Xero Limited Annual Report 2026

Xero Limited

xero.com

Contents

About this report

Xero's Annual Report for the Financial Year 2026 (FY26) outlines how Xero executed its strategy and provides an update on our financial performance and governance. We have published a separate Sustainability Report, which addresses our commitment to reporting our social and environmental impact, and enriching our organisational culture.

REPORTING SUITE

Xero's FY26 Annual Report should be read in conjunction with the other materials that comprise our FY26 annual reporting suite:

- FY26 Investor Presentation at: www.xero.com/investors
- Xero's FY26 Sustainability Report at: www.xero.com/investors
- Xero's FY26 Corporate Governance Statement at: www.xero.com/investors/governance
- Xero's FY26 Databook, summarising progress on a range of financial, environmental, social and governance metrics, can be found at: www.xero.com/sustainability/approach-and-performance/

Throughout this report, we have linked other websites and documents that may be useful, including the following materials:

- Governance and leadership at: www.xero.com/investors/governance, where full copies of the following can be found:
  - Modern Slavery and Human Trafficking Statement
  - Board and Committee charters
  - Key governance policies
  - Full biographies for the Board of Directors and Executive Leadership Team
- Information about our sustainability activities and performance at: www.xero.com/sustainability

Such websites and documents do not form part of this report or the FY26 annual reporting suite.

To download a copy of this report, please visit www.xero.com/investors

COMPANY AND REPORTING INFORMATION

Xero is listed on the Australian Securities Exchange (ASX) and is a New Zealand incorporated and domiciled company. Xero's Annual Report is primarily governed by the Companies Act 1993 (New Zealand). While the ASX Listing Rules apply to Xero, certain provisions of the Australian Corporations Act 2001 (Cth) do not.

The Remuneration Report included within this report is not intended to fully replicate the statutory disclosure requirements of an Australian company, as these requirements do not apply to Xero. However, the information provided goes beyond New Zealand requirements to provide greater transparency and insight into our remuneration practices.

The climate-related financial disclosures included within the Sustainability Report are not intended to fully replicate the disclosure requirements of any specific jurisdiction in which Xero operates, as none of these apply to Xero Limited as a New Zealand domiciled company with global operations. The climate-related financial disclosure requirements outlined in the Australian Accounting Standards Board (AASB) S2 Climate-related Disclosures do apply to Xero Limited's Australian entity, Xero Australia Pty Limited (Xero Australia). The FY26 Xero Australia Sustainability Report will be lodged with the Australian Securities and Investments Commission (ASIC) by 31 July 2026 as part of the FY26 Xero Australia Financial Report.


Xero customer James Harris, Harris Horology

This report covers the activities of Xero Limited and its subsidiaries' (Xero or Xero Group) global operations. Except where otherwise specified, statements should be read as pertaining to the activities of the Xero Group.

Some parts of this report include information regarding Xero's plans and strategy, and include forward-looking statements, opinions, estimates and indications of, and guidance on, future earnings and financial information and performance about Xero and the environment in which it operates that involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Xero. Actual results, outcomes and developments, and the timing of certain events may differ materially from future results expressed or implied by the forward-looking statements contained in this report. Any forward-looking statements are provided as a general guide only and are not guarantees or predictions of future performance or statements of fact.

Forward-looking statements provided in this report are based on assumptions and contingencies, including those set out in this report. Other factors which may affect Xero's outcomes and developments also include: general economic conditions in the markets in which Xero operates; competition in the markets in which Xero operates; the continuing growth in the markets in which Xero operates; the implications of regulatory risks in the businesses of Xero; technological changes taking place in Xero's industry; future changes to Xero's products and services; the risk of cyber and data security issues; and the geopolitical environment and exchange rates.

To the maximum extent permitted by law, Xero makes no representation, assurance or guarantee in connection with, and disclaims all responsibility for, the accuracy, completeness or likelihood of fulfilment of any forward-looking statement or any outcome expressed or implied in any forward-looking statement or any assumptions on which a forward-looking statement is based.

The images in this report were created using generative AI unless stated otherwise.

About Xero

Xero is a global small business platform and a trusted financial operating system for the AI era. By unifying core financial operations (including accounting, payroll and payments) and a robust ecosystem into autonomous workflows, we empower millions of customers to move from managing records to taking informed action to help them deliver outcomes and thrive.

Our platform is designed to make life better for people in small business, their advisors and communities around the world. Xero's AI-powered tools streamline business administration by automating routine tasks, delivering valuable insights, and bringing together trusted data, expert advisors and powerful integrations, in one intuitive platform. Our ecosystem of connected apps and connections to banks and other financial institutions can be integrated with Xero, making it easy for customers to complete other essential tasks. We also connect to various government agencies worldwide to help customers file payroll reports and complete, submit or pay their taxes. Xero helps simplify how customers run their operations, freeing up time to focus on what really matters and empowering them to supercharge their business.

Xero is built on 20 years of proprietary data and established infrastructure, and is trusted by millions of businesses and their advisors globally. Xero aims to set the new standard for small business technology: one that is smarter, more intuitive and more connected, combining AI-driven capabilities with human judgement to deliver clarity, control and confidence. We are leveraging our trusted system of record, unique data platform and strong domain expertise as we continue to deliver AI solutions and evolve into a platform with deep AI capabilities — moving from a system of record to a system of action and decision making for our customers.

In the 2026 financial year (FY26), Xero generated operating revenue of $2.8 billion and ended the financial year with 4.9 million global customers across Australia, the UK, the US and more than 180 other countries.

Our vision is to be the most trusted and insightful small business platform.

This means offering an integrated and trusted platform that gives customers powerful insights, drives meaningful discussions with their accountant or bookkeeper, and helps them make informed decisions about their business. We are supercharging this vision by embedding purposeful AI across our platform, transforming raw financial data into predictive actions and personalised insights. Our vision is supported by our FY25-27 strategy *Winning on Purpose* and is realised through our relationships with customers and partners, our products, our people, and our commitment to sustainability.

Xero customer Krista Huebner, Basil Bangs

OUR CUSTOMERS

Xero is focused on helping customers in our primary segments — micro and small businesses with 1-20 employees — to complete the three most important Jobs to be Done (JTBD): accounting, payroll and payments.

While our products are designed mainly for this group, we also support customers who use our products across all segments: self-employed businesses with higher revenues, and medium and larger businesses that have more complex needs.

We're committed to supporting customers at every stage of their business journey. Some customers work directly with us, while others use Xero through their accountant or bookkeeper. For customers who use Xero directly, we engage with them through digital channels and provide comprehensive support and education on our tools and AI solutions to help them get the most value out of Xero.

Our 24/7 customer support and learning site, Xero Central, combines AI technology with human assistance to provide quick personalised help. On Xero Central, customers can find answers to common questions, watch tutorial videos, participate in community discussions, and contact our customer experience team.

We regularly connect with both our small business customers and our accountant and bookkeeper partners to help encourage product and digital adoption, and support them to grow their business through events like Xerocon, our regional roadshows and our social impact initiative, Xero for Good.

OUR PRODUCTS

Xero's product vision aligns with our company strategy to create winning solutions for the three most critical small businesses' jobs and to support adjacent JTBD through embedded capabilities and strategic partnerships. Central to supporting these critical JTBD is Just Ask Xero (JAX), our AI financial superagent, currently in beta — built on Xero's trusted, expansive, secure system while keeping humans in control. JAX provides small businesses with a financial team in a box by orchestrating multiple agentic specialists to help customers manage and grow their business, automating workflows, surfacing actionable insights — amplifying human expertise to deliver better outcomes for the millions of businesses around the world that rely on Xero. Xero's small business platform includes a range of integrated products to help small businesses complete their JTBD, such as:

Accounting

Accounting and compliance tools that provide a trusted digital platform that supports data ingestion, simplifies bookkeeping, helps with managing and filing annual taxes, and provides reporting and analytics.

Payroll

Payroll tools to help simplify paying employees and contractors easily and on time.

Payments

Payment tools to help small businesses make and collect payments and manage cash flow. This includes allowing small businesses to invoice their customers, and manage and pay their bills through Xero, bill payments powered by Melio in the US, and other payment services integrated with Xero.

Adjacent JTBD

Tools that support day-to-day operations beyond accounting, payroll and payments, such as employee management, expenses, projects and inventory.

Across these core and adjacent JTBD, Xero continues to embed AI capabilities to support compliance and accuracy, allowing business owners to focus on growth rather than administration.

OUR RELATIONSHIPS WITH PARTNERS

Trusted relationships with Xero's partners are an important part of how we operate. Our partners include accountants and bookkeepers, third-party app developers, and banks and financial service providers.

We're committed to supporting our accountant and bookkeeper partners, who play a vital role in the success of small business, by providing them with access to tools to help them advise with confidence and grow their own practices. Using Xero's tools, including AI-powered solutions, accountants and bookkeepers can enhance their strategic advisory capability to help their clients supercharge their business, unlock growth and provide a sense of freedom. Together with our partners, we advocate for the millions of small businesses we support around the world.

Our strategic partnerships, such as with Anthropic, OpenAI, Avalara, Gusto and Stripe, allow us to offer capabilities beyond products that we build ourselves. We leverage these strong ecosystem and strategic partnerships by embedding services into the Xero platform to create a seamless experience. Additionally, the GTM layer is evolving and we see some partners as emerging new distribution channels.

Our ecosystem partner relationships are supported through the Xero App Store, which allows small businesses to discover, try and buy apps based on their specific needs. It also gives app developers access to data insights, tools, and billing payment capabilities, to help them grow their business.

OUR PEOPLE

Our team is driven by our purpose to make life better for people in small business, their advisors and communities around the world. Our objective is to help our people to do the best work of their lives by embedding our purpose, values and culture within all our activities.

Xero serves customers in more than 180 countries; our customers reflect many different cultures, walks of life, and personal circumstances. We consider building an open and inclusive workforce, which is representative of the customers and communities we serve, to be critical to delivering our purpose and strategy.

Our values reflect how our people work and interact with each other to drive better customer outcomes. We continue to cultivate a workplace culture where our people can grow their careers, build capabilities, make an impact, benefit from new technologies, and feel a sense of connection to our purpose, customers and each other.

OUR COMMITMENT TO SUSTAINABILITY

We're committed to building a socially responsible and environmentally sustainable business, throughout our operations and supply chain. We recognise we also have a responsibility to help small businesses become more sustainable. We do this through sustainability-related app integrations from our Xero App Store, such as our partnership with carbon accounting software provider Sumday, and by offering practical tools and resources, including our new Small Business Sustainability Hub.

To access the sustainability content developed for small businesses, visit our Sustainability Hub: www.xero.com/sustainability/small-business/

In FY26, our climate-related targets were approved by the Science Based Targets initiative (SBTi). The strategic acquisition of Melio this year has had a material impact on our emissions footprint and, in line with SBTi guidelines, we will recalculate our base year emissions in FY27 and will re-evaluate our targets to ensure they remain relevant. For more information, see page 17 of our FY26 Sustainability Report at: www.xero.com/investors

XERO SMALL BUSINESS INSIGHTS (XSBI)

We use anonymised and aggregated customer data from more than one million small businesses across Australia, the UK, US, Canada and New Zealand to generate insights into the small business economy through the XSBI program. This research, conducted according to our Responsible Data Use Commitments, improves understanding about small businesses and is widely shared with governments, researchers and advisors.

For more information on our people, our responsible use of data, and our commitment to sustainability, see our FY26 Sustainability Report at: www.xero.com/investors

Financial highlights[1]

$2.8b
Operating revenue
UP 31% YOY
(28% in constant currency)

$757m
Adjusted EBITDA
UP 18% YOY

4.9m
Customers[3]
UP 11% YOY

$55.44
Average revenue per customer[2]
UP 23% YOY

1. Operating revenue, EBITDA, operating expense ratio, Rule of 40 and free cash flow are reported for the 12 months ended 31 March 2026. Customers, annualised monthly recurring revenue and average revenue per customer are as at 31 March 2026
2. See definition of average revenue per customer (ARPC) on page 36
3. See definition of customers on page 29

$3.3b

Annualised monthly recurring revenue[4]

UP 37% YOY

48.5%

Rule of 40[5]

UP 4.2PP YOY

$554m

Free cash flow

UP 9% YOY

70.5%

Operating expense ratio[6]

(excluding acquisition-related costs)

DOWN 1.2PP YOY

4. See definition of annualised monthly recurring revenue (AMRR) on page 31

5. Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)

6. Operating expense ratio including acquisition-related costs was 72.4%, up 0.6pp year-on-year.

Chair's Review

David Thodey, AO
Chair of the Board

DEAR SHAREHOLDER,

FY26 was a year of significant progress. Xero deepened its position in our core markets, delivering strong financial results, customer growth and expanded value per customer, and laid the AI foundations that will define the next era of small business finance. The year also brought a broad adjustment of software sector valuations globally, as markets considered how value will be created in an AI-driven world. AI is an accelerant to our strategy and we're confident in the opportunity it presents Xero and in our ability to deliver meaningful outcomes for small businesses. The Board enters FY27 confident that Xero is well positioned, well led, and executing against a large and expanding opportunity.

