

# PROSPECTUS XERO LIMITED

(INCORPORATED IN NEW ZEALAND UNDER THE COMPANIES ACT 1993 WITH REGISTERED NUMBER 1830488)

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This Prospectus has been issued to facilitate an application for the admission of Xero Limited to the Official List of the Australian Securities Exchange (ASX). Only one share will be offered on the basis of this Prospectus. The Offer of that one share is solely to satisfy a regulatory requirement regarding the proposed admission of Xero Limited to the Official List of the ASX.

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**DATED: 8 OCTOBER 2012**

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## 1 CORPORATE DIRECTORY

### Directors

Rodney (Rod) Kenneth Drury – Executive Director  
Ian Samuel (Sam) Knowles – Non-Executive Chairman  
Samuel Gareth (Sam) Morgan – Non-Executive Director  
Graham John Shaw – Non-Executive Director  
Andrew Craig (Craig) Winkler – Non-Executive Director  
Craig Wesley Elliott – Non-Executive Director

### Management

Rod Drury – Chief Executive, Co-founder  
Ross Jenkins – Chief Financial Officer  
Alastair Grigg – Chief Operating Officer  
Paul Williams – General Manager Finance  
Natasha Hubbard – General Manager Human Resources  
Paula Jackson – General Manager Marketing  
Duncan Ritchie – General Manager Operations  
Leanne Graham – Country Manager (New Zealand)  
Chris Ridd – Managing Director (Australia)  
Gary Turner – Managing Director (United Kingdom)  
Jamie Sutherland – President (United States)

### Company Secretary

Ross Jenkins

### Registered Office

3 Market Lane  
PO Box 24 537  
Wellington 6142  
New Zealand  
Telephone: +64 4 819 4800  
Facsimile: +64 4 819 4801  
Website: [www.xero.com](http://www.xero.com)

### Share Registrar

#### New Zealand

Link Market Services Limited  
Level 16, Brookfields House  
19 Victoria Street  
PO Box 91 976  
Auckland 1142  
Telephone: +64 9 375 5999  
Fax: +64 9 375 5990

#### Australia

Link Market Services Limited  
Level 12, 680 George Street  
Sydney  
NSW 2000  
Australia  
Telephone: +61 2 8280 7111



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## 2 IMPORTANT INFORMATION

### 2.1 PROSPECTUS

This Prospectus is dated 8 October 2012 and was sent to ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

No securities will be offered, allotted or issued on the basis of this Prospectus in New Zealand or any other jurisdiction, other than Australia. Only one Share will be offered in Australia on the basis of this Prospectus. The Offer of that one Share is solely to satisfy a regulatory requirement regarding the proposed admission of Xero Limited to the Official List of the ASX. This Prospectus is being issued as a requirement of the application for the admission of Xero to the Official List of the ASX.

The expiry date of this Prospectus is 31 December 2012. No securities will be allotted or issued on the basis of this Prospectus after such expiry date. No person has been authorised to give any information or make any representation other than contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised.

This Prospectus is available in electronic form on the Internet at <http://www.xero.com/about/investors>. Any person receiving this Prospectus electronically may obtain a paper copy of this Prospectus (free of charge) by calling the Company on +64 4 819 4800.

Xero is listed on the NZX Main Board in New Zealand. The NZX Main Board is an equities market operated by NZX Limited. NZX Limited has not examined or approved the contents of this document.

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

### 2.2 IMPORTANT STATEMENTS REGARDING ASX LISTING

The fact that the ASX may admit Xero to its Official List is not to be taken in any way as an indication of the merits of the Company. The ASX takes no responsibility for the contents of this Prospectus.

Xero has been listed on the NZX Main Board since 5 June 2007 and has at all times complied with its continuous disclosure obligations under the NZX Listing Rules.

This Prospectus is intended to be read in conjunction with the publically available information lodged with NZX Limited. Ordinary Shares issued by Xero are quoted on the NZX Main Board, operated by NZX Limited, under the ticker code XRO. As a listed Company, Xero is subject to disclosure obligations which require it to notify certain material information to NZX Limited for the purpose of that information being made available to participants in the NZX Main Board securities market. A copy of the material information notified to NZX Limited may be viewed and obtained on its website at <http://www.nzx.co.nz/> under the ticker code XRO.

Xero has sought and obtained certain relief from ASX in respect of a number of ASX Listing Rule requirements, further details of which are set out in section 5.4.



### 2.3 FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus constitute “forward looking statements”. “Forward looking statements” includes all statements other than statements of historical facts, including Xero’s financial position, business strategy, plans and objectives for management for future operations and any statements preceded by “estimates”, “expects”, “aims”, “intends”, “can”, “may”, “anticipates”, “would”, “should”, “could”, or similar expressions or the negative thereof.

Forward looking statements involve known and unknown risks, uncertainties and other important factors beyond Xero’s control that could cause actual results, performance or achievements of Xero to be materially different from the future results, performance, or achievements expressed or implied by such forward looking statements.

Forward looking statements are based on numerous assumptions regarding Xero’s present and future business strategies and the environment in which Xero will operate in the future. Among the important factors that could cause Xero’s actual results, performance or achievements to differ materially from those in the forward looking statements include those factors in section 9 of this Prospectus titled “Risk Factors” and elsewhere in this Prospectus.

These forward looking statements speak only as at the date of this document. Except as required by applicable law or regulation, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward looking statements in this document may not occur.

### 2.4 CURRENCY

Unless otherwise specified, a reference to NZD, NZ\$ or \$ is a reference to New Zealand dollars, and a reference to AUD, AUD\$ or A\$ is a reference to Australian currency. On 28 September 2012 the NZD/AUD exchange rate was NZD\$1.00:AUD\$0.7953.



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### 3 CHAIRMAN'S LETTER

Dear Investor

Since Xero was listed on the NZX Main Board on 5 June 2007, it has built a successful online accounting business based primarily in New Zealand. As Xero has continued to grow, Xero has raised additional capital and utilised the increased revenue to successfully invest in the global growth of its business, particularly in Australia, the United States and the United Kingdom.

Australia has over 1,200 accounting partners for Xero countrywide and has recently surpassed New Zealand as the fastest growing region for Xero internationally. As a consequence, the interest in Xero as an investment opportunity has also increased. However, despite an increase in interest, cross Tasman investment has remained cumbersome. Accordingly, to facilitate Australian investors' ability to easily trade in Xero securities, the Board considers it is appropriate and desirable for Xero to seek a secondary listing on the ASX.

