



XERO SHARE PURCHASE PLAN

30 April 2009

This is an important document. If you have any doubts as to what you should do, please consult your financial adviser.

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KEY DATES

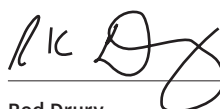
23 April 2009	Record date <i>The date on which Eligible Shareholders are determined.</i>
30 April 2009	Opening date <i>Share Purchase Plan documents mailed to eligible shareholders. Share Purchase Plan opens.</i>
18 May 2009	Closing date <i>Share Purchase Plan closes. Applications must be received by 5.00pm.</i>
25 May 2009	Allotment date <i>Shares allotted. Trading is expected to commence on NZSX on the next Trading Day.</i>
26 May 2009	Despatch date <i>Transaction confirmation despatched to participating shareholders.</i>

* Xero reserves the right to alter the key dates.

These materials do not constitute an offer of securities for sale in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act) ("U.S. Persons") and may not be sent or disseminated, directly or indirectly, in the United States or to any U.S. Person in any place. Xero's Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state of the United States and may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, any U.S. Person except in compliance with the registration requirements of the U.S. Securities Act and any other applicable state securities laws or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.



Phil Norman
Chairman



Rod Drury
Director

QUESTIONS & ANSWERS

Defined words and expressions used in this Share Purchase Plan are capitalised - see the Glossary for their definition. These Questions and Answers are a summary only and you should refer to the attached Terms and Conditions for further information.

1.0 WHAT IS THE SHARE PURCHASE PLAN (SPP)?

The SPP allows Eligible Shareholders to purchase additional ordinary shares (Shares) in Xero Limited (Xero) without incurring brokerage or other transaction costs. You are eligible to participate in the SPP (an Eligible Shareholder) if you are a shareholder of Xero and:

- you were registered as a holder of fully paid Shares at 5.00pm on the Record Date, which is 23 April 2009; and
- your registered address is in New Zealand; and
- you are not a U.S. person or acting on behalf of a U.S. person (within the meaning of the U.S. Securities Act 1933).

2.0 WHAT IS THE PRICE OF THE SHARES AND HOW MANY CAN I PURCHASE?

The price of the Shares to be issued under the SPP has been set by Xero at \$0.90 per Share, which is the same price paid by investors under Xero's recent private placement. The issue price is less than the average end of day market price of ordinary Xero Shares over the period of five business days immediately before the Record Date.

Eligible Shareholders may elect to purchase the following parcels of Shares:

\$1,000 <i>1,111 shares</i>	\$2,000 <i>2,222 shares</i>	\$3,000 <i>3,333 shares</i>	\$4,000 <i>4,444 shares</i>	\$5,000 <i>5,555 shares</i>
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You should send in a cheque or make payment by way of electronic funds transfer to Xero, in each case in New Zealand dollars for the value of the parcel selected.

All Shares issued under the SPP will be the same as ordinary Shares of Xero currently on issue. Shareholders who subscribe under the SPP will be eligible to participate in any future dividends to be declared by Xero.

3.0 WHAT IF I OWN SHARES THROUGH A TRUSTEE OR CUSTODIAN OR OWN SHARES IN MORE THAN ONE CAPACITY?

If you own Shares through a trustee or custodian, then subject to certain certification requirements and other conditions, you may instruct the trustee or custodian to purchase Shares on your behalf, up to the \$5,000 limit. If you own Shares through a trustee or custodian and also own Shares in your own name, then you may either purchase Shares yourself or instruct your trustee or custodian to purchase Shares on your behalf; you may not do both.

If you receive more than one copy of this SPP, or if you hold Xero Shares in more than one capacity (e.g., because you are both a sole and joint holder of Shares) you may only purchase Shares under one of the offer documents. You may not purchase some Shares on your own behalf and some Shares as a joint holder.

4.0 IS THIS OFFER TRANSFERABLE TO ANOTHER PERSON?

No. This offer is personal to you and non-renounceable, so you if you elect not to purchase any Shares under the SPP you may not transfer your right to purchase Shares under the SPP to anyone else.

5.0 WHAT ARE THE RISKS TO INVESTING IN THE SPP?

The market price of Xero Shares may rise or fall between the date of this offer and the date when Shares are allotted to you. As the issue price has been fixed at \$0.90 per Share, changes to the market price of Xero Shares will not have any effect on the price to be paid for the Shares to be issued under the SPP. This means that the price paid under the SPP may be higher or lower than the price at which Shares in Xero are trading on the NZSX at the time the Shares are issued under the SPP.

