



11 May 2007

Xero announces initial public offering of \$15 million

Xero Live Limited ("Xero") has today confirmed that it will proceed with an initial public offering on the NZSX to raise \$15 million, reserving the right to accept a further \$3 million in oversubscriptions.

The offer, at \$1.00 per share, will open on Monday 14 May 2007.

Xero, based in Wellington, provides an online accounting system for small and medium sized enterprises (SMEs), which typically have less than 20 employees. Its product has been available in a limited release since April 2007 and Xero has already attracted more than 100 paying customers. Short-term plans include expansion within New Zealand initially, then into the UK and Australia.

Xero was established in July 2006 by Rod Drury, an experienced technology entrepreneur with a record of building successful software businesses, and Hamish Edwards, the owner of a SME accounting business and a commentator on SMEs. Mr Drury is Chief Executive Officer and Mr Edwards Chief Financial Officer. Xero has recruited a strong management team and currently has 27 employees.

Mr Drury said Xero's product had received strong endorsement in testing and marketing to date. "We believe the convenience and flexibility of an online accounting solution, adopting a 'software-as-a-service' model, is highly attractive to SMEs and their owners. It means they can keep up-to-date accounts that are simple to maintain, always accessible online, can be shared easily with advisers, and do not require up-front costs such as software installation and maintenance."

Xero is chaired by Phil Norman, an experienced company director, advisor and investor with more than 30 years' involvement in information technology and telecommunications. The other independent directors are Graham Shaw, Guy Haddleton and Sam Morgan.

Mr Norman said the board was delighted to offer the public an opportunity to participate in a New Zealand based technology venture. "The business has achieved considerable momentum in a short time, based on a strong business concept with demonstrated appeal to a large target market. The number of SMEs in our target countries – New Zealand, the UK and Australia – is around 5.8 million. The proceeds of the IPO will fund Xero's continued market development and growth."

Mr Norman said "We have considered a number of models for raising the additional capital required, but we believe the profile and transparency created by a public offering will be most effective in accelerating our business plan."

Xero's financial adviser and joint organising sponsor is Cameron Partners Limited. First NZ Capital Limited is lead broker and joint organising sponsor.

The independent directors intend to subscribe for \$1.35 million of Shares under the offer, and strategic partners and other investors for approximately \$5 million. None of those persons guarantee the Shares. The balance of the offer is reserved for clients of First NZ Capital, and for other investors on application.

The Offer Document (being a combined Investment Statement and Prospectus) will be available later today at www.xero.com/investors, and is expected to be available in hard copy from First NZ Capital by mid next week. The minimum application is for 1,000 shares, and thereafter in multiples of 500 shares. The offer closes at 5.00pm on 30 May 2007 and Xero expects that its shares will be quoted on the main board of NZX from 5 June 2007. Future announcements through NZX will be released under ticker code XRO.

Application has been made to New Zealand Exchange Limited ("NZX") for permission to list Xero Live Limited ordinary shares on the NZSX Market and all of the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this announcement have been duly complied with. However, NZX accepts no responsibility for anything in this announcement.

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