In addition to providing a simpler trading platform for Australian investors, an ASX listing will benefit all Xero shareholders by providing Xero with exposure to the Australian investment market – a market that is significantly bigger and more sophisticated than the New Zealand investment market.

As Xero is already well funded it will not be seeking to raise any funds as part of the listing. The one share issued under this Prospectus is solely to satisfy regulatory requirements as part of the listing process.

In summary, I would encourage you to read this Prospectus and consider Xero as an exciting growth stock with substantial global potential.

Sam Knowles

Chairman – Xero Board



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## 4 COMPANY OVERVIEW

### 4.1 THE COMPANY

Xero was incorporated on 6 July 2006 under the New Zealand Companies Act 1993 by Rod Drury, an experienced New Zealand based technology entrepreneur who has a record of building successful software businesses, and Hamish Edwards, the owner of a small and medium sized enterprises accounting business and a published commentator on such enterprises.

Xero was admitted to trading on the NZX Main Board on 5 June 2007. Xero successfully completed a placement of 15,000,000 Shares at NZD\$1.00 per Share for gross proceeds of approximately NZD\$15 million from its initial public offering in 2007. Subsequently Xero has raised a further NZD\$68 million via a number of private placements and share purchase plans. Xero is a fast growing company with operations in Wellington, Auckland, Melbourne, Canberra, Sydney, Brisbane, San Francisco and Milton Keynes.

Xero has a substantial partner and customer base in Australia and, accordingly, with this Prospectus, seeks a secondary listing on the ASX to make it more convenient for Australian based interested parties, including partners and customers, to acquire Shares in Xero.

#### Employee Restricted Share Plan

In May 2008 the Xero Limited Employee Restricted Share Plan (RSP) was introduced for selected executives and employees of the Xero Group. Under the RSP, ordinary Shares in Xero Limited are issued to a trustee, Xero Trustee Limited, a wholly-owned subsidiary, and allocated to participants, on grant date, using funds lent to them by the Company.

Under the RSP, the Shares are beneficially owned by the participants. The length of retention period before the Shares vest is between one and three years. The price for each Share issued during the year under the RSP is the higher of the volume-weighted average end-of-day market price reported on the NZX Main Board for the 20 business days immediately preceding the date on which the Share is allocated or the invitation price.

If the individual is still employed by the Xero Group at the end of this specific period, the employee is given a cash bonus that must be used to repay the loan and the Shares are then transferred to the individual. The number of Shares awarded is determined by the Remuneration Committee of the Board of Directors. The Group has no legal or constructive obligation to repurchase the Shares or settle the RSP for cash.

#### Employee (USA) Share Option Scheme

The Board approved the establishment of the Xero Limited Employee (USA) Share Option Scheme (the Scheme) in January 2012. The Scheme has been established to enable key contributors to the potential success of the Company to share in that success by giving them a stock option to purchase ordinary Shares in the Company at an agreed price. The Scheme provides participants with an opportunity to benefit financially if the Company is successful and the Shares become worth more than the agreed exercise price.

The options are granted by Xero issuing an option certificate to the employee that will include, amongst other things, the date of the grant, the number of options granted (one option gives the right to purchase one Share), the exercise price at which the Shares may be purchased and the timing of the entitlement to exercise the options. If an employee ceases to be employed by Xero, any unvested and unexercised options will automatically cancel and any vested options as at the date of that employee's termination may only be exercised for 30 days following such termination (or six months if termination is due to death or disability).

The Scheme has a term of 10 years (unless terminated earlier) and the maximum aggregate number of Shares that may be granted under the Scheme is 2,200,000 Shares.



#### 4.2 COMPANY STRUCTURE

Xero has the following wholly owned subsidiaries:

Subsidiary	Principal Activity	Country of Incorporation
Xero Australia Pty Limited	Limited risk distributor	Australia
Xero Inc	Limited risk distributor	United States
Xero (UK) Limited	Limited risk distributor	United Kingdom
Xero Trustee Limited	Trustee	New Zealand
Max Solutions Holdings Limited	Intermediate Holding company	New Zealand
Max Solutions Limited	Business software developer	New Zealand
Spotlight Workpapers Limited	Business software developer	New Zealand
My Workpapers Limited	Non-trading	New Zealand

#### 4.3 PRODUCT

Xero provides an online accounting system that provides small businesses with a clear picture of the money that flows in and out of their businesses, helping them maintain an accurate picture of their financial situation at all times via the Internet. Using Xero, small businesses can import their bank transaction information, which saves significant time and moves small businesses into real time accounting. As with online banking, Xero can be accessed through the Internet anywhere at any time.

The Xero system currently includes features such as bank transaction importing, a cashbook, a general ledger, invoicing, accounts receivable, accounts payable, fixed assets, payroll (Australia), GST, financial reporting and management of expense claims.

In addition to the small business accounting system, Xero also provides a range of tools to enable accounting practices to more efficiently produce both monthly and annual accounts for their business clients.

Xero also has a personal finance management product, providing a simple method of accounting for an individual's or household's cashflows.

A summary of the various products is outlined in the diagram below.







#### 4.4 CURRENT OPERATING RESULTS – 30 SEPTEMBER 2012

Outlined below are the most recent Operating highlights – these demonstrate the growth being achieved by the Company.

- First half operating revenue to 30 September 2012 is expected to exceed \$16.7m. This compares to \$7.9m for the corresponding period last year.
- Annualized Monthly Committed Revenue (MCR) at 30 September 2012 is \$38.7m, up from \$18.0m at 30 September 2011, or +115% growth.
- Offshore revenue is 58% of MCR.
- Grown staff from 148 to 278 in the last year.
- Paying customers are at 111,800 at 30 September 2012, up from 51,300 at the same date last year, or +118% growth.

##### Regional customer breakdown

Paying customers	As at 30 Sept 2012	As at 30 Sept 2011	Year on year change
New Zealand	57,300	30,600	+87%
Australia	32,500	10,400	+213%
United Kingdom	15,100	7,300	+107%
United States/Global	6,900	3,000	+130%
<b>Total</b>	<b>111,800</b>	<b>51,300</b>	<b>+118%</b>

##### Commentary

Xero has continued its growth agenda for the first six months of FY 2013. Over the past year 130 new jobs have been created, significantly increasing the development and support capability in NZ and expanding the organisation in its key markets of Australia, the United Kingdom and the USA.

Xero's paying customer base has grown an additional 118% to 111,800 as at 30 September 2012. The Australian region has shown particularly strong growth, with a tripling of the numbers of paying customers, on the back of the integrated payroll features and significant growth in numbers of accounting and bookkeeping partners.