6.0 HOW DO I APPLY FOR SHARES UNDER THE SPP?

If you wish to participate in the SPP, follow the step-by-step instructions set out on the reverse of the enclosed personalised Application Form. Send your completed Application Form with your cheque made payable to “Xero Limited” to Xero’s share registry, or make payment by electronic funds transfer, as set out in the instructions on the Application Form. If the exact amount of money is not tendered, Xero reserves the right not to accept all or part of your payment. In those circumstances, Xero will return your application and cheque or refund all or part of your payment without interest.

You will not be able to withdraw or revoke your application once you have sent it in.

7.0 HOW LONG IS THE SPP OPEN AND WHEN WILL I RECEIVE MY SHARES?

The SPP opens on 30 April 2009 and is expected to close at 5.00pm on 18 May 2009, unless extended. If you want to participate you should ensure your Application Form and cheque or electronic funds transfer is received by 5.00pm on 18 May 2009. Please allow adequate time for mail deliveries to be received and electronic transfer transactions to be cleared into Xero’s bank account by this time. Applications received after this time may not be accepted.

You will receive Shares issued to you under the SPP on the Allotment Date, which is currently expected to be on or around 25 May 2009. Confirmation of the number of Shares issued to you under the SPP will be sent on the Despatch Date, currently expected to be on or around 26 May 2009.

TERMS & CONDITIONS

If you apply to participate in the SPP by completing and returning the Application Form, you are accepting the risk that the market price of Shares may change between the Record Date, the date at which you send in an Application Form and the Allotment Date. This means that it is possible that up to or after the Allotment Date, you may be able to buy Shares at a lower price than the Issue Price.

We encourage you to seek your own financial advice regarding your participation in the SPP.

1.0 OFFER TIMETABLE

23 April 2009 **Record date**
Eligible Shareholders registered at 5.00pm on 23 April 2009 may participate in the SPP.

30 April 2009 **Opening date**
The offer opens on 30 April 2009. This offer document is mailed to Eligible Shareholders on 30 April 2009.

18 May 2009 **Closing date**
The offer closes at 5.00pm on 18 May 2009, unless extended. Application Forms must be received by this time. Application forms may not be processed or held to be valid if they have not been received by this time.

25 May 2009 **Allotment date**
The Shares are proposed to be allotted on or around 25 May 2009.

Trading day **Commencement of trading**
after allotment *Xero expects the Shares will commence trading on the NZSX on the trading day after the Allotment Date.*

26 May 2009 **Despatch date**
Xero expects that a transaction confirmation will be despatched to you on or around 26 May 2009.

Xero has a discretion to change, at any time, any of the Closing Date, the Allotment Date and the Despatch Date (notwithstanding that the offer has opened, or Application Forms have been received) by lodging a revised timetable with NZX.

2.0 ELIGIBLE SHAREHOLDERS

- 2.1 You may participate in the SPP if you are an Eligible Shareholder. An Eligible Shareholder is a person who, at 5.00pm on the Record Date, was recorded in Xero's share register as being a registered holder of Shares and having an address in New Zealand, unless that person holds Shares on behalf of another person who resides outside New Zealand. For the avoidance of doubt, no U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933) will be an Eligible Shareholder.
- 2.2 Joint holders of Shares are taken to be a single registered holder of Shares for the purposes of determining whether they are an Eligible Shareholder and the certification on the Application Form is taken to have been given by all of them.
- 2.3 If you are an Eligible Shareholder, your rights under this offer are personal to you and non-renounceable, so you may not transfer them.

3.0 OFFER TIMETABLE

- 3.1 The issue price for Shares under the SPP is \$0.90 per Share. This price was fixed by the directors of Xero at or around the time that the board of directors fixed the price payable by investors in Xero's recent private placements. The issue price is less than the average end of day market price of Shares over the period of five business days immediately before the Record Date.
- 3.2 If you are an Eligible Shareholder you may apply to purchase one of the following parcels of Shares, by ticking the appropriate box on the Application Form:

\$1,000 1,111 shares	\$2,000 2,222 shares	\$3,000 3,333 shares	\$4,000 4,444 shares	\$5,000 5,555 shares
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- 3.3 Eligible Shareholders may only apply for a maximum of 5,555 Shares under the SPP and may only make one application. This applies to all Eligible Shareholders, including those who receive more than one offer under the SPP (for example, because they hold Shares in more than one capacity) and including whether the Eligible Shareholder is applying through a Custodian or on his or her own behalf. Accordingly, if you own Shares through a trustee or custodian and also own Shares in your own name, then you may either purchase Shares yourself or instruct your trustee or custodian to purchase Shares on your behalf; you may not do both.