Xero's global position

Xero serves more than 4.9 million businesses across 180 countries as a leading small business financial operating system. Demand for our platform continues to grow as digitisation and AI drive our addressable market. Small businesses form the backbone of the global economy, and their need for platforms like Xero has never been greater. Our focus remains on delivering our strategy.

We draw on Xero Small Business Insights (XSBI), using anonymised data from over one million businesses across five countries, to advocate with governments and policymakers on their behalf. I remain impressed by the resilience of the small business economy, and am proud of Xero's role in supporting it.

Our global opportunity and Melio's strategic importance

Our business has true global reach and a significant opportunity, and we're pleased each of our core markets are delivering results. Australia and New Zealand, where we have over two million customers, continue to deepen. The UK, our second-largest market with over one million customers, maintains strong growth momentum. Meanwhile the US, our fastest growing market, where we are building from strength, represents our most significant long-term opportunity.

Our FY26 strategic moves have put us on a high-growth trajectory in the US. The Melio acquisition gives Xero the capability to serve US small businesses across the spectrum of their financial needs, actively pursuing the large accounting plus payments market. Foundational to our long-term value creation, we are confident in the opportunity this creates.

AI unlocking a new era

Xero's purpose is more important than ever in the age of AI and we are well positioned to be a long-term AI winner. By providing more intelligent tools that help small businesses manage cash flow, get insights, forecast, and increasingly automate business workflows for them, we can help them operate more effectively and efficiently. This is how we stay true to our vision: to be the most trusted and insightful small business platform.

What excites the Board most is that AI is not simply improving what Xero already does, but unlocking entirely new customer value and expanding our addressable market, putting capabilities previously available only to much larger enterprises within reach of every small business. The multiple layers of our offering create a powerful virtuous cycle of benefits and trust — one we continue to reinvest in and deepen. The Board is confident that Xero has the right foundations, partnerships and ambition to capture this opportunity.

Sukhinder's CEO Review on page 12 outlines our AI strengths and strategy in more detail.

Governance

The Board strives to balance the evolving governance expectations of our stakeholders with the strategic needs of Xero.

The Board takes all stakeholder feedback seriously. While the FY25 Remuneration Report was adopted with support from our largest long-term active holders, we acknowledge that a portion of the shareholder base expressed alternate views. We have engaged extensively with investors and advisors to hear their views on how we best balance our compensation structures to secure the calibre of global talent required to execute Xero's strategy successfully. We have carefully considered the feedback following the 2025 Annual Meeting and, in a number of respects, have evolved our approach.

Our remuneration approach is principled, considering performance, scope and criticality of role alongside the location of each individual. This is particularly relevant in North America, where executive remuneration benchmarks differ materially from those in Australia and New Zealand.

Further detail is in the Remuneration Report on page 92.

The Board continues to review its composition and succession plans to ensure the right balance of skills, knowledge and global experience to support Xero's long-term opportunity.

Our approach to sustainability reporting

We are committed to building a socially responsible and sustainable business. The Board understands the importance of sustainability in creating long-term value for all our stakeholders. We have published a separate Sustainability Report covering our people, responsible use of data, and commitment to sustainability. While Xero Limited is not subject to the new Australian Sustainability Reporting Standards (ASRS), we continue to voluntarily and progressively align our climate disclosures with IFRS S2. ASRS disclosure requirements will be addressed later this year in the FY26 Xero Australia Sustainability Report.

Our FY26 Sustainability Report is available at: xero.com/investors

Board priorities for the year ahead

The Board enters FY27 focused on deepening penetration in Australia and the UK, accelerating our US business across Xero and Melio, and capitalising on the significant AI opportunity. These are ambitious goals, and the Board's role is to ensure Xero pursues them with the governance, talent and financial discipline our shareholders rightly expect. We remain focused on creating shareholder value as we seek to make sure our business performance is strong and investors understand the long-term value of the business. The convergence of Xero's trusted data platform, expanding product suite and new TAM opportunities created by AI means the opportunity ahead of us is tremendous and we are pursuing it aggressively.

Thank you

On behalf of the Board, I extend my sincere appreciation for the ongoing trust and support of our customers, partners and shareholders.

David Thodey

Chair

CEO's Review

Sukhinder Singh Cassidy
CEO

DEAR SHAREHOLDER,

FY26 was a landmark year for Xero, and our results show it. Driven by continued strategic execution, we delivered strong financial performance with revenue up 31% to $2.8 billion and an 18% increase in adjusted EBITDA while absorbing our Melio investment. We added 506,000 net new customers, achieving a good balance between customer growth and average revenue per customer (ARPC) expansion, underpinned by operational and capital discipline. Beyond the numbers, we're most proud of our continued product velocity and innovation, leveraging AI to strengthen our position as the trusted financial operating system for millions of SMBs and their advisors globally in the agentic era.

3x3 strategy hitting its stride

Entering the final year of our FY25-27 strategy, we're pioneering the next era of SMB finance for customers across accounting, payroll and payments. We're elevating payments within our sales motions, with transaction-based revenue becoming a larger share of our mix. The ability to send and receive payments within Xero, helps deepen our technology foundations, compliance and data advantages, and strengthens Xero for the future.

Our *Win the 3x3* strategy is delivering across core markets. In Australia, where revenue increased 20% and customers grew 9%, we see a clear pathway to continued growth and ARPC expansion, including offering new features targeting medium-sized businesses. In the UK, revenue grew 26% and customers increased 14%, with the introduction of Xero Simple priming us for Making Tax Digital (MTD). In both markets we have a significant opportunity, growing the right new customers and expanding value with existing customers.

US growth accelerating, key investments delivering

Our velocity continues across the three core superjobs in the US. In October we completed the acquisition of Melio, a leading US SMB bill pay platform, and in March launched bill payments — combining world-class teams and technology to deliver a full-service financial platform to help US customers better manage cashflow. The acquisition creates opportunities to accelerate growth and long-term value. We're on track to realise synergies from the integration and we reiterate our expectation that Melio will reach adjusted EBITDA breakeven on a run-rate basis in H2 FY28.[1,2]

Marking the fastest growing region at Xero, we added 110,000 new customers in the US, including new Melio direct payments customers,[3] and expanded ARPC by 169%. We also achieved 240% combined revenue growth (and 30% on an organic basis excluding Melio).

New partnerships are also deepening value for US customers, including with Plaid to deliver more reliable, direct high-quality bank feed connections from over 1,500 institutions, and with Gusto to bring an embedded payroll solution (beta) to customers.

1. Melio adjusted EBITDA definition aligns with the Xero Group definition; for further detail refer to page 21 of Xero's FY26 Investor Presentation. This guide aligns with Xero's assumptions outlined in its FY28 aspiration statement and excludes synergies

2. Run-rate breakeven refers to at least one month of positive adjusted EBITDA contribution to the Xero Group during the referenced period. Refer page 21 of Xero's FY26 Investor Presentation for definition of adjusted EBITDA

3. Refer to page 29 for definition of customers

AI powering customer value

Xero is well positioned to be a long-term AI winner, multiplying productivity for small businesses and across Xero.

We are already delivering AI-powered innovation, built on 20 years of trusted infrastructure, proprietary financial data, purpose-built products, compliance capability and a multi-channel global go-to-market engine. Xero operates in this new era with strength and customer trust at scale.

We're focused on delivering a system of action and decision-making built on Accountable Intelligence™: the belief that true intelligence is accountable and auditable for those who use it. Our commitment to trust is foundational, and it's a meaningful competitive advantage as AI becomes central to small business operations.

Through Just Ask Xero (JAX), we're giving customers a financial team in a box and re-engineering how small business finance gets done — not layering AI onto existing workflows, but deeply integrating and embedding it. JAX is an intelligent superagent orchestrating specialised agents across accounting, payroll and payments, turning what were once manual, multi-step financial processes into automated, autonomous workflows with human oversight. The result is a financial operating system that acts, not just informs: reconciling transactions, capturing documents, surfacing insights and executing decisions.

We recently passed 500,000 customers using our new GenAI-powered features, and in FY26 customer messages sent to JAX grew ~115% per user.

AI highlights include:

- New agentic features in JAX such as:
  - Automated bank reconciliation, with more than 40 million transactions already reconciled and a reported accuracy of 97%; customers using bank feeds and automated actions save ~22 hours each month
  - GenAI conversational web search combining customer business data with real-time external data via our OpenAI collaboration
  - Real-time personalised financial insights for deeper dives into financial data and surfacing actionable information to help inform smarter decisions
- Launched GenAI-powered smart document capture across web and mobile for UK customers, automating data extraction and transaction matching, to increase accuracy and reduce time on manual entry
- Introduced the Xero Analytics platform with customisable, AI-powered insights, including Business Health scorecards using internal and external data for a consolidated view
- Signed a strategic partnership with Anthropic to bring Claude's AI directly into Xero, and Xero capabilities for existing customers into Claude.ai. This augments our existing OpenAI partnership, bringing multiple AI providers to users across our agents

As we enter FY27, we're focused on driving AI adoption, deepening product value and monetising new AI features. Our three monetisation principles, keeping it simple, encouraging adoption and future-proofing our models, are designed to balance adoption with value realisation for long-term shareholder returns.

Delivering operational excellence and increasingly leveraging AI to do so

We're using AI to deliver operational excellence across Xero to increase internal efficiencies and our peoples' impact. From customer service to marketing and lead generation to code generation in engineering, we are leveraging AI to work faster and smarter in service of our customers.

Overall, we are pleased with our increasing operational leverage; we delivered total operating expenses as a percentage of revenue of 70.5% (excluding acquisition-related costs), in line with guidance, and demonstrated a disciplined approach to recruitment with revenue per full-time equivalent employee increasing by 21% year-on-year to $571,000. We also evolved our product and technology organisation, opening a new hub in Vancouver, Canada to rebalance our organisational location mix for higher-priority technical skills and improve cross-timezone collaboration.

Funding our growth engine through operational and capital discipline

Our FY26 results underscore confidence in our ability to pursue our FY28 aspirations. Our consistent operational and capital discipline enable Xero to continue to fund our growth engine. By generating internal efficiencies we can create opportunities to reinvest to drive growth, such as investing in our brand in the US.

Looking ahead

We're executing our strategy effectively, with key wins and continued value delivery for customers. We are at the beginning of something significant, accelerated by AI, and we have the strategy, team, data and product capability to capture it.

Aspiration

In June 2025, Xero outlined its FY28 aspirations as part of the acquisition of Melio. They are that:

- The combined business is expected to significantly accelerate US revenue growth and gives Xero the opportunity to more than double its FY25 group revenue in FY28 excluding anticipated revenue synergies[4, 5]
- This outcome is expected to support Xero's aspiration to deliver greater than Rule of 40 outcomes for the group in FY28[6, 7, 8]

FY27 Outlook

Operating revenue is expected to be between $3,620 million and $3,730 million.

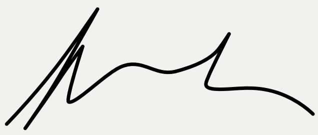
Adjusted EBITDA[9] is expected to be between $860 million and $920 million. This includes incremental US brand spend of up to ~NZ$55 million. Xero expects a higher than historical weighting of Adjusted EBITDA to be delivered in the second half of FY27.

Product capitalisation rates are expected to be similar to the long term range of 40-45% and Depreciation and amortisation expenses are estimated to be around $465 million in FY27.[10]

Thank you

We're delighted with our strong FY26 performance, and confident in our FY27 guidance and FY28 aspirations as we pursue our purpose: to make life better for people in small business, their advisors and communities around the world. We are excited about Xero's future.

On behalf of the leadership team and everyone at Xero, thank you for your ongoing loyalty and support.



Sukhinder Singh Cassidy
CEO

4. Anticipated FY28 revenue synergies are expected to be ~US$70 million (refer to page 27 of the Investor Presentation lodged with the ASX on 25 June 2025 for further details). Assuming constant currency conversion of NZ$/US$ 0.57, NZ$/AU$ 0.91 and NZ$/GBP 0.46

5. Xero FY25 revenue was NZ$2,103 million. This statement applies to FY28 only and no implication should be made relating to any other financial year

6. In the interim period prior to FY28, Xero expects to deliver below Rule of 40 outcomes on a pro-forma basis (pro-forma refers to adjusting for inorganic revenue growth benefits from the time of transaction completion by comparing to a prior year revenue base that fully incorporates Melio's revenue)

7. Assessed including both expected revenue and expected cost synergies outlined on page 27 of the Investor Presentation lodged with the ASX on 25 June 2025

8. Rule of 40 aspirations relate to Xero's results at the Xero Group level, in line with Xero's definition of Rule of 40 (for further details refer to page 21 in the FY26 Investor Presentation)

9. Adjusted EBITDA provides a view on underlying business performance and is calculated by adding back certain non-cash, revaluation and one-off costs to EBITDA

10. Refer to page 35 of Xero's FY26 Investor Presentation for further qualitative commentary and supporting assumptions regarding Xero's FY27 Outlook

Strategy in Action

Our FY25-27 strategy, *Winning on Purpose,* is a focused framework built on three pillars: creating winning solutions for customers, consistently living our purpose, and purposefully allocating capital. By executing this strategy across large and expanding cloud markets, we are positioned to further unlock an untapped ~$100 billion Total Addressable Market (TAM).[1,2]

Now in the last year of our strategic period, we're pleased to share key FY26 achievements across our four priorities.