Xero has increased its capability to support this significant growth and provide a platform for continued rapid expansion. Staff numbers have grown from 140 to 278 during the year to 30 September 2012, with over a quarter of those now offshore. New offices have been established in San Francisco, Canberra and Milton Keynes and Xero has relocated to larger premises in Melbourne, Auckland and Wellington.

Scaling the business so that it can gain traction in large overseas markets has, so far, gone to plan. The Company is continuing to invest in its internal infrastructure, systems and personnel around the globe in order to build a platform for significant growth in offshore markets and maintain momentum. This will result in continued losses, at least for the next year.

Despite these projected losses, Xero considers that its strong cash position, product innovation, focus on developing a channel of advisors, thriving ecosystem and five years of investment, place Xero in a strong position to seek to achieve its goal of building the business to support customer acquisition in large overseas markets and gain a million customers worldwide.

#### 4.5 FINANCIAL POSITION

Details of the Company's financial position are set out in section 8.



## 5 ASX LISTING

### 5.1 OVERVIEW

Xero is currently listed on the NZX Main Board. The NZX Main Board is an equities market operated by NZX Limited. Xero is now seeking a secondary listing on the ASX (by way of a compliance listing as a foreign entity).

This Prospectus is prepared by the Company in connection with its application for admission to the Official List of the ASX. The Company has lodged its application for admission to the Official List of the ASX on or about the date of this Prospectus (ASX Admission Application).

### 5.2 RATIONALE FOR SECONDARY LISTING

Xero considers that the proposed Secondary Listing has the following strategic benefits for the business:

- improved visibility, product awareness and marketing opportunities within Australia.
- improved liquidity;
- improved access to capital markets; and
- improved ability to invest for Australian based interested parties.

### 5.3 NO FUND RAISING

Xero has enough working capital to carry out its current business plans and objectives. The one Share to be offered under this Prospectus is solely to comply with regulatory requirements and does not represent fund raising.

The Company has not raised any capital, including in Australia, in the three months prior to the date of this Prospectus and will not raise capital in Australia in the three months after the date of this Prospectus.

### 5.4 ASX WAIVERS & DISCLOSURE

The Company has applied for waivers and confirmations from the ASX which are standard for a New Zealand company listed on the ASX (including confirmation that ASX will accept accounts denominated in New Zealand dollars and prepared and audited in accordance with New Zealand generally accepted accounting principles and New Zealand auditing standards).



## 6 STOCK EXCHANGE INFORMATION

Xero's Shares are currently quoted on the NZX Main Board, operated by NZX Limited, under the ticker code XRO and have traded on the NZX Main Board since the Company's admission on 5 June 2007. Details of the trading history for the last 12 months are shown below:

Table 6.1 – Share Price Range

### Prices (12 Months)

Highest Price	NZD\$5.80 (approximately AUD\$4.61)
Lowest Price	NZD\$2.41 (approximately AUD\$1.92)
Closing Price (as at 30 September 2012)	NZD\$5.20 (approximately AUD\$4.14)

### 6.1 CAPITAL STRUCTURE

Ordinary Shares	107,188,024
Warrants	N/A
Options	582,397
Fully diluted	107,770,421

Table 6.2 – Share Issues since Xero's listing on the NZX Main Board

As at the date of this Prospectus Xero has 107,188,024 Shares on issue.

Date of Issue	No. of Shares Issued (000s)	Total Shares on Issue (000s)	Explanation
June 2007	15,000	55,000	IPO shares
November 2009	461	55,461	Employee Restricted Share Plan issue
April 2009	5,777	61,238	Private Placement
May 2009	20,000	81,238	Private Placement
May 2009	6,495	87,733	Share Purchase Plan
June 2010	598	88,331	Employee Restricted Share Plan issue
October 2010	2,681	91,012	Private Placement
June 2011	550	91,562	Employee Restricted Share Plan issue
August 2011	606	92,168	Issue of Shares for Acquisition of Assets
December 2011	393	92,561	Issue of Shares to selected executives
February 2012	7,273	99,834	Private Placement
March 2012	5,686	105,520	Share Purchase Plan
March 2012	1,262	106,782	Issue of Shares for Acquisition of Company
July 2012	58	106,840	Issue of Shares for Acquisition of Company
July 2012	348	107,188	Employee Restricted Share Plan issue



## 6.2 POTENTIAL ISSUE OF ORDINARY SHARES

Xero has 582,397 options outstanding exercisable over the Shares, as follows:

Table 6.2 – Options on Issue

Date of Grant	Exercisable From	Exercisable To	Exercise Price (NZD\$)	Conversion to Shares (000s)
January 2012	January 2013	January 2018	2.75	200
April 2012	April 2013	April 2016	3.82	140
July 2012	July 2013	July 2016	5.31	142
October 2012	October 2013	October 2016	4.97	100
<b>Total</b>				<b>582</b>

## 6.3 SUBSTANTIAL SHAREHOLDINGS

The following table sets out the spread of Shareholders as at 30 September 2012

Table 6.5 – Shareholders Spread

Range	No. of Shareholders	Shares (000s)	Percentage %
0–1,000	803	448	0.4
1,001–5,000	1,018	2,758	2.6
5,001–10,000	495	3,661	3.4
10,001–100,000	550	12,198	11.4
100,001 and over	58	88,123	82.2
<b>Total</b>	<b>2,924</b>	<b>107,188</b>	<b>100.0</b>



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The following table sets out the top 20 Shareholders as at 30 September 2012.

Table 6.6 – Top 20 Shareholders

	Name	Amount	Percentage %
1	Anna Drury & Kenneth Drury (Rod Drury)	22,553,113	21.0
2	Givia Pty Limited (Craig Winkler)	20,954,545	19.5
3	Hamish Edwards & Tineke Edwards & Andrew Finch	6,125,632	5.7
4	Jasmine Investment Holdings Limited (Sam Morgan)	6,122,609	5.7
5	New Zealand Central Securities Depository Limited	5,190,847	4.8
6	Valar Ventures LP	4,135,870	3.9
7	Bank of New Zealand	2,177,778	2.0
8	Nicola Wilson & David Wilson & Christopher Ritchie	1,812,819	1.7
9	Anna Grigg & Alastair Grigg & Claymore Trustees Limited	1,351,776	1.3
10	Graham Shaw & Delwyn Shaw	1,336,010	1.2
11	Xero Limited (Employee Restricted Share Plan)	1,157,562	1.1
12	FNZ Custodians Limited	985,585	0.9
13	W5 Limited	965,561	0.9
14	Nelson Wang & Pei-Chun Ko	879,462	0.8
15	JB Were (NZ) Nominees Limited	744,789	0.7
16	Craig Walker & Catherine Walker	738,898	0.7
17	Gavin George & Jacquetta George	630,915	0.6
18	Spence Corporate Trustee Limited	630,915	0.6
19	Gareth Morgan & Joanne Morgan & Charles Purcell	545,455	0.5
20	Ravere Pty Limited	503,636	0.5



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## 7 DIRECTORS & MANAGEMENT

### 7.1 DIRECTORS' PROFILES

#### Rodney Kenneth Drury (Rod) – Chief Executive/Executive Director

One of New Zealand's leading technology entrepreneurs, Rod is a member of the New Zealand Hi-Tech Hall of Fame, NZ Hi-Tech Entrepreneur of the Year in 2006 and 2007, World Class New Zealander for ICT in 2008 and an Honorary Fellow of the NZ Computer Society.

