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XERO LIMITED

(the Company)

Disclosure Document Relating to the Giving of Financial Assistance to Purchase Shares in the Company

(Companies Act 1993 Section 78(5))

To: All shareholders of the Company

INTRODUCTION

This document is provided to all shareholders in accordance with the requirements set out in section 79 of the Companies Act 1993. It sets out details of the proposal by the Company to make certain loans and pay certain amounts as part of the Company's restricted share plan to be made available to selected employees, which actions may constitute the giving of financial assistance by the Company in connection with the purchase of shares to be issued by the Company in terms of the Companies Act 1993.

RESTRICTED SHARE PLAN

Under the restricted share plan (the Plan) adopted by the Company in May 2008, participants are entitled to receive a number of Xero shares, subject to continued employment for a specified period. The Company will provide an interest-free loan to participants to allow them to purchase shares. The shares will be held in trust for a specified employment period following which the participant will have unrestricted ownership of the shares that are released to it at that time. The loan will be repaid with the proceeds of bonus payments made by the Company to participating employees.

The Directors have authorised the Company to provide financial assistance to employees participating in the Plan. Such financial assistance is to take the form of:

- (a) interest free loans to the participating employees and, possibly, to the trustee who holds shares that are subject to the Plan, to enable them to acquire shares under the Plan;
- (b) in the future, and if and to the extent any exercise hurdles are achieved, payments to the participating employees to fund repayment of the loans to the extent shares are released to the participating employee under the terms of the Plan and payment of related taxes; and
- (c) payment of the establishment and operating costs of the trust.

Such matters may constitute the giving of financial assistance by the Company in connection with the purchase of shares issued by the Company in terms of the Companies Act 1993.

The participating employees as at 25 June 2009 were:

ABDULLAH, Welli; ABERNETHY, Brock; BALE, Stuart; BARNETT, Matt; BEALE, Elizabeth; BLAKE, Benjamin; BLUNDELL, Mark; BRANSGROVE, Ryan; BROWN, Fletcher; BUTEL, Andrew; CARTER, Hamish; DOMICAN, Amy; EVANS, Owen; FIERLINGER, Philip; FOON, Natalie; GOEPEL, Sara; GRAHAM, Leanne; GRIGG, Alastair; HINTON, Charlotte; JACKSON, Kirk; JACKSON, Paula; JOBANPUTRA, Vimal; JOE, Rowena; LEEB, Andrea; MANI, Martin; MATTERSON, Helen; MCWHANNELL, Ross; MORRESEY, Vivian; MURISON, Jackie; NAYLOR, Jason; OSWALD, Graeme; PADIA, Abhay; PAK, Sue; PARIS, Larissa; PRITCHARD, Simon; RAWSTHORNE, Vicky; RILEY, Daren; ROBINSON, Grant; ROEBUCK, Louise; RULE, Tony; RUSHWORTH, Paul; SIGAL, Sky; SKUCE, Susanne; TUCKER, Mike; WALKER, Catherine; WALKER, Craig; WEGESIN, Jeffrey; WILDASH, Penny; WILKINSON, Simon; WILLIAMS, Paul; WINDSLOW, Karen and WYLIE, Daniel.

The consideration for which the shares are issued under the Plan is the "allocation price" which, for the shares issued in the year ended 31 March 2009, was \$1.00 per share. The allocation price is to be the higher of (i) the weighted average market price of Xero shares traded on the NZSX over the 20 business days prior to the date of issue, and (ii) any other price specified by Xero. Payment by each participant of the allocation price is funded by way of the interest free loan from the Company described above.