1. WIN THE 3X3

In FY26, our strong product velocity and disciplined capital allocation continued in line with our 3x3 strategy. Below are some of the key highlights for the year:

Accounting

- Introduced the Xero Analytics platform equipped with customisable, AI-powered insights to millions of businesses, including Business Health Scorecards which track key performance metrics alongside external data (like website traffic) for a consolidated view of business health, supporting our partners to drive more usage among their clients
- Rolled out a redesigned, customisable homepage based on feedback from over 30,000 customers, delivering simpler navigation, personalised data, recommended actions and a clear view of performance
- Announced our new Partner Hub, built with feedback from over 2,000 partners globally, unifying practice tools and workflows with AI-powered assistance and compliance features
- Launched Xero Workpapers, a new compliance tool built in partnership with BGL that streamlines workflows for Australian partners and reduces manual entry through direct import of client bookkeeping data from Xero
- Expanded our partner ecosystem through a new integration with Karbon, connecting Xero's financial software with Karbon's practice management tools to simplify workflows and boost productivity for accounting firms across the US and all major Xero markets
- Enhanced Xero Tax for Australian customers with more future-year forms, early tax and company returns filing, and the ability to set up in-app or email reminders, helping reduce manual entry and errors in individual returns
- Introduced Xero Simple to support UK accountants and bookkeepers ahead of Making Tax Digital (MTD) for Income Tax (IT), including invoicing, data capture and automated bank transaction imports enabling direct MTD for IT filing and multi-business support
- Streamlined compliant statutory and complex reporting in the UK, and introduced partnership tax capabilities, allowing accountants and bookkeepers to amend, delete and create partnership tax returns for their clients
- Enhanced US bank feeds and US tax preparation
  - Through a partnership with Plaid we delivered more reliable, direct high-quality bank feed connections from over 1,500 institutions, helping save small businesses time and delivering greater financial visibility
  - An integration with Tallyfor has improved filing efficiency. We have also enabled 1099 e-filings, powered by Avalara, and released several other enhancements to help simplify compliance

1. *Total Addressable Market estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s)*
2. *Based on Australia, NZ, UK, US and Canada across accounting (bookkeeping, annual tax, data ingestion, reporting and insights), payments and payroll*

Payroll	• Enhanced Australian payroll with employee self-onboarding features and modernised Payday Super submission to help customers stay compliant, with the rollout to be completed by June 2026
	• Added payroll and auto super into every Xero plan in Australia, and improved payroll flexibility across UK and NZ plans with per-employee pricing for simpler onboarding and scaling for customers
	• Enhanced UK Payroll with a new Payroll Manager dashboard for direct client set-up with a unified workflow, and introduced more comprehensive payroll reporting features and national minimum wage alerts
	• Launched integrated wage payments enabling UK customers to pay employees directly from Xero, in partnership with Crezco
	• Launched our embedded payroll solution (beta) through our partnership with Gusto, enabling seamless payroll management for US customers directly within the Xero platform
Payments	• Completed the acquisition of Melio in October 2025 to unite accounting and payments on one platform for US small businesses. In March 2026, launched bill payments, powered by Melio, delivering a full-service financial platform for US small businesses. This allows businesses and their advisors to benefit from speed, choice, and cash flow visibility, with the ability to pay vendors instantly via bank transfer, debit or credit card (even if the vendor doesn't accept cards). Alongside, JAX (Just Ask Xero) automatically reconciles transactions, helping keep books accurate and enabling owners to shift from reporting on the past to forecasting for the future
	• Introduced new, flexible ways to get paid, including secure deposits (in early access for Australia, New Zealand and the UK), enabling customers to collect partial or full payment to lock in revenue, cover upfront costs and start projects with confidence
	• Launched scheduled payments to allow payers to commit to a future payment date, reducing late payments and improving cash flow predictability, alongside statement payments enabling customers to get paid for multiple invoices with one transaction
	• Launched a new AI invoice email generator, in beta for some customers globally, allowing customers to leverage JAX to create professional messages and motivate quicker payments
	• Launched SMS invoicing in New Zealand, the UK and the US (in Australia, customers get paid up to four times faster when sending an online invoice via SMS[3]) and also enabled online payments for invoices on the Xero Accounting app
	• Launched more ways to pay, powered by Stripe, including Zip Pay and PayTo in Australia, and Pay by Bank in the UK, and introduced the ability to pay statements in bulk, providing customers with more payment options and flexibility
	• Improved bill functionality with smarter bill creation via web and mobile, automated entry options, quick-view bill editing and approval from a single screen, as well as international bill payments in the UK so customers can pay bills in more than 32 currencies to over 180 countries

3. Median payment times of invoices with a payment service included and sent via SMS by customers using Xero in Australia from 1 September 2024 to 31 March 2025 (compared to invoices sent by email and without payment service included)

2. BUILD A WINNING GTM PLAYBOOK

We're focused on driving value for our customers and partners, deepening our relationships, and improving usage and growth of the products that best serve them. We have a multi-year opportunity to continue to grow ARPC through our focus on multi-product adoption and improved mix, for both new and existing customers.

Highlights for the year include:

- Refined our sales motions to target new customers and scaled data-driven marketing to fuel growth across our direct and partner channels
- Added Syft Analytics for Xero partners into eligible business plans. This has strengthened and increased the value of our offering by providing improvements to forecasting, advanced reporting and multi-entry consolidations
- Introduced single sign-on (SSO) for accountants and bookkeepers (phased release): one of the most-requested features from our partner community. SSO lets partners manage staff access centrally, eliminates the risk of former employees retaining access to sensitive client data, and helps meet enterprise-grade security requirements like ISO 27001 and SOC 2, protecting revenue with large enterprise customers who treat SSO as a non-negotiable
- Enhanced our direct acquisition strategy by improving the Xero mobile experience with new mobile buy flow to improve the customer sales journey, guided setup and subscription management. Customers can now sign up, get set up, and manage bills and invoices directly on mobile
- Continued to use AI internally to enhance our customer experience teams' ability to deliver better customer support experiences more efficiently. We released live in-product chat capability, providing customers in the US (and those in their first 90 days in UK, Australia and New Zealand) with access to immediate AI-powered answers where they need it most, with a customer support agent brought in for more complex cases

3. FOCUSED BETS TO WIN THE FUTURE

We continue to see AI and mobile as a significant opportunity to innovate and invest to unlock value for our customers, leveraging our 20 years of proprietary data (trusted by millions of businesses and their advisors globally) and our deep domain expertise. In FY26 we announced the evolution of our agentic platform, underpinned by JAX, and new partnerships with major AI platforms, moving Xero from a system of record to a system of action and decision making for our customers. We've already passed 500,000 customers using our new GenAI-powered features. In FY26 we:

- Announced a partnership with Anthropic to integrate Claude's AI into Xero and securely connect Xero financial data into Claude.ai. We see this as a key enabler of further supercharging small businesses globally and allowing customers to leverage Xero wherever they choose to work
- Launched AI-powered smart document capture across web and mobile for UK customers, automating data extraction and transaction matching. This included a new mobile bill-capture feature that allows users to instantly generate bills from photos or files, significantly reducing manual entry
- Made JAX (in beta) available to all eligible users globally and released powerful new key features. Powered by Xero's trusted financial operating system, JAX functions as an orchestration agent supported by an agentic team of specialists and underlying Xero capabilities running on the Xero platform. Other key JAX enhancements in FY26 include:
  - Customer messages sent to JAX have increased by ~115% per user, demonstrating increased engagement and usage. Xero is committed to Accountable Intelligence™
  - Released automated bank reconciliation, powered by JAX. This automation helps customers move faster, stay compliant and scale. In FY26 customers reported JAX's financial auto bank reconciliation accuracy was 97%, and over 40 million transactions have already been reconciled using the feature. Customers using bank feeds and automated actions save ~22 hours each month
  - Rolled out JAX web search, which combines a customer's business data with real-time external data from across the web (such as market trends), via our OpenAI collaboration, to deliver personalised, timely insights. These answers are underpinned by JAX Assure, Xero's proprietary tech for enhanced accuracy
  - Introduced JAX for accountants and bookkeepers (open beta) to unify client summary Q&A experience and deliver faster financial insights across clients in the Xero Partner Hub, in addition to Xero's new Syft-powered architecture
  - Rolled out real-time, personalised financial insights enabling customers to dig deeper into their financial data through conversational, agentic analysis and surface the actionable information needed to make smarter decisions

4. UNLEASH XERO(S) TO WIN

We continue to focus on setting Xero up for success and empowering our people to thrive, as we stay focused on driving more value for our customers and partners. Highlights for FY26 included:

- Drove organisational-wide AI adoption by equipping Xeros with education, automation and intelligence tools to increase internal efficiencies and productivity, with 83% of our people using AI daily. This has scaled our customer support capabilities, with AI technology integrated into workflows, assisting four to five times on each request. Our engineering team continues to benefit from time savings as we drive deep adoption, with 97% of engineers using at least one AI tool daily
- Evolved our product and technology team structure to help enhance our product velocity and deliver great products for our customers, positioning Xero for future success
- Continued to enhance our performance management framework for our people
- Delivered improved employee performance, development and learning opportunities for all Xeros globally as we invest in our purpose and performance-based culture, driving focus, prioritisation and connection to our strategy

Key Risks

The Xero risk management framework is designed to identify material financial and non-financial risks that may impact our ability to achieve our strategic priorities.

The Xero Board sets the risk appetite and provides oversight of management's implementation of Xero's risk management framework. Responsibility for managing risks within the Board-defined risk appetite is shared between the Xero leadership team and our people.

We recognise that everyone at Xero has a role to play in this area. Key roles are outlined in the diagram below, with accountability for managing risk aligned to the globally recognised 'Three Lines Model'.

XERO'S RISK MANAGEMENT ACCOUNTABILITY – THREE LINES MODEL

The table below sets out key areas of potential risk facing Xero (in no specific order) and the high-level activities in place to mitigate these risks. More information on our approach to data and cybersecurity, ESG, and people-related risks can be found in our FY26 Sustainability Report.

THEME	MITIGATION STRATEGIES AND ACTIVITIES
Strategic The risk that we may not successfully execute on our strategic priorities, which could result in customer, operational, financial and reputational impacts. This includes the failure to adapt to, and capitalise on, disruptive technologies like artificial intelligence (AI), respond to competitive pressures from existing and new market entrants, or changing dynamics with our accounting partners.	**Strategic planning and oversight:** Our strategic planning cycle includes regular review of progress and strategic outlook, including the competitive landscape, emerging technologies and new market entrants, alongside broader economic and geopolitical events. This supports alignment with long-term goals and adaptability to evolving market conditions. Management actively monitors the policy and regulatory environment to identify and address potential risks and opportunities. Regular reviews of execution against the strategic plan are conducted through Objectives and Key Results (OKRs) and across regions. The Board receives regular reporting and provides oversight of strategic risk, including the competitive environment and customer sentiment.
Financial Performance and Access to Capital The risk that our financial performance does not meet internal targets and/or external expectations, potentially impacting cost of capital, shareholder and/or market sentiment. The risk of constraints on access to financial resources to invest for future growth.	**Financial performance and balance sheet management:** We actively manage our balance sheet, liquidity and cash flow, and closely monitor performance against forecasts and market expectations. We focus on clear market communication to drive alignment in performance expectations. The Board oversees our capital management strategy including capital raisings, investment allocation, as well as foreign exchange and liquidity risk management.
AI Governance and Reliability The risk of AI systems producing biased or unreliable insights, eroding platform trust, or exposing us to IP vulnerability and regulatory enforcement.	**Responsible AI:** We invest in and deploy AI technologies guided by our Responsible Data Use Commitments and governance frameworks. We actively mitigate data bias, prioritise model transparency and safety, and maintain oversight of automated workflows in alignment with our ethical data practices and platform trust. Additionally, we actively monitor the evolution of AI systems, including those with increasing levels of autonomy, to support platform trust.
Operational The risk of disruption to our internal operations, potentially impacting our platform stability and/or being unable to provide continued delivery and innovation of our products and services to customers. Operational risks also include risks related to third parties, effective M&A integration, talent and culture, and employee wellbeing.	**Platform stability and resilience:** We focus on, and invest in, technology, processes and engineering capabilities to improve robustness of the platform and strengthen stability. We undertake continuous performance monitoring and regular reporting, and periodically test disaster recovery and business continuity plans. We also test and monitor how new deployment may impact stability, and implement strategies to mitigate that risk.
	Product development: We invest in engineering, product development and delivery, prioritising initiatives that support our FY25-27 strategic goals. We take a disciplined approach to product design and execution focused on meeting customer needs and accelerating value, supported by investment in targeted customer and market research programs.
	M&A Integration Framework: M&A and related business integration follows a defined framework overseen by the Executive Leadership Team, in collaboration with the corporate development team. We maintain oversight of the integration of major acquisitions (such as Melio) to support strategic alignment and value creation. This process is supported by an established M&A Integration Framework and a dedicated Integration Management Office.
	Talent and high-performance culture: We attract talent and retain it by fostering a workforce and environment that supports long-term value creation through a global strategy and strong employee value proposition. We offer flexible work, employee benefits, career growth, and a performance framework designed to drive a sustainable high-performance culture. Xero has strong values, with active workforce planning and succession planning for key roles.
	Employee wellbeing: We prioritise employee wellbeing, health and safety through dedicated support programs, such as Flexible Working and Respect and Responsibility policies, and by regularly surveying and reporting on employee wellbeing and engagement metrics, including leading and lagging indicators to inform adjustments.
Cyber and Security The risk that security controls and processes are insufficient to address rapidly evolving threats, including those amplified by emerging technologies such as AI, leading to a breach and resulting in loss of data or system functionality, and potential disruption to customers' businesses, leading to customer churn, financial loss, and/or reputational damage. This includes risks to operational resilience from the increasing speed and scale of automated threats that impact SaaS platform availability.	**Security controls and initiatives:** We invest in multi-layer security tools like multi-factor authentication and penetration testing, maintaining SOC2 and ISO 27001 compliance with regular external audits, incident response plans, and periodic cybersecurity simulations with leadership. We safeguard data, and protect against data and cybersecurity breaches through data security and awareness programs for all employees. We also educate partners and customers to empower users of the Xero platform with knowledge of actions to safeguard their data.
ESG The risk that Xero is not able to deliver on its environmental, social and governance priorities to maintain social licence to operate.	**ESG principles and initiatives:** We actively manage the design and execution of our environment, social and governance priorities, and oversee progress with our Executive Leadership Team, Audit and Risk Committee and Board.
Legal and Regulatory The risk of inadequate management of current and changing legal, regulatory, financial services and other compliance obligations and risks. These obligations include the licensing requirements and AML/CTF compliance obligations of Melio Solutions Inc in connection with Melio's payments business in the US. Compliance or risk management failures may result in fines, increased costs, impacts to our brands, reputation and/or revenues.	**Governance and controls:** We invest in compliance capability and processes to proactively identify, manage, and mitigate legal and regulatory risks across our global operations. Our strategy integrates monitoring of the evolving legislative landscape including through a government relations function, allowing for strategic policy engagement on priority topics. We maintain a suite of policies and mandatory training programs to support compliance, as well as governance structures to oversee reporting accountability and response to incidents.