4.0 CUSTODIANS

- 4.1 Any Eligible Shareholder that:
- (a) is a trustee corporation or a nominee company and holds Shares in Xero by reason only of acting for another person in the ordinary course of business of that trustee corporation or nominee company; or
 - (b) holds Shares in Xero by reason only of being a bare trustee of a trust to which the Shares are subject,
- is a custodian (Custodian) under the SPP.
- 4.2 Custodians may apply to purchase Shares for greater than \$5,000 but only up to the total value of Shares applied for by each beneficial owner for which the Custodian acts as a Custodian. Custodians must confirm to Xero that they are holding Shares as a Custodian for beneficial owners by providing the written certification to Xero described in clause 4.3 below. Each beneficial owner may only direct the Custodian to apply on behalf of that beneficial owner for one of the parcels described in clause 3.2. A separate application form must be completed for each beneficial owner.
- 4.3 If a Custodian applies to purchase Shares on behalf of a beneficial owner, the Custodian must certify to Xero in writing together with the application:
- (a) that the Custodian holds Shares directly or indirectly as a Custodian for beneficial owners;
 - (b) the number of those beneficial owners;
 - (c) in respect of each of the beneficial owners, how many Shares the beneficial owner or the beneficial owner's agent has instructed the Custodian to accept on behalf of that beneficial owner;
 - (d) that the Custodian undertakes not to accept on behalf of any of those beneficial owners for which it acts directly or indirectly as a Custodian, in any 12 month period, under this SPP or any similar arrangement, Shares in Xero the total issue price of which is more than \$5,000; and
 - (e) that the beneficial owner on whose behalf the Custodian is submitting an application is not making an application as an Eligible Shareholder for Shares under the SPP, and no other Custodian is submitting an application under the SPP for that beneficial owner.

5.0 COMPLETING THE APPLICATION FORM AND PAYING FOR SHARES

- 5.1 If you wish to participate in the SPP, you must complete the Application Form and provide a cheque or make an electronic funds transfer in accordance with the instructions on the Application Form. Payments must be drawn on a New Zealand bank account.
- 5.2 Eligible Shareholders should send in a cheque make an electronic funds transfer for the value of the Share parcel selected.
- 5.3 To be valid, applications must be received by Link Market Services by 5.00pm on 18 May 2009. Applications received after that date will only be accepted at Xero's discretion. Application forms should be sent, with the cheque (unless payment is being made by electronic funds transfer), to:

Xero Share Purchase Plan
c/- Link Market Services Limited
PO Box 91976
Auckland 1142

6.0 XERO'S DISCRETION TO ACCEPT OR REJECT APPLICATIONS

- 6.1 Xero has discretion to accept or reject your application to purchase Shares under the SPP, including (without limitation) if:
- (a) your Application Form is incorrectly completed or incomplete or otherwise determined by Xero to be invalid;
 - (b) your payment is dishonoured or has not been completed correctly;
 - (c) the cheque that you enclose with your Application Form or your electronic funds transfer is not denominated in New Zealand dollars for the exact amount of the parcel that you have selected on the Application Form;
 - (d) it appears that you are applying to buy more than \$5,000 (in aggregate) of Shares (except if you are a Custodian applying on behalf of more than one beneficial owner in accordance with clause 4.2);
 - (e) your Application Form is received after the Closing Date. While Xero has discretion to accept late Application Forms and payments, there is no assurance that it will do so. Late Application Forms and payments, if not processed, will be returned to you at your registered address. No interest will be paid on any application money returned to you;
 - (f) Xero believes that you are not an Eligible Shareholder or Custodian; or
 - (g) Xero considers that your application does not comply with these terms and conditions.

7.0 SIGNIFICANCE OF SENDING IN AN APPLICATION

- 7.1 If you apply to participate in the SPP by completing and returning the Application Form:
- (a) your application, on these terms and conditions, will be irrevocable and unconditional (i.e., it cannot be withdrawn);
 - (b) you certify to Xero that you are an Eligible Shareholder entitled to apply for Shares under these terms and conditions;
 - (c) you agree to be bound by the constitution of Xero;
 - (d) you certify to Xero that you are not applying for Shares under the SPP with an application price in excess of \$5,000 even though you may have received more than one offer under the SPP or received offers in more than one capacity under the SPP;
 - (e) you authorise Xero (and its officers or agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;
 - (f) you acknowledge that Xero may at any time irrevocably determine that your Application Form is valid, in accordance with these terms and conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
 - (g) you accept the risk associated with any refund that may be despatched to you by cheque to your address shown on Xero's share register;
 - (h) you agree to indemnify Xero for, and to pay to Xero within five business days of demand, any dishonour fees or other costs Xero may incur in presenting a cheque for payment which is dishonoured;