During the period since the last financial assistance disclosure notice was given to shareholders in May 2008, the following issue and allocation of shares occurred:

<i>Date of Issue</i>	<i>Number of restricted ordinary shares issued</i>	<i>Number of restricted ordinary shares reallocated from unallocated pool</i>	<i>Allocation price (per share)</i>
16 May 2008	460,693 Ordinary Shares	Nil	\$1.00

Further restricted ordinary share issues are expected to take place in the next 12 months: Accordingly within the next 12 months, Xero will provide financial assistance in connection with the Plan. The financial assistance will take the following form:

- Interest free loans to the participants and, to the extent necessary, the trustee of the Plan to enable them to acquire shares under the Plan. The total amount of the loans made under the Plan during the period since the last financial assistance disclosure document was given to shareholders and which remains outstanding is \$227,000. Xero is unable to determine the precise amount of any additional loans for further share issues or allocations within the next 12 months as it is dependent upon, among other things, the level of employee participation, the number of shares to be allocated, and the market price of the shares preceding the date on which such shares are allocated or deemed allocated. However, the total amount of the loans and numbers of restricted ordinary shares issued will be disclosed in or together with each subsequent financial assistance disclosure notice. If any further existing or new employee joins the Plan during the next 12 months, the financial assistance will be provided to him/her in the same manner.
- Payment of the operating costs of the Plan. The exact amount of ongoing operating costs cannot be quantified in advance and is in part dependent on the number of participants.

On 14 May 2009 Xero's Board resolved to continue to provide financial assistance to employees participating in the Plan and the trustee and for the operating costs of the Plan. The full text of the Board resolution is set out below.

The Board will suspend the giving of any financial assistance if:

- it is no longer satisfied that the Company will satisfy the solvency test set out in the Companies Act 1993 after the giving of any financial assistance; or
- the Board ceases to be satisfied that:
 - the giving of the financial assistance is of benefit to the shareholders not receiving the assistance; or
 - the terms and conditions under which the assistance is given are fair and reasonable to those shareholders not receiving the assistance.

BOARD RESOLUTION

The text of the Board resolutions authorising the Company to provide financial assistance pursuant to section 78 of the Companies Act 1993 includes as follows:

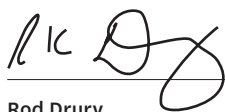
1. That the Company should provide financial assistance to employees participating in the Plan, such financial assistance to take the form of:
 - (a) interest free loans to the participating employees and, to the extent necessary, to the Trustee, to enable them to acquire shares under the Plan;
 - (b) in the future, and if and to the extent exercise hurdles are achieved, payments to the participating employees to fund repayment of the loans to the extent shares are released to the employee under the terms of the Plan and related taxes; and
 - (c) payment of the establishment and operating costs of the trust.
2. That giving the financial assistance is in the best interests of the Company and is of benefit to those shareholders not receiving the financial assistance.
3. That the terms and conditions under which the financial assistance is to be given are fair and reasonable to the Company and to those shareholders not receiving the financial assistance.
4. That, immediately after giving the financial assistance, the Company will satisfy the solvency test as defined in sections 4 and 77 of the Companies Act 1993.

REASONS FOR DIRECTORS' CONCLUSIONS IN RELATION TO FINANCIAL ASSISTANCE RESOLUTIONS

The reasons for the directors' conclusions in the resolutions concerning the giving of financial assistance in respect of the restricted share plan are:

- (a) giving the assistance is in the best interests of the Company, and is of benefit to those shareholders not receiving the financial assistance, because it increases the alignment of participating employees and shareholders and rewards participating employees for the creation of shareholder wealth, and, therefore, creates incentives for the participating employees to strive to ensure that the Company performs for the benefit of all its shareholders;
- (b) the terms and conditions are fair and reasonable to the Company and to those shareholders not receiving the assistance because the costs of providing the financial assistance are relatively small and are outweighed by the benefit of the alignment of interests that is achieved under the restricted share plan; and
- (c) schemes of this kind are considered to be normal practice in New Zealand, with many organisations providing incentive schemes to their key employees. Such schemes are recognised as appropriate practices in ensuring key talent retention in the New Zealand market.

Dated 30 June 2009



Rod Drury
Chief Executive Officer and Managing Director