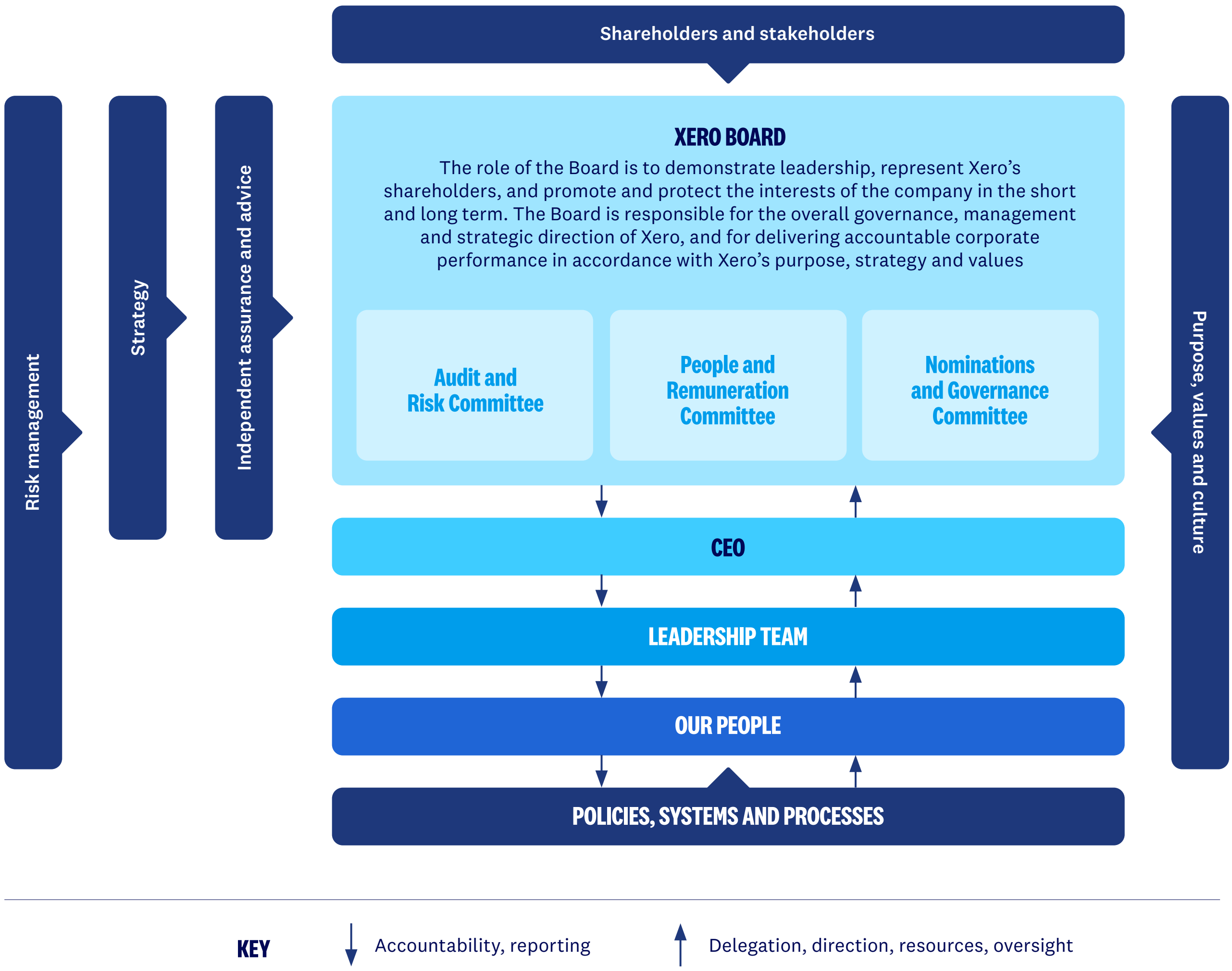
Governance

Xero's purpose is to make life better for people in small business, their advisors, and communities around the world. Xero's corporate governance framework is designed to uphold high standards of corporate governance and deliver on Xero's purpose and strategy. It encompasses performance monitoring and risk management in a way that reflects Xero's values and the digital, global and high-growth nature of Xero's aspirations.

The Board of Xero (Board) continues to be well supported by its three standing committees: the Audit and Risk Committee, the People and Remuneration Committee, and the Nominations and Governance Committee.

Further information about our Corporate Governance Framework, including the responsibilities of each committee, is set out in our Corporate Governance Statement. This is available on our Investor Centre at www.xero.com/about/investors/governance together with our key governance policies, Code of Conduct, and Board and committee charters.

XERO'S GOVERNANCE FRAMEWORK



XERO'S BOARD

David Thodey, AO

Chair of the Board, Australia

- Independent director since June 2019 and Chair since February 2020
- Nominations and Governance Committee (Chair)
- Audit and Risk Committee

David is a business leader who has had a career focused on innovation and technology, with more than 30 years' experience creating brand and shareholder value. He is now active in business, healthcare, public policy, innovation, tertiary education, the environment and corporate governance.

David is chair of Ramsay Health Care (a global hospital group), co-chair of the Great Barrier Reef Foundation, Chancellor at the University of Sydney and a member of the Reserve Bank of Australia Governance Board.

He was CEO of IBM Australia and New Zealand (1999-2001) and Telstra (2009-2015), and has wide experience as a board director including as a past director of Vodafone Global Group, CSIRO, CSL, and Telstra.

David has a Bachelor of Arts in Anthropology and English from Victoria University of Wellington and completed the post-graduate General Management Program at Northwestern University's Kellogg School of Management. He received an honorary Doctorate in Science and Technology from Deakin University in 2016, an honorary Doctorate of Business from University of Technology Sydney in 2018, an honorary Doctorate of Business from University of Sydney in 2022 and was recognised for his services to business and ethical business leadership with an Order of Australia (AO) in 2017.

Steven Aldrich

Non-executive director, United States

- Independent director since October 2020
- Audit and Risk Committee

Steven is an entrepreneur and professional director with more than 25 years' experience in creating and delivering products within the technology and accounting software industries. Steven was previously a non-executive director of Semrush, an online visibility management SaaS platform, and a non-executive director of Avantax.

Steven has held a range of senior executive roles, including at GoDaddy, the world's largest services platform for entrepreneurs, where most recently he was chief product officer. Prior to this, Steven was the CEO of Outright, an online bookkeeping service, which was acquired by GoDaddy. Steven has also held various senior management roles at Intuit, including vice president of strategy and innovation for the small business division. Steven holds a Bachelor of Arts in Physics from the University of North Carolina and a Master of Business Administration from Stanford University.

Mark Cross

Non-executive director, New Zealand

- Independent director since April 2020
- Audit and Risk Committee (Chair)
- People and Remuneration Committee

Mark is an experienced professional director with more than 20 years of international experience in corporate finance and investment banking. He also currently chairs the boards of Chorus and Vocus, and is a director of Fisher & Paykel Healthcare. His recent previous directorships include Milford Asset Management (chair) and Z Energy.

Mark was at Deutsche Bank for 10 years, initially based in Sydney in mergers and acquisitions, then in London as a managing director and co-head of a European M&A industry group. Mark holds a Bachelor of Business Studies (Accounting & Finance) from Massey University New Zealand, is a member of Chartered Accountants Australia and New Zealand, a chartered fellow of the New Zealand Institute of Directors, and a member of the Australian Institute of Company Directors.

Anjali Joshi

Non-executive director, United States

- Independent director since July 2023
- People and Remuneration Committee

Anjali is an experienced technology and product leader and professional director with more than 30 years' experience in engineering and product management. She is currently a director of LocoNav and Persistent Systems, and was previously a director of Alteryx, Lattice Semiconductor, Iteris, Mobileiron, and McClatchy.

Anjali spent 13 years in senior product leadership at Google, during which time she was instrumental in building and scaling new products globally across internet, mobile and video platforms. Prior to joining Google, Anjali held engineering leadership roles at Covad Communications and program management roles at AT&T Bell Labs. Anjali received her Bachelor of Technology in Electrical Engineering from the Indian Institute of Technology, a Master of Computer Engineering from the State University of New York, and a Master of Engineering Management from Stanford University. She was awarded the Distinguished Alumna Award from the Indian Institute of Technology.

Dale Murray, CBE

Non-executive director, United Kingdom

- Independent director since April 2018
- Audit and Risk Committee

Dale is an experienced non-executive director and former technology entrepreneur and CEO. Dale is currently a non-executive director at the Cranemere Group and Jupiter Fund Management, and lead independent director at Lightspeed Commerce. She was formerly a non-executive director and trustee for the Peter Jones Foundation, a non-executive director at Sussex Place Ventures, LendInvest, and at the Department for Business, Innovation & Skills (UK).

Dale co-founded and was CEO of mobile pioneer Omega Logic in 1999, which co-launched prepay top-ups in the UK. She holds a Master of Business Administration from the London Business School, was a Fellow of the College of Chartered Accountants at NZICA and CAANZ until 2021, and served on the Business Taskforce on EU Redtape for the British Prime Minister in 2013. Dale was made Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II in 2013, for services to business.

Brian McAndrews

Non-executive director, United States

- Independent director since February 2022
- People and Remuneration Committee
- Nominations and Governance Committee

Brian is an experienced former executive and CEO, having driven growth and innovation for leading technology, SaaS and cloud-based companies, and a professional director. His experience includes leading Pandora Media, a streaming music provider in the US, and aQuantive, a digital marketing services and technology company that was acquired by Microsoft.

Brian is currently lead director of Frontdoor, the largest provider of home service plans in the United States, and is a director on the board of The New York Times. He is a director of The Wine Group and USA Climbing and senior advisor to Spectrum Equity. He was previously a director of Chewy and Teladoc Health, and chairman of Grubhub.

Brian has been included in the National Association of Corporate Directors Directorship 100, which recognises the most influential board members. He holds a Bachelor of Arts with Honors in Economics from Harvard College and a Master of Business Administration from the Stanford Graduate School of Business.

Susan Peterson

Non-executive director, New Zealand

- Independent director since February 2017
- People and Remuneration Committee (Chair)
- Nominations and Governance Committee

Susan is an experienced non-executive director and business leader with a particular interest in helping companies to drive growth through technology, innovation and organisational culture. Susan is currently the chair of Kiwibank and Vista Group, and an independent director of Mercury.

Susan is also a board member of Craigs Investment Partners and was previously a member of the New Zealand Markets Disciplinary Tribunal. Susan is a past director of Arvida Group, ASB Bank and Trustpower, and a past ministerial appointee to the National Advisory Council on the Employment of Women. Susan holds a Bachelor of Commerce and Bachelor of Laws from the University of Otago.

