to the increase in staff in all areas of operations, particularly product development and sales and marketing. Projected expenditure for the remainder of the financial period is expected to be as previously forecasted.

Cash and bank balances at the end of the period were \$12.6m.

Business development activities in the UK and Australia are at an initial stage and these costs are expected to be in line with the previous forecast of \$1.2m for the year.

New Zealand

Software

Xero continued to release high-quality software on a 3-4 week basis in line with its planned delivery cycle. This frequent release of functionality is underpinned by Xero's unique software as a service business model, where software updates are delivered over the internet at no additional cost to the end user.

Xero achieved a key milestone when the software moved from Limited Release to General Release in August 2007. The shift to General Release demonstrated that the Company had the systems and processes in place for customer self service. This included completion of back-office systems, in particular, automated registration and provisioning of new customer accounts, customer billing (including the option to pay by credit card) and integrated customer support systems.

Other development milestones included the provisioning of and migration to a production hosting infrastructure and the introduction of an automated Xero "demo" for prospective customers wishing to trial the software immediately.

The quality and usability of the Xero software and the Company's efforts to date have been documented in 14 case studies featuring Xero customers across different industries. In addition, case studies featuring Xero were commissioned by Microsoft New Zealand and by Microsoft Corporation in the United States.

Xero has received the following awards to date:

- International Technium Challenge business planning competition, May 2007
- Microsoft New Zealand Partner Awards, September 2007 – Software Solution of the Year and Overall Small Business Partner Solution of the Year
- Telecommunications Users Association of New Zealand Innovation Awards, October 2007 – Commerce Award and overall Innovation Award
- PricewaterhouseCoopers Hi-Tech Awards, October 2007 – PR/Marketing Campaign for Xero's strategy around its \$15 million share offer to list on the NZX; the Endace Young Achiever Award for Chief Technology Officer Craig Walker; and one of two NZX Entrepreneur Awards to the Chief Executive Officer, Rod Drury, who took this title for the second year in a row.

Banking relationships

In September, Xero implemented secure host-to-host data connections with an additional three major banks – Kiwibank, ANZ and National Bank. An equivalent service has been available with ASB since March 2007. Xero is currently working with other banks to also provide this service.

Xero is the only accounting system in New Zealand available directly to small businesses that offers this service.

The service fully automates the importation of bank transactions into Xero each day, eliminating data entry and saving time for users.

Marketing

Xero is taking a "three-pronged" approach to marketing. The focus in the period has been on accountants. For the second half of the year this focus will move to targeting selected vertical industries and establishing broader horizontal marketing programmes.

Accountants

Early research indicated that accountants are key influencers to the small business accounting software purchase.

Since Xero's IPO the Company received a better than expected response to its product from the accounting community. This influenced the sales and marketing strategy to initially focus on accountants. The programme included a nationwide road show and nationwide accountant training, which resulted in 95 firms trained to use Xero, and 52 firms signed up as Xero partners by the end of the period.

UK and Australia

UK market entry activities have been initiated by Xero co-founder Hamish Edwards who is currently based in the UK.

Australian market entry activities began in October.

Customers and average revenue per customer

Xero's New Zealand pricing is \$50 per GST registered organisation per month and \$10 per non-GST registered organisations per month.

As at 30 September 2007, Xero had 204 paying customers with 240 organisations and 404 users. Average revenue per customer for reporting this period was \$54.

Xero's initial focus on features requested by accountants means some planned functionality in the product roadmap that provide opportunities for increased customer revenue have not yet been released. Therefore planned average per customer revenue was lower than planned for the period.

In addition, the Company has identified a number of new opportunities that leverage its software development investment to date. These will allow it to offer additional products at varied price points designed to increase revenue over the remainder of the financial year and beyond.

The industry outlook is increasingly positive with technology analyst IDC predicting strong growth for software as a service, including commentary that the real growth potential in the next five years will lie in the small business market and for solutions designed specifically for small businesses, rather than scaled down enterprise solutions.

Summary

The Directors remain comfortable with the prospective financial information included in the Offer Document.

At this early stage of its development, Xero remains focused on keeping costs in line with the forecasts contained in the Offer Document while continuing to build the foundations for scale.

With the product and operational foundations in place and capability established in the New Zealand accounting community, the focus for Xero is now on driving market awareness of Xero to small businesses, in time for the traditional accounting system changeover period around March each year.

Xero will continue to refine its strategy as it gains experience to ensure it delivers long-term value to shareholders.