Rod is a director of NZX Limited the operator of the New Zealand Stock Exchange and is a member of Victoria University of Wellington Faculty of Commerce Advisory Board.

#### Ian Samuel Knowles (Sam) – Non-Executive Chairman

Sam has held senior positions in major banks in both Australia and New Zealand and has extensive experience in strategy, marketing, organisational capability building, and private and public sector governance.

Sam is perhaps best known for his role in establishing Kiwibank and subsequently leading the company over ten years through its transition from start-up to a large successful business.

Sam has recently taken up a number of governance roles in growth businesses with a technology focus. These roles include Chairman of the Governments ICT Council and Fingertapps and a Director of Magritek, PartnersLife, Rangatira and Trustpower.

#### Samuel Gareth Morgan (Sam) – Non-Executive Director

Sam started his career at Deloitte Consulting and is best known for founding online auction website Trade Me which, in 2006, sold for NZD\$750 million.

He is a director of Trade Me group which is listed in Australia and New Zealand and is also a director of Fairfax Media Limited an ASX200 company.

In addition, Sam spends a great deal of his time involved in philanthropic activities and also as an investor in smaller companies.

#### Graham John Shaw – Non-Executive Director

Graham is a Chartered Accountant with 30 years experience in business. A member of a number of corporate, statutory and not-for-profit boards. He remains a representative of Downer New Zealand (formerly Works Infrastructure) and is Chair of the Chartered Professional Engineers Council.

Graham spent 10 years with KPMG primarily as an advisor to businesses. He then joined Works Infrastructure where he held a number of finance roles before being appointed Chief Executive, leading the company 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 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.



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#### Andrew Craig Winkler (Craig) – Non-Executive Director

Craig co-founded Australian small business accounting software provider MYOB in 1991.

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

In 2004, MYOB merged with Solution 6 to become Australia's largest IT company with more than 1,000 staff globally. Craig resigned as director and chief innovation executive at MYOB in 2009 upon its purchase by Archer Capital.

#### Craig Wesley Elliott – Non-Executive Director

Craig Elliott co-founded and is CEO of Pertino Networks, a cloud networking software company based in Silicon Valley. He is also a Strategic Advisor at New Zealand Trade and Enterprise in respect to Angel, VC and PE markets, helping guide New Zealand high growth technology companies to enter markets in the United States.

Craig is a previous CEO of Packeteer, taking the company from three people to IPO, spent ten years at Apple in senior product, marketing and GM roles, and has written several bestselling books.

## 7.2 DIRECTORS' INTERESTS IN THE COMPANY

As at the date of this Prospectus (and as expected to be immediately following admission to the ASX) detailed below are the holdings of the Directors and of any Associated Person of them in the Share capital of the Company.

Name	No. of Ordinary Shares (000s)	No. of Options	% held of Issued Share Capital
Rod Drury	22,553	n/a	21.0
Craig Elliott	–	100,000	–
Sam Knowles (sum of two holdings)	569	n/a	0.5
Sam Morgan	6,123	n/a	5.7
Graham Shaw	1,336	n/a	1.2
Craig Winkler (sum of two holdings)	20,976	n/a	19.6

## 7.3 DIRECTORS' FEES

The maximum aggregate remuneration able to be paid to non-executive Directors (being the monetary sum payable to all non-executive Directors taken together, including directors of subsidiaries of Xero) is NZD\$500,000 per annum.

As at the date of this Prospectus (and as expected to be immediately following admission to the ASX) detailed below are the fees paid to each of the Directors of Xero for the years ended 31 March.

Name	2012 NZD \$000s	2011 NZD \$000s
Rod Drury	Nil <sup>*</sup>	Nil <sup>*</sup>
Sam Knowles	47	12 <sup>**</sup>
Sam Morgan	40	40
Graham Shaw	40	40
Craig Winkler	40	40
Craig Elliott	Nil <sup>***</sup>	Nil <sup>***</sup>

<sup>\*</sup> Rod Drury received remuneration from Xero in the form of salary and cash bonus. His total remuneration for 2012 was \$NZD255,000 and for 2011 was \$NZD256,000.

<sup>\*\*</sup> Sam Knowles joined the Board in December 2010.

<sup>\*\*\*</sup> Craig Elliott joined the Board in September 2012.



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## **8 FINANCIAL AND TAXATION INFORMATION**

### **8.1 FINANCIAL STATEMENTS**

Financial statements in NZD\$ for Xero for the years ended 31 March 2012, 31 March 2011 and 31 March 2010 are set out in Annexure A. The consolidated statements of comprehensive income, changes in equity, financial position, and cash flows and the accompanying notes have been independently audited by Xero's auditors, PricewaterhouseCoopers.

The financial statements of Xero have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand Equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards.

### **8.2 EVENTS SUBSEQUENT TO 31 MARCH 2012**

In July 2012 Xero announced the acquisition of Spotlight Workpapers Limited for NZD\$800,000, payable in cash and Shares with a deferred compensation component. The Spotlight Workpapers software is in beta use by accounting and bookkeeping partners across Australia and New Zealand. Xero will continue to build out the functionality and scalability of the software and release it under the Xero brand in March 2013 for the Australian and New Zealand markets

There have been no other significant events subsequent to 31 March 2012.

### **8.3 COMPANY TAX STATUS**

Xero is a tax resident of New Zealand and not a tax resident of Australia. The proposed ASX listing in itself does not have a direct effect on the tax residency of Xero.





## 9 RISK FACTORS

In addition to the usual risks associated with a business at a relatively early stage of its development, the Directors consider the following risk factors to be the most significant and should be carefully considered and read in conjunction with this document and all (publicly available) historical documentation lodged with NZX.