- (i) you acknowledge that none of Xero, its advisers or agents has provided you with investment advice or financial product advice, and that none of them has an obligation to provide advice concerning your decision to apply for and purchase Shares under the SPP;
- (j) you acknowledge the risk that the market price for the Shares may change between the Record Date, the date you apply for Shares under the SPP and the Allotment Date. A change in market price during this period will not affect the Issue Price but may affect the value of the Shares you receive under the SPP;
- (k) you acknowledge that Xero is not liable for any exercise of its discretions referred to in these terms and conditions; and
- (l) you irrevocably and unconditionally agree to the terms and conditions and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of the SPP.

7.2 If a Custodian applies to purchase Shares under the SPP for a beneficial owner pursuant to clause 4.2, the certification referred to in clause 7.1(d) will be taken to be given by the beneficial owner on whose behalf the Custodian is applying to purchase Shares.

8.0 THE SHARES

Shares issued under the SPP will rank equally with, and have the same voting rights, dividend rights and other entitlements as, existing fully paid Shares in Xero quoted on the NZSX.

9.0 FINANCIAL STATEMENTS

You may obtain free of charge the most recent annual report and financial statements of Xero by contacting Xero, or you may download the reports from the Xero website <http://www.xero.com>.

10.0 AMENDMENTS TO THE SPP AND WAIVER OF COMPLIANCE

10.1 Notwithstanding any other term or condition of the SPP and/or the Application Form, Xero may, at its discretion:

- (a) make non-material modifications to the SPP or such terms and conditions (in which applications for Shares under the SPP will remain binding on the applicant notwithstanding such modification and irrespective of whether an Application Form was received by Link Market Services Limited before or after such modification is made); and/or
- (b) suspend or terminate the SPP at any time prior to the issue of the Shares under the SPP. If the SPP is terminated, application monies will be refunded to applicants without interest.

10.2 Xero reserves the right to waive compliance with any provision of these terms and conditions. If Xero waives compliance with any provision of these terms and conditions, such waiver will apply to all Eligible Shareholders.

11.0 GOVERNING LAW

These terms and conditions shall be governed by and construed in accordance with the laws of New Zealand.

12.0 DISPUTES

If any dispute arises in connection with the SPP, Xero may settle it in any manner it thinks fit. It may do so generally or in relation to any particular participant, application or share. Xero's decision will be final and binding.

13.0 INCONSISTENCY

Unless otherwise determined by the directors of Xero, in the event of any inconsistency between the terms and conditions of the SPP and Xero's constitution, Xero's constitution shall prevail.

GLOSSARY

<i>Allotment Date</i>	On or around 25 May 2009, unless extended.
<i>Application Form</i>	The personalised application form relating to the SPP that you received with this SPP, including the instructions on the reverse of the form.
<i>Closing Date</i>	18 May 2009, unless extended.
<i>Custodian</i>	See clause 4.1 for the definition of “Custodian”.
<i>Despatch Date</i>	On or around 26 May 2009, unless extended.
<i>Eligible Shareholder</i>	A person who, at 5.00pm on the Record Date, was recorded in Xero’s share register as being a registered holder of Shares and having an address in New Zealand, unless that person holds Shares on behalf of another person who resides outside New Zealand. For the avoidance of doubt, no U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933) will be an Eligible Shareholder.
<i>Issue Price</i>	The price at which the Shares will be issued pursuant to the SPP, being \$0.90 per share.
<i>NZX</i>	NZX Limited.
<i>NZSX</i>	The main board equity security market operated by NZX.
<i>Opening Date</i>	30 April 2009.
<i>Record Date</i>	23 April 2009.
<i>Shares</i>	Ordinary shares of Xero Limited.
<i>SPP</i>	The Share Purchase Plan detailed in these terms & conditions.
<i>Xero</i>	Xero Limited, a company listed on NZSX.

DIRECTORY

Registered Office	Share Registry	Financial Advisers	Legal Advisers
Xero Limited	Link Market Services Limited	Cameron Partners Limited	Bell Gully
Level 1, Old Bank	Level 16, Brookfields House	HP Tower	HP Tower
98 Customhouse Quay	19 Victoria Street West	171 Featherston Street	171 Featherston Street
Wellington 6011	Auckland 1010	Wellington 6011	Wellington 6011
New Zealand	New Zealand	New Zealand	New Zealand