Our Performance

You should read the following commentary in conjunction with the consolidated financial statements and the related notes in this report.

Non-GAAP measures have been included as Xero considers they provide useful information for readers to assist in understanding Xero's financial performance, and they are used when management measures performance. Non-GAAP financial measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Non-GAAP financial measures do not have a standardised meaning prescribed by NZ IFRS or Generally Accepted Accounting Practice (GAAP), and therefore may not be comparable to similar financial information presented by other entities. Xero's non-GAAP financial information has not been subject to audit or review.

BUSINESS RESULTS[1]

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
Subscription revenue	2,377,662	1,978,184	20%
Other operating revenue	375,419	124,468	202%
Total operating revenue	**2,753,081**	**2,102,652**	**31%**
Cost of revenue	(444,460)	(230,402)	93%
Gross profit	**2,308,621**	**1,872,250**	**23%**
Gross margin percentage	*83.9%*	*89.0%*	*-5.1pp**
Sales and marketing	(828,536)	(663,708)	25%
Product design and development	(764,491)	(617,801)	24%
General and administration	(348,873)	(226,840)	54%
Acquisition-related costs	(50,600)	(1,258)	NM**
Total operating expenses	**(1,992,500)**	**(1,509,607)**	**32%**
Percentage of operating revenue	*72.4%*	*71.8%*	*0.6pp*
Percentage of operating revenue (excluding acquisition-related costs)	*70.5%*	*71.7%*	*-1.2pp*
Operating income	**316,121**	**362,643**	**-13%**
Other income and expenses	92,946	(3,900)	NM
Operating profit before asset impairments and disposals	**409,067**	**358,743**	**14%**
Asset impairments and disposals	(2,316)	(3,037)	-24%
Earnings before interest and tax	**406,751**	**355,706**	**14%**
Percentage of operating revenue	*14.8%*	*16.9%*	*-2.1pp*
Net finance income/(expense)	(67,015)	6,958	NM
Income tax expense	(172,316)	(134,847)	28%
Net profit	**167,420**	**227,817**	**-27%**
Percentage of operating revenue	*6.1%*	*10.8%*	*-4.7pp*

** pp stands for percentage point*
*** NM stands for not meaningful*

Xero delivered strong operating results in FY26, with revenue growth of 31% compared to FY25, resulting in total operating revenue of $2.8 billion. On an organic basis (ie, excluding revenue from the acquisition of Melio), operating revenue grew 21% (19% on a constant currency basis). The strong headline revenue growth and continued free cash flow generation resulted in a reported Rule of 40[2] outcome of 48.5%. On a pro-forma basis the Rule of 40 outcome was 36.0%. This metric demonstrates a full-period impact of the Melio acquisition.

1. *Results include the contribution of Melio from acquisition on 15 October 2025. Further details on the impact to each category are provided in the relevant sections in this report*
2. *Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)*

Xero delivered strong revenue growth across its three largest markets (Australia, the United Kingdom and the United States) as a result of both customer growth and higher average revenue per customer (ARPC). The US also benefited from the addition of Melio operating revenue of $205.0 million. In FY26, total customers grew 11%, resulting in the addition of 506,000 net customers, bringing total customers to 4.9 million. Constant currency ARPC growth of 18% (23% nominal) was driven by price changes to reflect increased product value, along with continued payments growth.

In FY26, gross margin decreased 5.1 percentage points, from 89.0% in FY25 to 83.9% in FY26. This decrease largely reflected the incorporation of the Melio business, which as a payments business, has a different gross margin profile to Xero (refer to Gross Profit on page 31 for more details).

Excluding acquisition-related costs, operating expenses as a percentage of revenue were 70.5% for FY26 (72.4% including acquisition costs). On a headline basis, operating income decreased 13% compared to FY25. Adjusting for acquisition-related costs, operating income was broadly flat, and on an organic basis operating income increased 18%.

EBITDA increased 24% from $638.5 million in FY25 to $789.5 million in FY26; however, this was impacted by one-off non-operational items. Adjusted EBITDA, which excludes these impacts and provides a better view of operational performance, increased 18% from $641.8 million in FY25 to $757.4 million in FY26. This growth was impacted by the incorporation of Melio, which is a loss-making business. Adjusted EBITDA growth on an organic basis was 30%, reflecting our strong operating leverage.

In FY26, Xero recorded a net finance expense of $67.0 million compared to net finance income of $7.0 million in FY25. This movement was mainly driven by the shift to a net debt position following the acquisition of Melio, which resulted in higher bank debt interest on borrowings, in addition to non-cash revaluation impacts from Xero's existing convertible notes.

Cash receipts from customers grew 31% from the comparative period, in line with revenue growth. Free cash flow improved 9%, increasing to $554.0 million in FY26.

Xero's effective tax rate for FY26 was 50.7%, 13.5 percentage points higher than FY25, and resulted in an increase in income tax expense of $37.5 million to $172.3 million. The higher effective tax rate reflected that no tax benefit was recognised on Melio operating losses, as well as the non-tax deductibility of other items, including Melio acquisition costs and non-cash convertible note revaluations in FY26.

After tax, Xero recognised a 27% decrease in net profit to $167.4 million, compared to $227.8 million in FY25, resulting in a net profit margin of 6.1%. This was heavily impacted by a $111.7 million net loss from Melio. Excluding Melio's results, underlying net profit after tax grew 23% to $279.1 million.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

EBITDA and adjusted EBITDA disclosures (which are non-GAAP financial measures) have been included as Xero believes they provide useful information for readers in understanding Xero's financial performance. EBITDA is calculated by adding back net finance expense, depreciation and amortisation, and income tax expense to net profit.

Adjusted EBITDA is calculated by adding back certain non-cash, revaluation and one-off costs to EBITDA. Adjusted EBITDA (excluding share-based payments) is calculated by adding back share-based payments to adjusted EBITDA.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
Net profit	**167,420**	**227,817**	**-27%**
Add back: net finance (income)/expense	67,015	(6,958)	NM
Add back: depreciation and amortisation	382,772	282,760	35%
Add back: income tax expense	172,316	134,847	28%
EBITDA	**789,523**	**638,466**	**24%**
EBITDA margin	*28.7%*	*30.4%*	*-1.7pp*
Add back: acquisition-related costs	50,600	1,258	NM
Add back: revaluation on acquisition financing	(90,507)	-	NM
Add back: foreign currency revaluations of financing activities	7,690	-	NM
Add back: non-cash revaluations	46	2,090	-98%
Adjusted EBITDA	**757,352**	**641,814**	**18%**
Adjusted EBITDA margin	*27.5%*	*30.5%*	*-3.0pp*
Add back: share-based payments	240,085	151,878	58%
Adjusted EBITDA (excluding share-based payments)	**997,437**	**793,692**	**26%**
Adjusted EBITDA margin (excluding share-based payments)	*36.2%*	*37.7%*	*-1.5pp*

EBITDA increased $151.1 million, or 24%, compared to FY25, reaching $789.5 million. The EBITDA margin declined 1.7 percentage points, from 30.4% to 28.7%. This figure included two one-off impacts from the Melio acquisition: $50.6 million in transaction costs and a $90.5 million foreign exchange gain on US dollar funds held for acquisition purposes.

Adjusted EBITDA (which excludes these one-off impacts) increased 18%, or $115.5 million, compared to FY25. The adjusted EBITDA margin declined 3.0 percentage points, from 30.5% in FY25 to 27.5% in FY26. This largely reflects the margin impact from the inclusion of the Melio business, which currently generates EBITDA losses. Excluding the inorganic impact of incorporating Melio, adjusted EBITDA growth was 30%, and adjusted EBITDA margin was 32.7%.

Share-based payments had a $240.1 million impact on adjusted EBITDA, an increase from $151.9 million in FY25. After removing this non-cash expense, adjusted EBITDA (excluding share-based payments) increased 26% to $997.4 million. The rise in share-based payments is attributable to the combined impact of executive option and sign-on equity grants and Xero's focus on attracting leading global SaaS talent.

CASH FLOWS AND LIQUIDITY

Free cash flow is a non-GAAP financial measure that is included to demonstrate net cash generated by, and invested into, the business. Xero defines free cash flow as cash flows generated from operating activities less cash flows used for investing activities, excluding cash used for acquisitions of, and investments in, businesses and strategic assets. Free cash flow also excludes any cash flows obtained from divestment of businesses and strategic assets.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
Receipts from customers	2,760,818	2,108,742	31%
Net interest received	77,506	70,265	10%
Income tax paid	(139,937)	(58,589)	139%
Other operating cash flows	(1,765,240)	(1,308,748)	35%
Total cash flows from operating activities	**933,147**	**811,670**	**15%**
Investing activities	(4,318,725)	(403,179)	NM
Add back: acquisitions and investments	3,939,621	98,254	NM
Free cash flow	**554,043**	**506,745**	**9%**
Free cash flow margin	*20.1%*	*24.1%*	*-4.0pp*
Rule of 40	*48.5%*	*44.3%*	*4.2pp*

Free cash flow increased $47.3 million, from $506.7 million in FY25 to $554.0 million in FY26. Operating revenue growth outpacing free cash flow growth contributed to a 4.0 percentage point decrease in free cash flow margin to 20.1% in FY26, from 24.1% in FY25. Adjusted for Melio, organic free cash flow was $639.7 million, representing a year-on-year increase of 26%, or $133.0 million.

Xero excludes acquisition and investment-related items from the calculation of free cash flow. Excluded items for FY26 include the investment and costs associated with the Melio acquisition. In the prior year, these relate to the Syft Analytics acquisition ($51.9 million), investment in Deputy ($42.1 million) and Tickstar earnout payments ($4.3 million).

Cash flows from operating activities increased $121.5 million, or 15%, to $933.1 million. The improvement was driven by receipts from customers, which increased $652.1 million, or 31%, consistent with operating revenue growth. Operating cash flows were further supported by an increase in net interest received of $7.2 million, or 10%, reflecting higher cash balances held during the year from funds raised for the acquisition of Melio. These inflows were offset by a $456.5 million, or 35%, increase in other operating cash flows. This increase almost entirely relates to an increase in payments to suppliers and employees, reflecting an increase in full-time equivalent (FTE) employees (inclusive of Melio staff) and inclusion of Melio operating cash flows.

Income tax paid of $139.9 million also offset cash flows from operating activities. This increase of $81.3 million follows the full utilisation of historic tax losses in New Zealand in FY26.

Cash flows for investing activities increased $3.9 billion from FY25, driven predominantly by the acquisition of Melio,[3] completed in October 2025. Excluding acquisition cash flows in FY26 and FY25, investing activities increased 24.3% or $74.2 million from FY25, largely reflecting a $133.0 million increase in capitalised development costs and a reduction in cash flow impacts from property, plant and equipment.

Total available liquidity (defined as cash and cash equivalents, and short-term deposits) fell from $2.3 billion at 31 March 2025 to $1.9 billion at 31 March 2026, driven by cash deployed in the acquisition of Melio, partially offset by proceeds from the associated capital raise, utilisation of loan facilities and free cash flow generation.

3. Net of cash acquired

Reported free cash flow margin for FY26 was 20.1%, resulting in a Rule of 40 outcome of 48.5%. On a pro-forma basis, the Rule of 40 outcome was 36.0%. This metric demonstrates a full-period impact of the Melio acquisition, for further details on the basis of calculation, refer to the FY26 Investor Presentation.

OPERATING REVENUE

Subscription revenue comprises recurring fees from customers to Xero's cloud-based platform, products and services. Within a subscription, customers also receive support services and product updates.

Total operating revenue includes subscription revenue as well as revenue from other related services, including revenue share agreements with financial services providers, payments revenue, software licences, and conference and event revenue.

Constant currency operating revenue growth (a non-GAAP financial measure) is provided to assist readers in understanding and assessing Xero's financial performance, excluding the impact of foreign currency fluctuations and hedging. Constant currency operating revenue growth is calculated by translating operating revenue for FY26 at the average foreign exchange rates for FY25, excluding the impact of hedging.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
Subscription revenue	2,377,662	1,978,184	20%	17%
Other operating revenue	375,419	124,468	202%	202%
Total operating revenue	**2,753,081**	**2,102,652**	**31%**	**28%**

Total operating revenue grew 31%, or $650.4 million, to $2.8 billion in FY26. This included the inorganic benefit of the Melio acquisition; excluding this, growth was 21% or 19% in constant currency. This was driven by higher subscription revenue alongside continued payments revenue growth. The comparatively weaker New Zealand Dollar (NZD) against the Australian Dollar (AUD) and Great British Pound (GBP) had a favourable impact on reported revenue.

Subscription revenue increased $399.5 million, or 20% (17% in constant currency), to $2.4 billion in FY26. This was driven by customer growth of 11%, positive customer mix, and price increases as we continued to add value to our product offering through new features and capability improvements.