If any of the following risks actually occur, the Company may not be able to conduct the business as currently planned and the Company's business or financial condition could be materially adversely affected. In such case, the market price of the ordinary Shares could decline and Shareholders may lose all or part of their investment. However, the risks listed do not necessarily comprise all of those associated with an investment in the Company. Additional risks not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company.

Investors should also take their own tax advice as to the consequences of owning Shares in the Company, as well as receiving returns from it. No representation or warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any Shares in the Company and neither the Company nor the Directors will be responsible for any tax consequences for any such investors.

### 9.1 RISKS RELATING TO SHARES

The principal risk to investors is that they may not be able to recoup their original investment or they may not receive the returns they expect. This could happen for a number of reasons, including that:

- The price at which the Shares trade may be lower than the price paid for them.
- Investors are unable to sell their Shares because the market for them becomes illiquid or ceases to exist.
- The operational and financial performance of Xero is worse than expected.
- Xero becomes insolvent and is placed in receivership or liquidation.

In the event of insolvency of Xero, Shareholders would not receive any payment in respect of their Shares until Xero has paid all its other creditors, both secured and unsecured, including the costs of liquidation or receivership. Any funds remaining after the payment of Xero's debts in full would be distributed to Shareholders in proportion to their respective Shareholdings. As a result, Shareholders may receive less than the amount initially invested.

### 9.2 RISKS RELATING TO INVESTING IN XERO

Xero is a technology business and, accordingly, it is a higher risk investment than shares in other sectors with more stable earnings records. There is a track record of early success with customer acquisition, however there is no certainty that its business plan and strategies will be successful. The key risk factors for Xero include:

- **Unproven market for its product offering** – The international market for its software is at a relatively early stage of development and the level of demand for its products/services is uncertain. Xero primarily relies on a single product offering. The failure of that product to achieve and maintain market acceptance, particularly in any of Australia, the United States or the United Kingdom, would adversely affect its business. If it fails to develop new products/services in a timely manner then its revenues will be adversely affected.
- **Failure to compete** – Xero may not be able to compete successfully against its current, and any future, competitors, particularly in overseas markets. The potential response of Xero's competitors to its product offering, and future products/services, is unknown.
- **Failure to deal with growth** – Xero's business is growing rapidly and if Xero fails to properly manage that growth, then that failure could harm its business. Any failure to meet customer demand properly could adversely affect the business, including demand for Xero's products/services, revenue collection, customer satisfaction and public perception.



- **Failure to retain personnel** – Any failure to generally attract, retain and effectively manage qualified personnel could adversely affect its business. In particular, Xero has been dependent, in its initial stages, on the experience and expertise of its Chief Executive, Rod Drury. Over time, Xero's reliance on Rod, and his experience and expertise and understanding of Xero's business and strategy, has reduced as Xero's management team has grown and become more established. However, the loss of Rod, for whatever reason, could have an adverse effect on Xero and its future prospects.
- **Loss-making for foreseeable future** – Xero will be very much focusing on establishing and then growing its business. Accordingly, it expects to make further losses and have negative cash flow in at least the short term.
- **Lack of additional funding** – Xero may require additional funding in the future to maintain and/or expand its business, and such funding may not be available on favourable terms or may not be available at all.

### 9.3 RISKS RELATING TO XERO'S BUSINESS

Given the nature of Xero's business, there are a number of risk factors that apply particularly to it. Some of these risk factors apply generally to the technology industry. These risk factors may, individually or in combination with other risk factors, affect the future operating performance of Xero and the value of an investor's investment in Xero. These risk factors include:

- **Dependence on the Internet** – Xero's business is based on online applications. Accordingly, its business is dependent on the continued existence and functionality of the Internet.
- **Security risks** – Xero is reliant on data transmission over the Internet. While best practices are adopted by Xero, there will be new security threats by third parties on an ongoing basis. Any security risks that cannot be mitigated by Xero may adversely affect sales, or potential sales, of its products/services.
- **Third party failure** – Xero is reliant on a number of third parties to provide essential services on an outsourced basis. A failure for any reason by any of these suppliers to provide those services or a failure of their systems may adversely affect Xero's ability to provide services to its customers.
- **Exchange rate risk** – As Xero expands into international markets, it will derive some or most of its revenues and costs in those international markets, implying significant exposure to foreign exchange movements.
- **Market volatility of technology stocks** – The market prices of technology stocks are, historically, particularly volatile, including in response to changes in stock markets, or the technology industry, generally.
- **Patent applications from unrelated parties** – While Xero holds a registered trademark over the name "XERO", it has not applied to register any patents for the intellectual property that it has developed. The intellectual property under development or in use by Xero may be subject to patent applications by unrelated parties in New Zealand or in other jurisdictions, with the result that Xero may, in carrying out its business activities, infringe the patents of such parties. Alternatively, other parties may develop and patent other very similar, potentially substitutable products, processes or technologies. Such events may be outside the control of Xero and may have adverse consequences for its business. Xero has developed an Intellectual Property Strategy to deal with such matters to the extent practicable.



## 10 CORPORATE GOVERNANCE

Xero has adopted a formal written Board Charter. Xero believes that good corporate governance improves corporate performance and benefits all Shareholders.

To further enhance listed entities disclosure of corporate governance issues, the ASX Corporate Governance Council (CGC) was established on 1 August 2002. The CGC was established for the purpose of setting an agreed set of corporate governance standards of best practice for Australian listed entities. These standards are contained in the ASX Corporate Governance Principles and Recommendations (ASX Guidelines). The ASX Guidelines articulate eight core principles that CGC believes underlie good corporate governance. The ASX Guidelines provide that a listed entity's Annual Report is required to disclose its main corporate governance practices and also the extent to which the entity complies with the ASX Guidelines and where it does not, explain why.

This section sets out Xero's approach to corporate governance and addresses Xero's compliance with the ASX Guidelines.

### ASX Principles and Recommendations

### Compliance

#### Principle 1 – Lay solid foundations for management and oversight

*Companies should establish and disclose the respective roles and responsibilities of board and management*

#### **Recommendation 1.1:**

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

The Board has adopted a formal Board Charter that details their functions and responsibilities. The Board's role is to effectively represent, and promote the interests of, Shareholders with a view to adding long-term value to the Company's Shares. Having regard to this role the Board directs, and supervises the management of, the business and affairs of the Company including, in particular:

- Ensuring that the Company's goals are clearly established, and that strategies are in place for achieving them.
- That there is ongoing review of performance against the strategic objectives.
- Approving transactions relating to acquisitions and divestments and capital expenditure above delegated authority limits.
- That there is ongoing assessment of business risks and ensuring appropriate control and accountability systems are in place to manage them.
- Establishing policies for strengthening the performance of the Company including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital.
- Monitoring the performance of management.
- Appointing the Chief Executive, setting the terms of their employment and, where necessary, terminating their employment.
- Approving and monitoring the Company's financial and other reporting and ensuring the Company's financial statements represent a true and fair view.