XERO LIVE LIMITED - INTERIM INCOME STATEMENT

	Unaudited six months ended 30 September 2007 (\$000s)	Unaudited three months ended 30 September 2006 (\$000s)	Audited year ended 31 March 2007 (\$000s)
Operating revenue	194	-	-
Operating expenses	2,232	129	1,169
Operating deficit	(2,038)	(129)	(1,169)
<i>Other income (expenses)</i>			
Other income	28	-	115
Interest income	319	1	5
Interest expense	(3)	-	-
Loss on foreign exchange	(31)		
Net surplus before income tax	(1,725)	(128)	(1,049)
Income tax	-	-	-
Net surplus after income tax	\$(1,725)	\$(128)	\$(1,049)

The accompanying notes form an integral part of these interim financial statements

XERO LIVE LIMITED – INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30 September 2007 (\$'000s)	Unaudited three months ended 30 September 2006 (\$'000s)	Audited nine months ended 31 March 2007 (\$'000s)
Equity at the beginning of the period	1,732	-	-
Recognised revenues and expenses	(1,725)	(128)	(1,049)
Net (Loss) after tax	(1,725)	(128)	(1,049)
Total recognised revenues and expenses	(1,725)	(128)	(1,049)
<i>Other movements</i>			
Issue of ordinary shares	15,000	370	2,781
Cost of IPO	(1,094)	-	-
Equity at the end of the period	13,913	242	1,732

The accompanying notes form an integral part of these interim financial statements

XERO LIVE LIMITED - INTERIM BALANCE SHEET

	Unaudited six months as at 30 September 2007 (\$000s)	Unaudited six months as at 30 September 2006 (\$000s)	Audited year as at 31 March 2007 (\$000s)
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	12,625	218	1,514
GST	135	3	33
Tax asset	98	1	2
Deferred IPO costs	-	-	82
Accounts receivable and other assets	99	-	50
Total current assets	12,957	222	1,681
<i>Non current assets</i>			
Property plant and equipment	402	20	286
Intangibles	536	-	39
Other non-current assets	300	-	-
Total non-current assets	1,238	20	325
Total assets	14,195	242	2,006
LIABILITIES			
<i>Current liabilities</i>			
Payables and accruals	254	-	243
Finance Lease - current portion	6	-	4
Total current liabilities	260	-	247
<i>Non-current liabilities</i>			
Finance lease	22	-	27
Total non-current liabilities	22	-	27
Total liabilities	293	-	274
Net assets	13,913	242	1,732
EQUITY			
Share capital	16,687	370	2,781
Retained earnings	(2,774)	(128)	(1,049)
Total equity	13,913	242	1,732

The accompanying notes form an integral part of these interim financial statements

XERO LIVE LIMITED - INTERIM STATEMENT OF CASH FLOWS

	Unaudited six months ended 30 September 2007 (\$000s)	Unaudited six months ended 30 September 2006 (\$000s)	Audited year ended 31 March 2007 (\$000s)
Operating activities			
<i>Cash was provided from</i>			
Receipts from customers	16	-	-
GST received	107	3	-
Interest received and other income	493	1	97
	616	4	97
<i>Cash was applied to</i>			
Payment to suppliers and employees	2,263	131	1,033
Other tax paid (GST, RWT)	97	1	17
	2,360	132	1,050
Net cash flow from operating activity	(1,744)	(128)	(953)
Investing activities			
<i>Cash was applied to</i>			
Purchase of property plant and equipment	(188)	(24)	(276)
Capitalised development costs	(486)	-	-
Intangible assets	(52)	-	-
Loans to directors	300	-	-
Payments for Investments	-	-	(39)
Net cash flow from investing activities	(1,026)	(24)	(315)
Financing activities			
<i>Cash was provided from</i>			
Issue of ordinary shares	15,009	370	2,800
	15,009	370	2,800
<i>Cash was applied to</i>			
Cost of share issues	1,094	-	19
Finance lease repayments	2	-	-
	1,096	-	19
Net cash flow from financing activities	13,913	370	2,781
Net increase (decrease) in cash held	11,143	218	1,513
Foreign currency translation adjustment	(31)	-	-
Cash at the beginning of the period	1,513	-	-
Cash at the end of the period	12,625	218	1,513
Composition of cash			
Cash and bank balances	11,961	218	1,513
Foreign currency held	664	-	-
	12,625	218	1,513

The accompanying notes form an integral part of these interim financial statements