Other operating revenue increased $251.0 million compared to FY25. Other operating revenue largely comprises payments revenue, which significantly increased due to the acquisition of Melio, which contributed $205.0 million. Excluding revenue from Melio, other operating revenue increased 37% (36% in constant currency) or $46.0 million. This was primarily due to strong invoice revenue driven by continued total payment volume (TPV) growth from the adoption of Xero invoice payments products across our three largest markets, alongside improved unit economics. Excluding the impact of Xerocon (two events held in FY25 versus one event in FY26), organic other operating revenue increased 40%.

OPERATING REVENUE BY GEOGRAPHY

In FY26, we updated our regional disclosures to present the United States separately (which includes revenue generated by Melio). Canada, which was previously reported under North America, is now included within the Rest of World category. Prior periods have been restated for this change.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
Australia	1,148,379	955,239	20%	19%
New Zealand	243,582	221,789	10%	10%
Australia and New Zealand (ANZ) total	**1,391,961**	**1,177,028**	**18%**	**17%**
United Kingdom	726,798	578,037	26%	21%
United States	331,677	97,638	240%	240%
Rest of World	302,645	249,949	21%	17%
International total	**1,361,120**	**925,624**	**47%**	**42%**
Total operating revenue	**2,753,081**	**2,102,652**	**31%**	**28%**

ANZ — Operating revenue increased $215.0 million, or 18% (17% in constant currency), compared to FY25. This reflected a good balance of customer and ARPC growth of 7% and 17% (9% in constant currency) respectively. The ANZ segment contributed 51% of total company operating revenue, a 5.4 percentage point decrease from FY25. This decrease reflects the inorganic impact of Melio's addition to the International segment.

Australia's operating revenue increased $193.1 million, or 20%, in FY26. This increase was driven by robust customer growth, invoice payments growth and price changes. The comparatively weaker NZD against the AUD had a small favourable impact on reported revenue, with constant currency revenue growth of 19% in FY26. The lower impact of FX changes on revenue compared to ARPC is due to ARPC headline growth reflecting end-of-year spot FX rates, rather than average rates over the period.

New Zealand's operating revenue increased $21.8 million, or 10%, compared to FY25. This was driven by customer growth of 3% and price changes, reflecting the continued value uplift in our products.

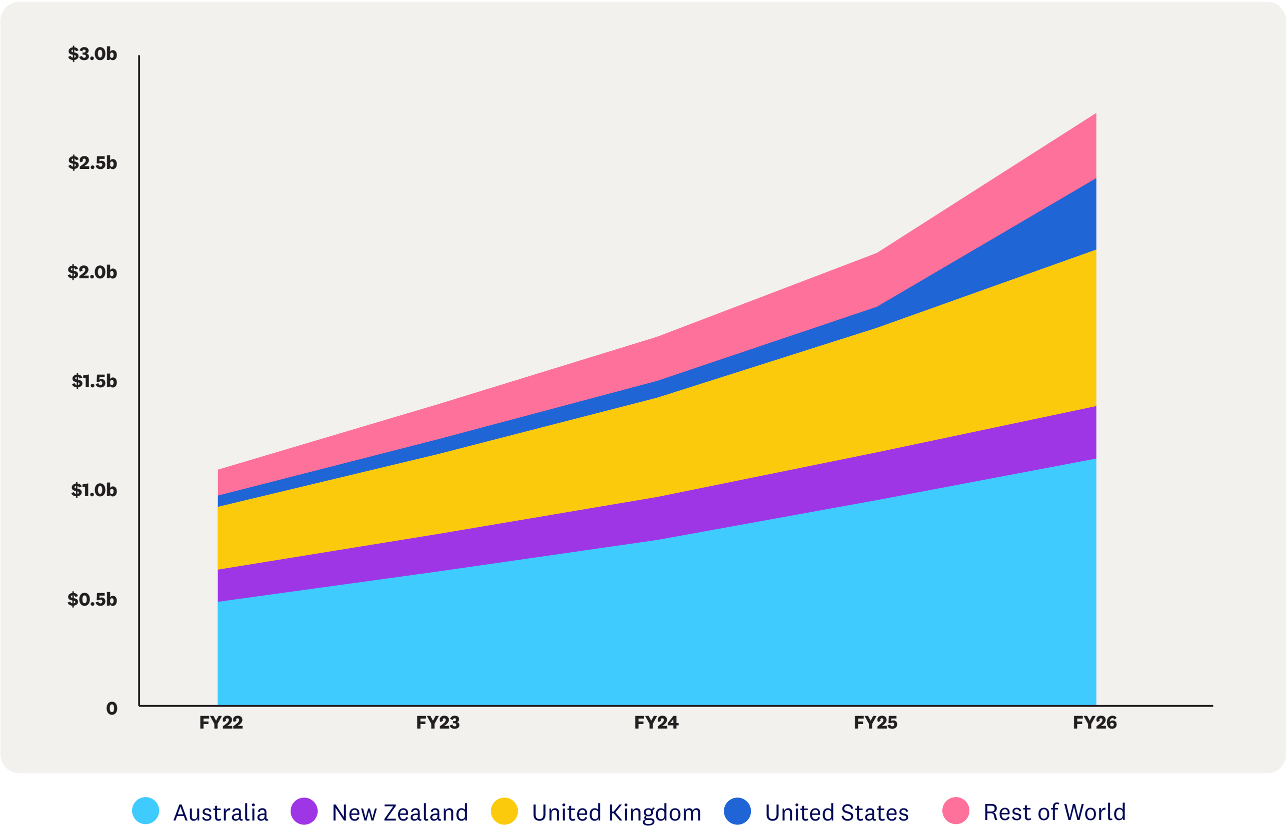
International — Operating revenue grew $435.5 million, or 47% (42% in constant currency), compared to FY25. This included the incorporation of Melio, which contributed $205.0 million. Excluding this inorganic benefit, revenue growth was 25% (20% in constant currency). This organic expansion reflects strong customer growth across our 3x3 regions, alongside continued ARPC expansion. The International segment contributed 49% of total operating revenue, a 5.4 percentage point increase from FY25, largely due to the addition of the Melio business in FY26.

UK operating revenue grew $148.8 million, or 26% (21% in constant currency). This strong growth momentum reflected continued execution in our target segments, alongside customer acquisition gains related to early adopters of Making Tax Digital (MTD) for Income Tax.

US operating revenue grew $234.0 million, largely driven by the acquisition of Melio, which is reported in this region. Excluding the impact of Melio, organic growth accelerated to 30% (29% in constant currency), compared to FY25. This reflects strong customer growth alongside ARPC expansion from both higher prices and deeper adoption of our payments offerings. Melio's contribution to US operating revenue was very strong, growing 50% on a pro-forma basis (see the FY26 Investor Presentation for further details). This reflects Xero BillPay TPV growth to $33.9 billion, up 7%, alongside continued take rate expansion and improved syndication revenue growth to $146 million.

Operating revenue in our Rest of World markets increased 21% from FY25 (17% in constant currency). This growth was supported by strong customer growth of 12%. South Africa represented the largest contribution, followed by Canada, which is now reported within this segment.

Total group operating revenue by geography



CUSTOMER NUMBERS

Customers include Xero customers and Melio direct payments customers. A Xero customer means each unique subscription to a Xero-offered product that is purchased by a customer (eg, small business owner or accounting partner), and which is, or is available to be, deployed in supporting an underlying entity (eg, a business or trust). Customers that have multiple subscriptions to integrated products on the Xero platform are counted as a single customer. The Melio direct payments customer number is a Quarterly Active Customer metric, defined as a user that was monetised during that period by either making a payment and/or paying subscription fees during the final quarter of the reporting period. Melio's direct payments customer metric does not include any customers associated with syndication partnerships, as these are third-party relationships.

In FY26, we updated our regional disclosures to present the United States separately, reflecting the greater size and importance of this region. Canada, which was previously reported under North America, is now included within the Rest of World category. The US category includes the total number of both Xero customers and Melio's direct payments customers.

In H1 FY25, we completed a program to remove long idle subscriptions. Long idle subscriptions were those that had been undeployed for more than 24 months and were not expected to be deployed within a reasonable timeframe. The removal of these impacted customer growth rates and net customer additions for FY25. See page 34 of Xero's FY25 Annual Report for further details. Net new customer additions for FY25 disclosed below exclude the removal of these long idle customers.

At 31 March	2026	2025	CHANGE
Australia	2,101,000	1,936,000	9%
New Zealand	650,000	629,000	3%
Australia and New Zealand (ANZ) total	**2,751,000**	**2,565,000**	**7%**
United Kingdom	1,319,000	1,153,000	14%
United States	424,000	314,000	35%
Rest of World	426,000	382,000	12%
International total	**2,169,000**	**1,849,000**	**17%**
Total paying customers	**4,920,000**	**4,414,000**	**11%**

Xero Group — Total customers reached 4.9 million as at 31 March 2026, with 506,000 net customers added during the year (454,000 excluding acquired Melio customers), up from 414,000 added in the prior period. This total includes 52,000 customers acquired from the acquisition of Melio.

ANZ — Total customers increased to 2.8 million as at 31 March 2026, with 186,000 net new customers added in the 12-month period, compared to 208,000 in the year ended 31 March 2025.

Australia remains the primary growth driver across the segment, with 165,000 net customers to reach a total of 2.1 million. Growth reflected a continued focus on supporting accounting and bookkeeping partners, alongside increased investment in our direct go-to-market channels as we increased our focus on driving improved customer mix.

New Zealand added 21,000 net new customers, bringing total customers for the region to 650,000, reflecting continued growth despite the depth of cloud accounting penetration in our heritage market.

International — Total customers reached 2.2 million as at 31 March 2026, with 268,000 net new customers (excluding acquired Melio customers) added in the year, compared to 206,000 in the previous 12 months.

The UK added 166,000 net new customers in the year ended 31 March 2026, compared to 128,000 in FY25, reaching a total of 1.3 million. Growth largely reflects continued cloud accounting adoption, alongside an initial flow-through of early adopters ahead of the UK MTD for Income Tax Phase 1 deadline.

The US added 58,000 net new customers (excluding acquired Melio customers) compared to 42,000 in FY25. Total customers were 424,000 (including 52,000 Melio direct payments customers acquired in H2 FY26). The acceleration in growth reflected disciplined go-to-market execution in our target segments, strong performance marketing outcomes in our direct channel and improving product market fit.

Rest of World markets added 44,000 net new customers during the year, to reach a total of 426,000 customers. South Africa remained the primary contributor to regional growth, leveraging a strong position in a market with comparatively low cloud accounting penetration.

Net customer additions

FY26

Region (% of total net additions)[4]

- Australia (**36%**)
- New Zealand (**5%**)
- United Kingdom (**37%**)
- United States (**13%**)
- Rest of World (**9%**)

FY25

Region (% of total net additions)[5]

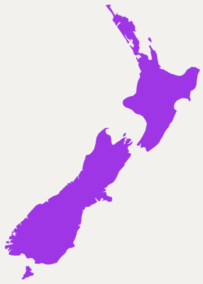
- Australia (**44%**)
- New Zealand (**6%**)
- United Kingdom (**31%**)
- United States (**10%**)
- Rest of World (**9%**)

Regional customers at 31 March 2026[6]

Australia

2,101,000

2025 | 1,936,000



New Zealand

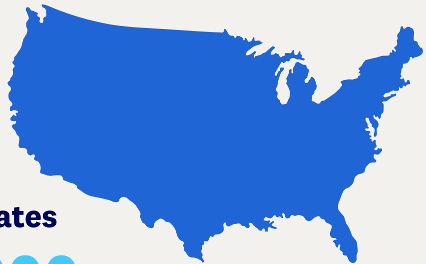
650,000

2025 | 629,000

United Kingdom

1,319,000

2025 | 1,153,000



United States

424,000

2025 | 314,000

4. Excluding 52,000 customers added upon acquisition of Melio

5. Excluding removal of long idle subscriptions

6. Rest of World customers at 31 March 2026: 426,000 (31 March 2025: 382,000)

ANNUALISED MONTHLY RECURRING REVENUE

Annualised monthly recurring revenue (AMRR) is a non-GAAP financial measure that provides a 12-month forward view of revenue from customers, assuming short-term promotions have ended and other factors such as customer numbers, transaction volumes, pricing and foreign exchange remain unchanged during the year. For subscription revenue, this is calculated as recurring revenue at 31 March multiplied by 12. Melio AMRR is calculated by multiplying direct payments revenue for the final quarter by 4 and excludes Melio's syndication payments revenue.

Constant currency AMRR (also a non-GAAP financial measure) is calculated by translating AMRR at 31 March 2026 at the foreign exchange rates at 31 March 2025 for Xero, and at the average for the quarter ended 31 March 2025 for Melio revenue. It is provided to assist in understanding and assessing year-on-year growth rates, excluding the impact of foreign currency fluctuations. This differs from the constant currency calculations for profit and loss measures, which are translated at the average foreign exchange rates for FY25.