To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the Chief Executive. The terms of the delegation by the Board to the Chief Executive are clearly documented in the Board Charter. The Chief Executive has, in some cases, formally delegated certain authorities to his direct reports and has established a formal process for his direct reports to sub-delegate certain authorities.



## ASX Principles and Recommendations

## Compliance

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**Recommendation 1.2:**

Companies should disclose the process for evaluating the performance of senior executives

The Remuneration Committee evaluates the performance of the Chief Executive.

Performance evaluation of the senior management team is facilitated by the GM – Human Relations, in liaison with the Chief Executive.

Evaluation of both the CE and senior management team is based on criteria which include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives agreed at the beginning of each year.

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**Recommendation 1.3:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 1

Information to be included in the next Annual Report.

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### Principle 2 – Structure the board to add value

*Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties*

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**Recommendation 2.1:**

A majority of the board should be independent directors

The Board has five non-executive Directors, three of which (Sam Knowles, Craig Elliott and Graham Shaw) are considered to be independent. The Board intends to appoint a further independent director over the next 12 months.

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**Recommendation 2.2:**

The chair should be an independent director

Sam Knowles is the non-executive Chairman of the Board. Sam Knowles is also considered an independent Director.

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**Recommendation 2.3:**

The roles of chair and chief executive officer should not be exercised by the same individual

The roles of Chairman (Sam Knowles) and CE (Rod Drury) are split.

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**Recommendation 2.4:**

The board should establish a nomination committee

Xero has a Nominations Committee whose role is to identify and recommend to the Board individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Directors).

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**Recommendation 2.5**

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors

The Chairman meets regularly with Directors to discuss individual performance of the Directors. The Board also has a formal review of its performance on an annual basis. This process incorporates providing feedback via a third party to enhance the robustness of the process. Feedback on relevant Board performance factors is provided by executive members to enhance the working relationship between the Board and management.

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**Recommendation 2.6:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 2

Information to be included in the next Annual Report .

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**ASX Principles and Recommendations**

**Compliance**

**Principle 3 – Promote ethical and responsible decision making**

*Companies should actively promote ethical and responsible decision making*

**Recommendation 3.1:**

Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices

The Board maintains high standards of ethical conduct and the CE is responsible for ensuring that high standards of conduct are maintained by all Xero staff, although no formal code of ethics is documented at this time.

**Recommendation 3.2:**

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them

Xero has drafted a diversity policy and this will be approved at the next regular Board Meeting in November 2012.

**Recommendation 3.3:**

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them

Information to be included in the next Annual Report.

**Recommendation 3.4:**

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board

Information to be included in the next Annual Report.

**Recommendation 3.5:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 3

Information to be included in the next Annual Report.



**ASX Principles and Recommendations**

**Compliance**

**Principle 4 – Safeguard integrity in financial reporting**

*Companies should have a structure to independently verify and safeguard the integrity of their financial reporting*

**Recommendation 4.1:**

The board should establish an audit committee

Xero is committed to a transparent system for auditing and reporting of the Company's financial performance. The Board has established an Audit and Risk Management Committee, which performs a central role in achieving this goal.

The Audit and Risk Management Committee's principal functions are:

- To assist the Board in ensuring that appropriate accounting policies and internal controls are established and followed.
- To assist the Board in producing accurate financial statements in compliance with all applicable legal requirements and accounting standards.
- To ensure the efficient and effective management of business risks.

**Recommendation 4.2:**

The audit committee should be structured so that it:

- consists of only non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members

The Audit and Risk Management Committee consists of Graham Shaw, Sam Knowles and Craig Winkler, all of whom are non-executive Directors. Graham Shaw and Sam Knowles are independent. Graham Shaw is the Chairman of the committee and is a Chartered Accountant.

**Recommendation 4.3:**

The audit committee should have a formal charter

Audit and Risk Management Committee has adopted a formal charter.

**Recommendation 4.4:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 4

Information to be included in the next Annual Report.

The Audit and Risk Management Committee is governed by the Audit and Risk Management Committee Charter which is available at [www.xero.com](http://www.xero.com).

**Principle 5 – Make timely and balanced disclosure**

*Companies should promote timely and balanced disclosure of all material matters concerning the company*

**Recommendation 5.1:**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

Xero has drafted a formal market disclosure and communications policy and this policy will be approved at the next regular Board Meeting in November 2012.

Xero has been listed on the NZX Main Board since 5 June 2007 and has at all times complied with its continuous disclosure obligations under the NZX Listing Rules and the Securities Markets Act 1988.

Xero will consider how best to ensure compliance with ASX Listing Rule disclosure requirements.

**Recommendation 5.2:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 5

Information to be included in the next Annual Report and/or on the Company's website.



## ASX Principles and Recommendations

## Compliance

### Principle 6 – Respect the rights of shareholders

*Companies should respect the rights of shareholders and facilitate the effective exercise of those rights*

#### **Recommendation 6.1:**

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

Xero has drafted a formal market disclosure and communications policy and this policy will be approved at the next regular Board Meeting in November 2012.

During the time that Xero has been listed on the NZX it has built a reputation of openness and has encouraged a high level of communication with Shareholders and the market generally.

#### **Recommendation 6.2:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 6

Information to be included in the next Annual Report and/or on the Company's website.

### Principle 7 – Recognise and manage risk

*Companies should establish a sound system of risk oversight and management and internal control*

#### **Recommendation 7.1:**

Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies

The Board has an established Audit and Risk Management Committee that reports to the Board regularly. The functions of the Audit and Risk Management Committee are set out in the Audit and Risk Management Charter available at [www.xero.com](http://www.xero.com).

#### **Recommendation 7.2:**

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks

Refer to 7.1.  
Management report to the Board at each regular meeting.

#### **Recommendation 7.3:**

The board should disclose whether it has received assurance from the Chief Executive officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As a New Zealand company, Section 295A of the Corporations Act has not been applicable to Xero. However Xero's Chief Executive and Chief Financial Officer do provide equivalent assurances to the Board as part of the annual external Audit process.

#### **Recommendation 7.4:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 7

Information to be included in the next Annual Report.

The Audit and Risk Management Committee is governed by the Audit and Risk Management Committee Charter which is available at [www.xero.com](http://www.xero.com).



