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XERO LIMITED (XRO) MARKET RELEASE

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Xero acquisition of Monchilla accelerates payroll expansion in the U.S.

Xero Limited (XRO) announces that it has acquired Seattle-based online payroll company, Monchilla Inc. The company's payroll expertise and technology will enable Xero to rapidly accelerate the extension of its payroll offering across the U.S.

"We were really impressed by the Monchilla team and how they have approached filing and payment of payroll taxes in the U.S. Combining this capability with the work our own team are doing will allow us to develop a world-class payroll experience for the U.S. over the next 12 months," says Xero CEO Rod Drury.

Integrating Monchilla with Xero provides improved business-to-government connectivity, and the opportunity to deliver electronic filing and payments of payroll taxes, with calculation support, across the U.S. in 2015.

"We're thrilled to join the Xero team and work together to deliver a world-class, online payroll solution for small businesses in the U.S. market" says Monchilla co-founder and CEO, Jack Couch.

Xero purchased Monchilla from founders, Jack Couch and Nanjuan Shi, whose continued involvement will complement Xero's U.S. product development teams and support Xero's payroll strategy to drive further growth. The total purchase price for Monchilla is comprised of US\$4,127,688 in cash together with 238,490 Xero Limited ordinary shares to be issued to the founders at closing (50% of which are subject to trading restrictions and other terms as set out in more detail in the Notice of Allotment (NZX) and Appendix 3B (ASX) filed today).

Monchilla, as an early start-up, has solved the complexity of electronic payroll state filing and was in the initial stages of launching and building a customer base. With the acquisition, Xero will continue to support Monchilla's current customers and will transition them over time to the Xero platform.

Drury says "Over the last year, with Australia and United Kingdom markets performing well, we have been focussing on delivering the best business software for the U.S. market. The cloud accounting market is just beginning in the U.S. and our proven speed of delivery and the ability to quickly integrate complementary technologies into our platform positions us strongly to take a share of this large market as it develops over the coming years."

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About Xero

[Xero](#) is beautiful, easy to use online [accounting software](#) for small businesses and their advisors. The company has over 370,000 paying customers in more than 100 countries around the world. Xero is listed on the NZX and ASX.

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