At 31 March	2026 ($000s)	2025 ($000s)	CHANGE	CHANGE IN CONSTANT CURRENCY
ANZ	1,614,056	1,282,309	26%	17%
International	1,659,003	1,105,454	50%	48%
Total	**3,273,059**	**2,387,763**	**37%**	**31%**

Total Group — AMRR increased 37% (31% in constant currency), or $885.3 million, to $3.27 billion. Excluding Melio, AMRR grew 25% (20% in constant currency) or $603.9 million to $2.99 billion as at 31 March 2026. This was driven by organic customer growth of 10% and ARPC expansion of 14% (8% in constant currency). AMRR growth in nominal terms benefited from favourable foreign exchange movements against trading currencies in our key markets. On a constant currency basis, ARPC benefited from strong payments growth (including from the Melio acquisition), price rises and mix.

ANZ — AMRR increased 26% (17% in constant currency), or $331.7 million, to $1.61 billion in FY26. The difference between headline and constant currency is entirely due to the weakening of the NZD compared to the AUD. This performance was mainly driven by continued customer growth and price changes, along with platform revenue growth such as Xero payments.

International — AMRR grew 50% (48% in constant currency), or $553.5 million, to $1.66 billion compared to FY25. AMRR improvement reflects strong platform revenue growth in each region, along with the impact of price changes and addition of Melio revenue. Excluding Melio, AMRR grew 25% (22% in constant currency), or $272.2 million, to $1.38 billion compared to FY25.

GROSS PROFIT

Gross profit represents operating revenue less cost of revenue. Cost of revenue consists of expenses directly associated with hosting Xero's services, sourcing relevant data from financial institutions, and providing support to customers. For Melio, this includes expenses directly attributable to payment processing (bank, network and card processing fees, international payment provider charges, cheque production and delivery costs, and similar transaction processing expenses) alongside technology hosting costs and providing customer support.

The nature of these costs includes hosting costs, bank feed costs, personnel and related expenses (including salaries, benefits, bonuses, and share-based payments) directly associated with cloud infrastructure and customer support, contracted third-party vendor costs, related depreciation and amortisation, and allocated overheads.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
Operating revenue	2,753,081	2,102,652	31%
Cost of revenue	(444,460)	(230,402)	93%
Gross profit	**2,308,621**	**1,872,250**	**23%**
Gross margin percentage	*83.9%*	*89.0%*	*-5.1pp*

Gross profit grew 23%, or $436.4 million, to $2.3 billion in FY26. This was driven by a 31% growth in operating revenue stemming from a 11% increase in global customers, continued ARPC expansion and the addition of Melio revenue. Cost of revenue grew 93%, predominantly due to the acquisition of Melio. Melio's cost of sales is structurally higher than Xero's core subscription business because it operates a payments-led, transaction-based model where a higher portion of revenue is subject to pass-through bank, card network and other partner fees. This contributed to gross margin contracting 5.1 percentage points, dropping from 89.0% to 83.9% in FY26. Excluding the mix effect from the incorporation of the Melio business, gross margin remained at 89.0%, consistent with FY25.

SALES AND MARKETING

Sales and marketing expenses consist of personnel and related expenses (including salaries, benefits, bonuses, the amortisation of capitalised commission costs, and share-based payments) directly associated with the sales and marketing teams, and the cost of educating and onboarding both partners and small business customers. Costs also include relationship management costs incurred to support the existing customer base. Other costs included are external advertising costs, marketing costs, and promotional event costs, as well as allocated overheads.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
Sales and marketing expenses	828,536	663,708	25%
Percentage of operating revenue	*30.1%*	*31.6%*	*-1.5pp*

Sales and marketing costs include:

- Costs incurred to acquire new customers and invest in Xero's brand to attract future customers
- Costs associated with upselling and cross-selling to existing customers
- Initiatives to educate existing customers to encourage retention

These costs are expensed in the period. This is in contrast to the associated revenue from those customers, which is recognised over the lifetime of the customer.

Sales and marketing costs increased 25% to $828.5 million for FY26, slightly lower than operating revenue growth of 31%. On an organic basis, growth was 17%, reflecting investment in performance marketing within our digital channels, incremental investment in brand and continued build-out of our internal capabilities across our go-to-market functions. These increases were partly offset by lower Xerocon costs, with one Xerocon in FY26 compared to two Xerocons in FY25.

Sales and marketing costs as a proportion of operating revenue decreased 1.5 percentage points to 30.1% in FY26, reflecting improved efficiencies and a mix effect from the incorporation of Melio, which has proportionally lower spend to operating revenue. Excluding Xerocon, as a proportion of operating revenue, sales and marketing costs decreased 1.0 percentage point from 30.8% in FY25 to 29.8% in FY26.

The average cost of acquiring a customer was $735 per gross customer added in the 12 months ended 31 March 2026 (excluding Melio), compared to $717 in the 12 months ended 31 March 2025. This increase is a direct result of Xero's focus on enhancing the value derived from each new customer, primarily through an improved product mix.

PRODUCT DESIGN AND DEVELOPMENT

Product design and development costs consist primarily of personnel and related expenses (including salaries, benefits, bonuses, and share-based payments) directly associated with product design and development teams, teams building and enhancing the platform and related infrastructure, as well as allocated overheads.

The proportion of product design and development expenses that create a benefit in future years, and meets certain requirements under NZ IFRS, is capitalised as an intangible asset and is then amortised to the Income Statement over the estimated life of the asset created. The amount amortised relating to the Xero product and platform is included as a product design and development expense.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
Total product design and development costs (including amounts capitalised)	**928,584**	**713,328**	**30%**
Percentage of operating revenue	*33.7%*	*33.9%*	*-0.2pp*
Less: capitalised development costs	(430,043)	(299,527)	44%
Product design and development expense (excluding amortisation of amounts capitalised)	**498,541**	**413,801**	**20%**
Less: government grants	(1,217)	(1,970)	-38%
Add: amortisation of capitalised development costs	267,167	205,970	30%
Product design and development expenses	**764,491**	**617,801**	**24%**
Percentage of operating revenue	*27.8%*	*29.4%*	*-1.6pp*

Total gross product design and development costs, including amounts capitalised, were $928.6 million for FY26. This included $89.8 million additional costs from Melio. This represents an increase of 30% or $215.3 million from FY25 (18% on an organic basis). As a percentage of operating revenue, this investment decreased 0.2 percentage points to 33.7%, reflecting emerging efficiencies from AI adoption, partly offset by a mix headwind from the incorporation of Melio. Our product and technology teams continued to support high product velocity and release cadence across multiple areas. A particular focus in FY26 was placed on the development and delivery of AI functionality. This included the evolution of Just Ask Xero (JAX) into an AI financial superagent capable of automating bank reconciliations, surfacing real-time performance insights, and collaborations with partners such as Anthropic and OpenAI.

FY26 capitalised development costs reached $430.0 million, representing a capitalisation rate of 46.3% compared to 42.0% in FY25. This 4.3 percentage point increase reflected the accelerated delivery of product capabilities in line with Xero's *Win the 3x3* strategy, along with the impact of incorporating Melio, which has a higher capitalisation rate than the existing Xero business. The majority of product capability deliveries occurred in H1 FY26, over which the capitalisation rate was higher at 47.4%.

Amortisation of previously capitalised product design and development expenditure, a non-cash expense, rose 30% to $267.2 million. This growth largely reflects the scale of earlier investment cycles. This includes $12.3 million of amortisation relating to Melio's capitalised product expenditure. After accounting for amortisation and government grants, net product design and development expenses increased 24%, or $146.7 million, to $764.5 million.

GENERAL AND ADMINISTRATION

General and administration expenses consist of personnel and related expenses (including salaries, benefits, bonuses, and share-based payments) for executive, finance, billing, legal, human resources, corporate communications, strategy, and corporate development employees, as well as the Xero Board. It also includes legal, accounting, and other professional services fees, insurance premiums, other corporate expenses, and allocated overheads.

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
General and administration expenses	348,873	226,840	54%
Percentage of operating revenue	*12.7%*	*10.8%*	*1.9pp*

General and administrative expenses were $348.9 million, an increase of $122.0 million, or 54%, compared to FY25. This increase can be attributed to Melio's proportionally higher general and administrative expenses. The increase was also due to elevated executive personnel expenses, primarily reflecting the one-off accounting impact of option grants and sign-on bonuses announced late in FY25 (which resulted in a larger financial impact in FY26). As a result, general and administration expenses as a proportion of operating revenue grew 1.9 percentage points to 12.7% in FY26.

EMPLOYEES

At 31 March	2026	2025	CHANGE
Total Group	5,114	4,610	11%

Full-time equivalent (FTE) employees increased by 504, or 11%, compared to FY25. This growth includes 578 additional FTEs following the Melio acquisition in H2 FY26. Without the addition of Melio, employee numbers contracted slightly, reflecting disciplined capital allocation and a focus on efficiency.

NET FINANCE INCOME/EXPENSE

Year ended 31 March	2026 ($000s)	2025 ($000s)	CHANGE
Interest income on cash and deposits	106,921	100,328	7%
Gain on repurchase of convertible note	-	36,105	NM
Finance lease interest income	96	55	75%
Total finance income	**107,017**	**136,488**	**-22%**
Amortisation of discount and debt issuance costs	(58,369)	(51,201)	14%
Lease liability interest	(7,913)	(7,547)	5%
Derivative revaluation loss	(57,470)	(29,886)	92%
Interest on convertible note	(25,599)	(20,380)	26%
Unwind of contingent consideration	(3,722)	(352)	NM
Loan commitment revaluation loss	-	(9,494)	NM
Amortisation of bank facility fees	(725)	-	NM
Interest on syndicated facilities	(17,129)	-	NM
Other finance expense	(3,105)	(10,670)	-71%
Total finance expense	**(174,032)**	**(129,530)**	**34%**
Net finance income	**(67,015)**	**6,958**	**NM**

Finance income decreased $29.5 million to $107.0 million in FY26. The decrease was driven by the one-off $36.1 million gain on the repurchase of convertible notes recognised in FY25. This was partially offset by higher interest income from the funds raised to finance the acquisition of Melio in October 2025, which primarily benefited interest income on cash and deposits in the first half of FY26.

Finance expenses of $174.0 million increased by $44.5 million. This was driven by an increase in derivative revaluation losses of $27.6 million associated with the 2031 convertible notes and $17.1 million from interest on syndicated facilities to fund the acquisition of Melio.

The FY26 derivative revaluation loss of $57.5 million reflects the net impact of mark-to-market revaluations of the 2031 convertible notes derivative and related call option derivative. Revaluations mainly result from external macro-economic conditions, including market interest and exchange rate fluctuations. These items are non-cash in nature and are not tax effected.

Interest on syndicated facilities were $17.1 million in FY26 as a result of drawing down on debt facilities made available to Xero to fund the acquisition of Melio. Total funding made available across two facilities was US$400 million with three and five-year terms.

Amortisation of discount and debt issuance costs increased $7.2 million, or 14%, from FY25, driven by a larger convertible note value following the convertible notes refinancing in June 2024. The refinanced convertible notes also contain a cash coupon cost at an interest rate of 1.625%, resulting in a $5.2 million increase in convertible note interest expense in FY26.

Other finance expenses decreased $7.6 million in FY26, due to financing transaction costs in FY25 relating to the buyback of the 2025 convertible notes and issuance of the 2031 convertible notes.

SEGMENT INFORMATION

Operating revenue is allocated to a segment depending on where the customer resides. Expenses include cost of revenue, sales and marketing costs incurred directly in the region, and an allocation of centrally managed costs and overheads.

Year ended 31 March 2026	ANZ ($000s)	INTERNATIONAL ($000s)	TOTAL ($000s)
Operating revenue	1,391,961	1,361,120	2,753,081
Cost of revenue	(149,364)	(295,096)	(444,460)
Sales and marketing	(222,092)	(606,444)	(828,536)
Segment contribution	**1,020,505**	**459,580**	**1,480,085**
Contribution margin percentage	*73.3%*	*33.8%*	*53.8%*

Year ended 31 March 2025	ANZ ($000s)	INTERNATIONAL ($000s)	TOTAL ($000s)
Operating revenue	1,177,028	925,624	2,102,652
Cost of revenue	(129,669)	(100,733)	(230,402)
Sales and marketing	(177,545)	(486,163)	(663,708)
Segment contribution	**869,814**	**338,728**	**1,208,542**
Contribution margin percentage	*73.9%*	*36.6%*	*57.5%*

ANZ — ANZ segment contribution increased $150.7 million, or 17%, to $1.0 billion in FY26, while the segment contribution margin contracted 0.6 percentage points to 73.3%.

Operating revenue grew 18% during the period, while segment expenses increased 21% or $64.2 million. This was largely driven by a 25% growth in sales and marketing expenditure, reflecting increased investment in digital performance marketing and the continued development of internal capabilities across go-to-market functions. Costs were also impacted by the timing of Xerocon Brisbane in H1 FY26, with no Xerocon held in the region in FY25. Excluding the impact of Xerocon, ANZ sales and marketing costs increased 20%, resulting in a contribution margin of 73.9%, in line with FY25.

The higher segment contribution margin in ANZ relative to the International segment reflects both the cost benefits derived from higher cloud accounting penetration and strong brand presence in these markets, alongside a greater contribution from higher gross margin subscription revenue.