**ASX Principles and Recommendations**

**Compliance**

**Principle 8 – Remunerate fairly and responsibly**

*Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear*

**Recommendation 8.1:**

The board should establish a remuneration committee

The Board has established a Remuneration Committee whose principal function is to oversee the remuneration strategies and policies for the Company.

**Recommendation 8.2:**

The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members

The Remuneration Committee consists of Sam Knowles (Chairman), Graham Shaw and Craig Winkler all of whom are non-executive Directors. Sam Knowles and Graham Shaw are also independent.

**Recommendation 8.3:**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

Xero distinguishes the structure of non-executive Directors' remuneration from that of executive Directors – this is set out in the Annual Report.

**Recommendation 8.4:**

Companies should provide the information indicated in the ASX Guidelines to reporting on principle 8.

Information to be included in the next Annual Report.  
The Remuneration Committee is governed by the Remuneration Committee Charter which is available at [www.xero.com](http://www.xero.com).





## 11 RIGHTS ATTACHING TO SHARES

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Company's constitution (the Constitution), which is available on the New Zealand Government website [www.business.govt.nz/companies](http://www.business.govt.nz/companies), and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders.

The rights attaching to Shares in the Company are set out in:

- (a) the Constitution; and
- (b) in certain circumstances, regulated by the laws of New Zealand, the NZX Listing Rules and, following admission to the Official List, the ASX Listing Rules.

### 11.1 SHARE ISSUES

The Board may issue Shares with Shareholder approval by ordinary resolution, and without Shareholder approval in certain circumstances, including but not limited to, if made pro-rata to existing Shareholders under certain permitted procedures.

### 11.2 VOTING

Each Share gives the holder the right to attend and vote at a meeting of Xero including the right to cast one vote per Share on a poll on any resolution, including but not limited to, a resolution to:

- appoint or remove a Director or auditor;
- approve the total remuneration pool available to non-executive Directors;
- adopt, revoke or alter Xero's Constitution;
- approve a major transaction;
- approve the amalgamation of Xero under section 221 of the Companies Act; and
- place Xero in liquidation.

### 11.3 DIVIDENDS

Each Share gives the holder the right to receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by Xero in respect of that Share.

### 11.4 SURPLUS ASSETS

Each Share gives the holder the right to receive an equal share in the distribution of surplus assets in any liquidation of Xero.

### 11.5 ALTERATION OF RIGHTS

The issue by Xero of any further Shares which rank equally with, or in priority to, any existing Shares, whether as to voting rights or distributions is permitted and not deemed to be an action affecting the rights attached to those existing Shares.



#### 11.6 TRANSFERS OF SHARES

The holders of Shares may transfer those Shares at any time, subject to any restrictions on those Shares, and subject to certain requirements set out in the Constitution for the registration of the transfer. The Board may decline to register any transfer of Shares where:

- (a) the Company has a lien on any of the Shares;
- (b) the transfer is not accompanied by the certificate (if any) for the Shares to which it relates or other evidence as the Board of the Company's Share registrar may reasonably require to show the right of the transferor to make the transfer; or
- (c) registration, together with the registration of any further transfer then held by the Company and awaiting registration, would result in the proposed transferee holding Shares of less than a minimum holding (which has the definition given to it in the NZX Listing Rules),

provided that the Board resolves to exercise its powers within 30 working days after receipt of the relevant transfer and notice of the resolution is sent to the transferor and to the transferee within five working days of the resolution being passed by the Board.

#### 11.7 CALLS ON SHARES

The Board may, by notice in writing to a Shareholder or Shareholders, make calls in respect of all moneys unpaid on Shares and which are not, by the terms applicable to the Shares, payable at fixed times. The Board may revoke or postpone a call before payment is received. Each relevant Shareholder shall be liable (jointly and severally in the case of joint Shareholders) to pay, in accordance with the relevant notice, every call and shall remain liable to do so notwithstanding the subsequent transfer of the relevant Shares.

#### 11.8 BOARD REMUNERATION

The Board's power to authorise payment or remuneration by Xero to a Director (in his or her capacity as a Director) is subject to the prior approval of Shareholders by ordinary resolution.

#### 11.9 RESTRICTED TRANSACTIONS

Under the NZX Listing Rules, an ordinary resolution of Shareholders is required for the following:

- (a) Any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of Xero or assets to be held by Xero in respect of which the gross value is in excess of 50% of the average market capitalisation of Xero.
- (b) Any transaction that will change the essential nature of Xero's business.
- (c) Certain material transactions (generally those having a net value in excess of 5% of the average market capitalisation of Xero) entered into by any member of the Xero Group with, or for the benefit of, the Directors of any Company in the Xero Group, substantial Shareholders or their Associated Persons.

In addition, the Companies Act requires Shareholder approval by special resolution prior to Xero entering into any transaction (whether by way of an acquisition, disposition or otherwise) involving more than 50% of the market value of Xero's gross assets before the acquisition, disposition or otherwise.



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#### **11.10 MINORITY BUY OUT RIGHTS**

If, by special resolution, Xero resolves to:

- (a) alter or revoke its Constitution in a way which imposes or removes a restriction on the activities of Xero;
- (b) approve a major transaction; or
- (c) approve a statutory amalgamation,

any Shareholder voting against the resolution is entitled to require Xero to purchase, or to arrange for another person to purchase, the Shares of that Shareholder for a fair and reasonable price nominated by Xero or, if the Shareholder objects to such a price, a price determined by arbitration.



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## 12 DETAILS OF THE OFFER

### 12.1 OFFER

Xero offers for subscription, to Andrew Craig Winkler (Non-Executive Director of Xero, based in Australia), one Share at a price of NZD\$5.50 under this Prospectus. The one Share offered under this Prospectus will, on issue, rank equally with Shares on issue at the date of this Prospectus. No offer is made under this Prospectus to any other person in any jurisdiction.

### 12.2 PURPOSE

Xero issued Shares under a private placement in February 2012 and under an associated share purchase plan in March 2012. The Shares were issued without a New Zealand prospectus in accordance with New Zealand securities law and the NZX Listing Rules and upon being admitted on the Official List the Shares would have been subject to the resale restrictions in the Corporations Act for 12 months from the date of issue.

An Australian prospectus is required to essentially remove such resale restrictions. In any event, Xero would have been required to prepare an Information Memorandum to be admitted to the Official List which essentially includes the same information as an Australian prospectus.

### 12.3 OPENING DATE AND CLOSING DATE OF THE OFFER

The opening date for the Offer is 26 October 2012 and the closing date is 29 October 2012.

