



24 June 2009

Letter from the Chairman

Dear Shareholder,

I am pleased to invite you to the 2009 Annual Meeting of Xero Limited to be held on Thursday 23 July 2009, at 4pm, at the NZ Academy of Fine Arts, 1 Queens Wharf, Wellington.

Rod Drury, Chief Executive and Co-founder of Xero, and I, will comment briefly on Xero's performance during the year to 31 March 2009. We would welcome any questions you may have about the Company or its performance.

In addition, the Xero team will give a presentation of the Xero product showing progress to date and the latest features.

In the formal business, shareholders will be asked to vote on the re-election of Graham Shaw and the re-election of Guy Haddleton who are retiring by rotation. In addition, shareholders will be asked to vote on the election of Craig Winkler who was appointed to the Board in May 2009 to fill a casual vacancy. You can read about their background in the Explanatory Notes to the Notice of Meeting of Shareholders enclosed with this letter.

If you cannot attend the Annual Meeting I encourage you to complete and lodge the Proxy Form (either by post or fax) in accordance with the instructions on the back of the Proxy Form so that it reaches Link Market Services by 4.00pm (New Zealand time) on Tuesday 21 July 2009. Alternatively you can complete the Proxy Form online by going to www.linkmarketservices.com.

For those shareholders who are attending the Annual Meeting, please bring the enclosed Proxy Form with you to assist with your registration.

You are invited to join members of the Board and management for light refreshments at the conclusion of the Meeting.

I look forward to seeing you then.

Sincerely,

Phil Norman
Chairman



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of shareholders of Xero Limited ("Xero") will be held the NZ Academy of Fine Arts, 1 Queens Wharf, Wellington, New Zealand on Thursday 23 July 2009 at 4pm (New Zealand time).

Items of Business:

- a.* The Chairman's introduction;
- b.* Addresses to shareholders;
- c.* Shareholder discussion;
- d.* Resolutions.

To consider, and if thought fit, to pass the following ordinary resolutions:

1. That the Board is authorised to fix the Auditors' remuneration;
2. That Graham Shaw be re-elected as a Director of Xero;
3. That Guy Haddleton be re-elected as a Director of Xero;
4. That Craig Winkler be elected as a Director of Xero.

By order of the board.

Phil Norman
Chairman
24 June 2009

EXPLANATORY NOTES

Resolutions 2, 3 and 4: Re-election of Directors.

Non-executive Directors Graham Shaw and Guy Haddleton retire by rotation and offer themselves for re-election. Non-executive Director, Craig Winkler was appointed to the Board to fill a casual vacancy in May 2009. He stands for election. The Board unanimously supports the re-election of Graham and Guy and the election of Craig.

GRAHAM SHAW



Qualifications: B.Com CA

Non-executive Director

Independent

Term of Office: Appointed Director 9 November 2006

Board Committees: Chair - Audit and Risk Management Committee, Chair - Nominations Committee and Member - Remuneration Committee.

Graham is a chartered accountant with over 30 years experience in business. He provides commercial advisory services to SMEs, mentoring advice to senior executives and sits on a number of corporate and not-for-profit advisory boards. He is the New Zealand Major Project Director for Downer EDI Ltd and Chairman of the Chartered Professional Engineers Council.

Graham spent 10 years with KPMG advising small and medium sized enterprises. He then joined Works Infrastructure where he held a number of finance roles before being appointed Chief Executive, leading the organisation to substantial growth and successful expansion into Australia. Graham has also been CEO of Kensington Swan, one of New Zealand's national law firms.

Graham has a Bachelor of Commerce from the University of Canterbury. He is a Member of the New Zealand Institute of Chartered Accountants and the Institute of Directors in New Zealand, a Fellow of the New Zealand Institute of Management and a Companion of the Institution of Professional Engineers of New Zealand.

GUY HADDLETON



Qualifications: MBA

Non-executive Director

Independent

Term of Office: Appointed Director 16 March 2007

Board Committees: Member - Remuneration Committee and Nominations Committee.

Guy Haddleton is co-founder and chief executive of award winning, US product innovator Ascadia, which develops and markets products for consumer and business-to-business markets. Guy was founder, chairman and chief executive of enterprise performance planning software leader Adaytum, from 1990 to 2002, which after expanding from market leader in the UK to Europe, the USA and Asia Pacific, was sold in 2002, for \$US160 million.

Before Adaytum, Guy was managing director at London marketing and subscription management company TV Direct. Guy has also held senior management positions in the UK distribution industry, served as an officer in the New Zealand army and is an MBA graduate from the University of Otago.

Guy is currently based in Minneapolis, USA, after emigrating from New Zealand in 1985, but is now looking to spend a greater proportion of his time in New Zealand.

CRAIG WINKLER



Qualifications: MBA

Non-executive Director

Not independent

Term of office: Appointed Director to fill a casual vacancy 21 May 2009

Craig co-founded MYOB, a small business accounting software provider, in Australia in 1991.

Craig went on to build up a team around him that made MYOB a popular business tool in Asia, New Zealand, the US, UK and Ireland.

In 2004, MYOB merged with Solution 6 to become Australia's largest IT company with more than 1,000 staff globally. Having established a global technology brand and business, Craig resigned as Director and Chief Innovation Executive at MYOB in early 2009.

Craig was appointed to fill a casual vacancy on the Board in May 2009. The Board welcomes Craig's enthusiasm, experience and expertise in small business accounting.

IMPORTANT INFORMATION

PROXIES

Any shareholder who is entitled to attend and vote at the Annual Meeting may appoint a proxy to attend and vote instead of him or her. If you appoint a proxy you may either direct your proxy how to vote for you or you may give your proxy discretion to vote as s/he sees fit. If you wish to give your proxy discretion then you must mark the appropriate boxes on the form to grant your proxy that discretion. If you do not tick any box for a particular resolution, then your instruction will be to abstain.

If you wish to mail the Proxy Form then please send it to the Share Registrar, Link Market Services Limited, using the freepost envelope incorporated into the form. Alternatively New Zealand based shareholders may fax the form to (03) 308-1311 and overseas shareholders may fax it to 00-64-3 308-1311.

The completed Proxy Form must be received by the Share Registrar no later than 4.00pm (New Zealand time) on Tuesday 21 July 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Shareholders can elect to vote their proxies on-line. You will need to go to the website of our registry, Link Market Services Limited, www.linkmarketservices.com and click on the "Xero Annual Meeting" icon on the right hand side of the page. You will be required to enter your holder number and FIN.

ORDINARY RESOLUTION

The business for the meeting is to pass the ordinary resolutions set out in the preceding pages. An ordinary resolution is a resolution passed by a simple majority of votes of holders of shares which carry votes, entitled to vote.

VOTING

Voting entitlements for the Annual Meeting will be determined as at 5.00pm (New Zealand time) on Wednesday 22 July 2009. Registered shareholders at that time will be the only persons entitled to vote at the Annual Meeting and only the shares registered in those shareholders' names at that time may be voted at the Annual Meeting.

MORE INFORMATION

If you have any questions, or for more information, please contact Xero's Company Secretary, Linda Cox, on 04 819 4800.