XERO LIVE LIMITED - INTERIM STATEMENT OF CASH FLOWS

	Unaudited six months ended 30 September 2007 (\$000s)	Unaudited six months ended 30 September 2006 (\$000s)	Audited year ended 31 March 2007 (\$000s)
Reconciliation of net surplus/(loss) to net cash flows from operating activities			
Reported result after tax	(1,725)	(128)	(1,049)
Items not involving cash flow			
Depreciation expense	54	2	20
Amortisation of capitalised development costs	49	-	-
Foreign currency revaluation	31	-	-
	134	2	20
Impact of changes in working capital items			
Accounts receivable	(48)	-	(50)
Trade creditors and accruals	11	-	243
IPO Cost	82	-	(82)
GST receivable	(102)	(3)	(33)
Tax asset	(96)	1	(2)
	(153)	(2)	76
Net cash flow from operating activities	(1,744)	(128)	(953)

The accompanying notes form an integral part of these interim financial statements

Notes to the Interim Financial Statements

Corporate information

The financial statements presented for Xero Live Limited are for the six months ended 30 September 2007. In accordance with NZ IAS 34 comparative financial statements have been included for the comparable interim period for the immediately preceding financial year. As the Company was incorporated on 6 July 2006, this represents approximately 3 months.

Accounting policies

The accounting policies used in preparation of the unaudited financial statements are consistent with those used in the preparation of the audited financial statements for the first nine months of operation ended 31 March 2007, and for the comparable financial statements for the three months to 30 September 2006.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand Equivalents to International Financial Reporting Statements (“NZ IFRS”), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (“IFRS”).

Revenue

	Unaudited six months ended 30 September 2007 (\$000s)	Unaudited six months ended 30 September 2006 (\$000s)	Audited year ended 31 March 2007 (\$000s)
Operating revenue			
Sales to customers	24	-	-
Government grants received	170	-	88
Other income	28	-	32

Operating lease commitments

The Company has entered into commercial leases on office premises in Auckland and Wellington.

	30 September 2007 \$(000s)	30 September 2006 \$(000s)	31 March 2007 \$(000s)
Future minimum rentals payable under non-cancellable operating leases			
Until 31 March 2008	117	-	177
After 31 March 2008 but not more than 5 years	709	-	709
More than 5 years	133	-	133
Total lease commitments	959	-	1,019

The Company has entered into a commercial sublease agreement for office premises at 20 Beaumont Street in Auckland. This sublease will expire on 28 January 2008. The Company is currently in negotiations to enter into a new direct lease for the same premises to commence upon expiration of the sublease.

Related party transactions

The Company made loans to three of the Independent Directors to enable them to purchase ordinary shares at the initial public offering. The shares carry full voting rights.

The loans carry a rate of interest of 4% per annum and will be repayable after five years or may be repaid earlier at the discretion of the Independent Directors. Xero will not forgive the loans, irrespective of share price performance.

	Loan Amount (\$)	Number of Shares
Loans to directors		
Phil Norman	100,000	100,000
Graham Shaw	100,000	100,000
Guy Haddleton	100,000	100,000

Equity

On 5 June 2007 the Company successfully completed an initial public offering of ordinary shares and listing the New Zealand Stock Exchange. The Company issued 15,000,000 shares at \$1.00 per share. The net amount raised after transaction costs was \$13,906k.

Capital commitments

The Company has not entered into any capital commitments (31 March 2007: nil; 30 September 2006: nil).

Contingent liabilities

At 30 September 2007, there were no contingent liabilities (31 March 2007: nil; 30 September 2006 :nil)

Segment reporting

The Company predominately operates in one business segment, being the provision of online accounting software, from one geographical location, being New Zealand.

Subsequent events

There are no subsequent events after 30 September 2007.

Earnings per security

	Unaudited six months ended 30 September 2007	Unaudited six months ended 30 September 2006	Audited year ended 31 March 2007
Calculation of basic and fully diluted EPS in accordance with IAS 33			
Basic EPS	(0.04)	(0.35)	(1.46)
Diluted EPS	(0.04)	(0.35)	(0.70)

Other information

Dividends (NZX Listing Rules Appendix 1.2.3(d))

Xero Live Limited has not declared a dividend and currently has adopted a policy that there will not be any dividend payments made for the foreseeable future and any surplus funds will be retained in order to capitalize on immediate and future growth opportunities.

Net Tangible Assets per security (NZX Listing Rules Appendix 1:2.3 (f))

	Unaudited six months as at 30 September 2007	Unaudited six months as at 30 September 2006	Audited year as at 31 March 2007
Net tangible assets \$000's	13,599	242	1,967
Number of ordinary securities	55,000,000	370,000	1,716,667
Net tangible asset backing per ordinary security \$	0.25	0.65	1.15

Control gained and lost over entities (NZX Listing Rules Appendix 1:2.3 (g))

Xero Live Limited has not gained or lost control over any entity during the period.

Associates and joint ventures (NZX Listing Rules Appendix 1:2.3 (h))

Xero Live Limited does not have any associate entities and does not participate in any joint venture arrangements.