### 12.4 OFFICIAL QUOTATION BY ASX

An Application will be made to ASX no later than seven days after the date of this Prospectus for the Company to be admitted to the ASX Official List.

If the Share to be issued by this Prospectus is not admitted to official quotation by ASX before the expiration of three months after the date of this Prospectus, or such period as is varied by ASIC, the Company will not issue the Share and will repay all application money within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Share to be issued pursuant to this Prospectus is not to be taken in any way as an indication of the merits of the Company or the Share offered for subscription.



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## 13 OTHER INFORMATION

### 13.1 DISCLOSURE AND REPORTING OBLIGATIONS

Xero has been continuously quoted on the NZX Main Board since being listed on 5 June 2007, and can confirm its compliance with the NZX continuous reporting and disclosure obligations during that period. A copy of the material information notified to NZX Limited may be viewed and obtained on its website at [www.nzx.co.nz](http://www.nzx.co.nz) under the ticker code XRO.

Below is a 'snapshot' of the disclosures made by Xero to NZX since 14 December 2011.

[Xero Limited – NZX disclosures for the period from 14 December 2011 to 2 October 2012](#)

Announcement	Date
Xero continues strong growth	2 October 2012
Notice of allotment of securities	1 October 2012
Xero appoints US-based Director	20 September 2012
D&O disclosure (ongoing disclosure) C Winkler	4 September 2012
D&O disclosure (ongoing disclosure) P Norman	30 August 2012
D&O disclosure (ongoing disclosure) A.Grigg	29 August 2012
D&O disclosure (ongoing disclosure) R.Jenkins	28 August 2012
NZXMS Price Enquiry into XRO	27 August 2012
D&O disclosure (ongoing disclosure) A.Grigg	21 August 2012
D&O disclosure (ongoing disclosure) R.Jenkins	20 August 2012
Notice of allotment of securities	20 August 2012
Notice of allotment of securities	1 August 2012
Xero Annual Meeting 2012 – Outcomes	27 July 2012
Xero Annual Meeting 2012	26 July 2012
Notice of issue of Shares under NZX Listing Rule 7.12.1	23 July 2012
Xero conference highlights Australian progress	23 July 2012
Xero acquires Spotlight Workpapers	20 July 2012
Xero integrates with leading US Payroll Provider	17 July 2012
Xero Annual Meeting 2012	15 June 2012
Notice of Director nomination period	30 May 2012
Xero investor presentation	29 May 2012
Xero launches integrated payroll for Australian customers	28 May 2012
Annual Report	24 May 2012
Resignation of P.Norman as Director	24 May 2012
Xero delivers offshore growth – full year results 2012	24 May 2012
Xero Annual Report 2012	24 May 2012
Year end 31 March 2012 financial results – release date	3 May 2012
D&O disclosure (ongoing disclosure) A.Grigg	19 April 2012
D&O disclosure (ongoing disclosure) R.Jenkins	18 April 2012
Xero doubles revenue and invests for growth	3 April 2012
Notice of issue of Shares	2 April 2012
Notice of issue of Shares (amended)	28 March 2012



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<b>Announcement</b>	<b>Date</b>
Xero completes practice management acquisition	23 March 2012
Change of registered office	23 March 2012
D&O disclosure notice (R.Jenkins)	19 March 2012
D&O disclosure notice (G.Shaw)	14 March 2012
Notice of issue of Shares	14 March 2012
SPP takes Xero capital raised to over NZD\$35m	8 March 2012
Share Purchase Plan	20 February 2012
D&O disclosure notice (H.Edwards)	16 February 2012
D&O disclosure notice (A.Grigg)	14 February 2012
D&O disclosure notice (R.Drury)	14 February 2012
D&O disclosure notice (R.Jenkins)	14 February 2012
SSH notice – Disclosure of movement (R.Drury)	10 February 2012
SSH notice – Disclosure of movement (H.Edwards)	10 February 2012
Xero adds institutional and strategic investors	10 February 2012
D&O disclosure notice (S.Morgan)	7 February 2012
D&O disclosure notice (S.Knowles)	7 February 2012
D&O disclosure notice (C.Winkler)	7 February 2012
Notice of allotment of securities	7 February 2012
SSH – Jasmine Investment Holdings Limited	2 February 2012
Xero raises NZD\$20m to fund global growth and offers SPP	2 February 2012
Appendix 7 – Share Purchase Plan	2 February 2012
Xero acquires leading practice management company	2 February 2012
Notice of issue of options pursuant to NZX Listing Rule 7.12.1	31 January 2012
Xero expects to double 2012 operating revenue	26 January 2012
Xero's Shareholder newsletter	16 December 2011
Xero interim report for the six months 30 September 2011	16 December 2011
Ongoing disclosure notice – R.Jenkins	15 December 2011
Xero announces President for USA	15 December 2011
Notice of issue of Shares pursuant to NZX Listing Rule 7.12.1	14 December 2011



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### 13.2 LITIGATION

Xero is not currently engaged in any litigation, and the Directors are not aware of any pending or threatened litigation, which has or would be likely to have a material adverse effect on either the Company or its business activities.

### 13.3 AUTHORISATION

The Directors report that after due inquiries by them, in their opinion, since the date of the audited financial statements in the financial information in Section 8, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

This Prospectus is authorised by each Director of the Company who has consented to its lodgement with ASIC and its issue, and has not withdrawn that consent.

**Graham John Shaw**  
Director



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## Glossary

**Associated Person** has the meaning given to it in the NZX Listing Rules.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the Australian Securities Exchange.

**ASX Listing Rules** means the official listing rules of the ASX.

**Board** means the Board of Directors of Xero from time to time.

**CE** means the Chief Executive Officer of Xero.

**Companies Act** means the New Zealand Companies Act 1993.

**Company or Xero** means Xero Limited.

**Constitution** means the constitution of Xero adopted on 9 May 2007.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means an individual who is appointed to the Board of Xero.

**Group** means Xero and its subsidiaries.

**NZX** means NZX Limited.

**NZX Listing Rules** means the listing rules of the Main Board of NZX.

**Offer** means the invitation made in this Prospectus to subscribe for one Share in the Company.

**Official List** means the official list of securities that ASX has admitted.

**Prospectus** means this Prospectus.

**Share** means a share in the capital of Xero and includes any share or other security allocated or issued under a bonus issue or any other capital reorganisation of any nature.

**Shareholder** means a holder of Shares.

**Xero** means Xero Limited.





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## Annexure A: Financial Statements

For the last three years financial statements please refer to [www.xero.com/investor](http://www.xero.com/investor) and/or they will be loaded separately on the ASX web site.