International — Segment contribution increased $120.9 million, or 36%, compared to FY25, partly due to the addition of the Melio business. This resulted in a contribution margin of 33.8% for FY26, which represents a decrease of 2.8 percentage points from the prior year.

Operating revenue grew 47%, as discussed on page 27, while segment expenses rose 54%. Revenue and costs in FY26 were impacted by the acquisition of Melio in H2 FY26. Excluding the impact of Melio, operating revenue grew 25% and segment expenses rose 17%, resulting in a contribution margin of 40.6%, up 4.0 percentage points from the previous year. The increase in expenditure was primarily driven by higher digital performance marketing spend and increased employee costs associated with building internal go-to-market capabilities.

The contribution margin for the International segment remains comparatively lower than ANZ, reflecting the higher cost of acquiring customers in these markets, alongside a higher proportion of payments revenue, which has a different gross margin profile to the ANZ segment. Investment remains focused on improving customer additions through both direct and partner channels, while working to improve brand recognition in international growth markets.

KEY SAAS METRICS

SaaS companies like Xero operate on many of the same performance metrics as traditional companies, such as revenue, cash flow, and customer numbers. However, evaluating the performance of SaaS companies and being able to benchmark them is assisted by an understanding of SaaS-specific metrics. Included below are some of the headline metrics Xero uses to manage and drive its performance. Unless noted, these metrics are presented on a Xero-only basis and exclude Melio. Where included, these metrics are prepared to reflect Xero and Melio's customer relationships and exclude costs and revenue associated with Melio's syndication customers.

Average revenue per customer (ARPC) is calculated as AMRR at 31 March,[7] divided by the number of customers at that time, and divided by 12 to get a monthly view.

Customer acquisition costs (CAC) months are the months of ARPC to recover the cost of acquiring each new customer. The calculation represents the sales and marketing costs for the 12 months ended 31 March, excluding the capitalisation and amortisation of contract acquisition costs, less conference revenue (such as Xerocon), divided by gross new customers added during the same period, divided by ARPC.

Churn is the value of monthly recurring revenue (MRR) from customers who leave Xero in a month as a percentage of the total MRR at the start of that month. The percentage provided is the average of the monthly churn for the previous 12 months.

Lifetime value (LTV) is the gross margin expected from a customer over the lifetime of that customer. This is calculated by taking the average customer lifetime (one divided by churn), multiplied by ARPC, multiplied by the gross margin percentage. Xero Group LTV is calculated as the sum of the individual segment LTV, multiplied by their respective segment customers, divided by total Xero Group customers.

LTV/CAC is the ratio between the LTV per customer and the cost to acquire that customer. For example, the LTV derived from a customer is currently on average 5.9 times the cost of acquiring that customer.

We strive to maximise total LTV while optimising the level of CAC investment it takes to achieve a desirable LTV/CAC ratio. We can improve total LTV in multiple ways, such as increasing customer numbers, enhancing products and services for existing customers, thereby increasing ARPC and/or reducing churn, and improving gross margin through cost efficiencies.

The table below outlines key metrics across our segments:

At 31 March 2026	ANZ	INTERNATIONAL	TOTAL
ARPC ($) including Melio	48.89	63.74	55.44
ARPC ($)[8]	48.89	54.20	51.20
CAC months[8]	9.8	17.2	14.4
Churn[8]	0.85%	1.48%	1.14%
LTV per customer ($)[8]	5,118	3,247	4,304
LTV/CAC[8]	10.7	3.5	5.9

At 31 March 2025	ANZ	INTERNATIONAL	TOTAL
ARPC ($)	41.66	49.82	45.08
CAC months	9.4	20.7	15.9
Churn[9]	0.81%	1.31%	1.03%
LTV per customer ($)[10]	4,550	3,394	4,066
LTV/CAC[10]	11.6	3.3	5.7

Xero Group — Xero Group ARPC increased 18% in constant currency (23% on a nominal basis), to $55.44. Excluding Melio, ARPC increased to $51.20. The increase in ARPC excluding currency impacts reflects price changes alongside continued payments growth.

Churn increased to 1.14% in FY26, compared to 1.03% in the comparative period.[9] The increase in churn reflects a combination of increased use of the direct channel and higher contribution from our international segment, both of which have structurally higher churn but deliver higher ARPC customers.

7. See definition of AMRR on page 31

8. Calculated on a Xero-only basis, excluding Melio

9. Excluding the removal of long idle subscriptions in H1 FY25. Refer to page 34 of our FY25 Annual Report for more information

10. LTV, LTV per customer, and LTV/CAC for FY25 were calculated using churn excluding the impact of the removal of long idle subscriptions. This reflects churn dynamics present in Xero's go-forward customer base. Refer to page 34 of our FY25 Annual Report for more information

Total customer LTV increased $3.1 billion, or 17% (11% in constant currency), in FY26 from $17.9 billion to $21.0 billion. Improvements were driven by both growth in ARPC and customers, partly offset by an increase in churn.

Xero Group's LTV/CAC ratio was 5.9 in FY26, up from 5.7 in the comparative period. Customer growth and ARPC growth outweighed the increase in sales and marketing spend directed to Xero's key markets, alongside higher churn. CAC months decreased to 14.4 months in FY26, lower than the comparative period of 15.9 months.

ANZ — ARPC of $48.89 increased 9% in constant currency (17% on a nominal basis). Constant currency improvements were driven by greater contributions from payments revenue, alongside continued monetisation of the value added to our products through price changes.

CAC months increased to 9.8 months in FY26, from 9.4 months in FY25. This was driven by increased sales and marketing spend in FY26 as we experimented with additional performance marketing spend in Australia.

Churn increased from 0.81% in FY25 to 0.85% in FY26. The FY26 rate was closer to churn levels experienced in the pre-pandemic period.

Total ANZ LTV increased $2.5 billion, or 21% (13% in constant currency), to $14.1 billion in FY26. This was driven by ARPC and customer growth of 17% and 7% respectively, partly offset by an increase in churn and a slight decrease in gross margin. LTV/CAC decreased by 0.9 year-on-year to 10.7, driven by sales and marketing increasing at a greater rate than LTV. Increased sales and marketing spend reflects our investment in digital performance in the direct channel, and in our teams as we continue to focus on supporting accounting and bookkeeping partners.

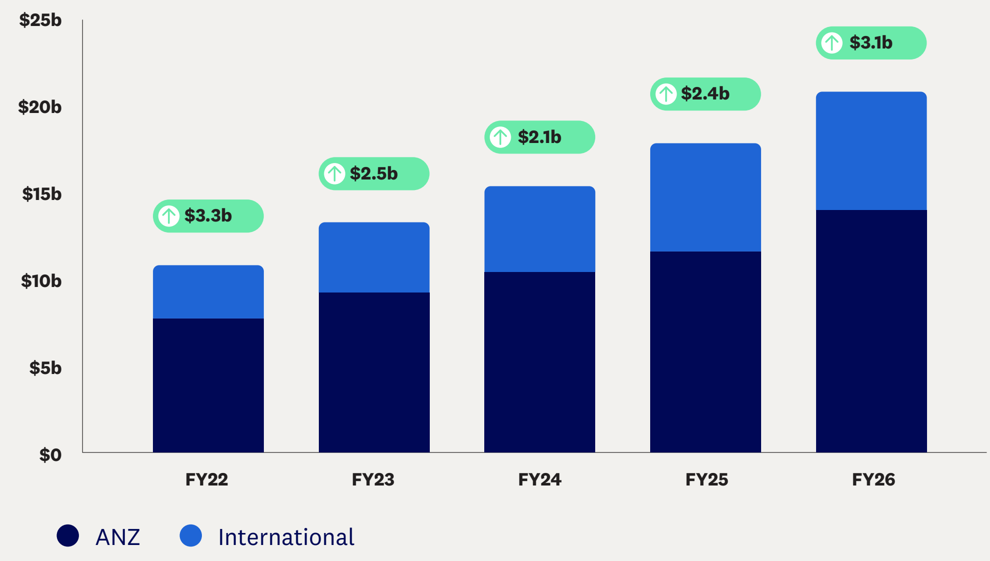
International — ARPC increased 26% in constant currency (28% on a nominal basis), to $63.74. This was driven by increases in financial services revenue, price changes, and additional revenue following the acquisition of Melio in H2 FY26. Excluding Melio, ARPC increased to $54.20.

CAC months decreased year-on-year by 3.5 months to 17.2 months. This decrease was a function of year-on-year customer growth and ARPC outpacing the increase in sales and marketing spend.

Churn increased from 1.31% in FY25 to 1.48% in FY26, driven by increased use of the direct channel.

Total International customer LTV increased $600 million, or 10% (7% in constant currency), in FY26 from $6.3 billion to $6.9 billion. LTV per customer decreased by $147, or 4% (6% in constant currency), to $3,247 in FY26.

Total lifetime value



Audit Report, Financial Statements and Notes

Independent Auditor's Report

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TO THE SHAREHOLDERS OF XERO LIMITED

Opinion

We have audited the financial statements of Xero Limited ("the Company") and its subsidiaries (together "the Group") on pages 43 to 80, which comprise the consolidated statement of financial position of the Group as at 31 March 2026, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including material accounting policy information.

In our opinion, the consolidated financial statements on pages 43 to 80 present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2026 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

During the year Ernst & Young has provided other assurance services related to the Group's compliance with ISO 27001 and limited assurance in relation to greenhouse gas emissions. In addition we provide services relating to market remuneration data and provision of sustainability and climate workshops. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. Ernst & Young uses the Group's platform in delivering services to some clients on commercial terms. We have no other relationship with, or interest in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Capitalised Software Development Costs and Impairment Considerations

Why significant	How our audit addressed the key audit matter
Capitalised Software Development Costs of $1,170 million have been recognised at 31 March 2026. The Group capitalises costs incurred in the development of its software. These costs are then amortised over the estimated useful life of the software. Internally developed software includes staff, contractor and vendor costs. The Group's process for calculating the value of staff costs capitalised involves judgement as it includes estimating time staff spend developing software and determining the value attributable to that time. NZ IAS 36 *Impairment of Assets* requires finite life intangible assets (including capitalised software development costs) to be tested for impairment whenever there is an indication that they may be impaired. This assessment requires judgement including consideration of both internal and external sources of information. Disclosures relating to the capitalised software development costs, including key assumptions, are included in Note 12 of the consolidated financial statements.	In obtaining sufficient appropriate audit evidence, we: • Assessed the nature of a sample of projects against the requirements of NZ IAS 38 *Intangible Assets* to determine if they were capital in nature; • For capitalised costs relating to contractors and vendors, tested amounts capitalised to third party documentation on a sample basis; and • For capitalised costs relating to staff time: › Recalculated costs capitalised based on the percentage of staff time spent on capital projects and gross remuneration. › Assessed the procedures used to determine the percentage of staff time spent on capital projects and, for a sample of development teams, the resulting percentages. › For a sample of employees, tested gross remuneration used in capitalisation calculations based on underlying employee records. › We also compared costs capitalised in the year to those capitalised in the previous year, adjusted for movements in headcount, salary rates and the percentage of staff time spent on capital projects. We assessed the factors the Group considered regarding potential impairment of capitalised software development costs and whether any indicators of impairment existed. This included having regard to: • Significant changes in the extent or manner in which associated software is used; • Potential or actual redundancy or disposal of developed software; • Amortisation periods applied to developed software relative to past experience of software lifecycles; and • Significant changes in the market in which the assets are used. We assessed the adequacy of the disclosures related to capitalised software development costs and related impairment considerations in the consolidated financial statements.

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Goodwill Impairment Testing

Why significant

The Group's statement of financial position includes $4,573 million of goodwill at 31 March 2026.

The acquisition of Melio in October 2025 resulted in additional goodwill of $4,161 million being recognised in the year which was allocated to the International CGU and Melio CGU. Goodwill is tested for impairment within the International operating segment, which includes both the International and Melio CGUs.

Goodwill is allocated across the CGUs as follows:

$4,316 million to International and Melio

$139 million to Planday

$78 million to Australia and New Zealand

$40 million to TaxCycle

NZ IAS 36 *Impairment of Assets* requires goodwill be tested for impairment annually irrespective of whether there are any indicators of impairment.

In considering whether goodwill was impaired, the Group estimated the recoverable amount of CGUs or groups of CGUs using either a revenue multiple approach or a discounted cash flow approach. Both of these approaches require significant judgement in assessing the appropriate valuation inputs.

Disclosures relating to goodwill impairment, including key assumptions used in the assessments, are included in Note 12 of the consolidated financial statements.

How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, we:

- Utilised our valuation specialists to:
  - assess whether the methodologies applied met the requirements of NZ IAS 36 *Impairment of Assets*;
  - for CGUs where a multiples approach was utilised, consider the appropriateness of the revenue multiples used in the impairment models in relation to observed multiples for other businesses considered comparable; and
  - for CGUs where a discounted cash flow method was utilised, consider the appropriateness of the discount rate and terminal growth rate applied.
- Considered free cash flows incorporated in discounted cash flow models with reference to historical performance;
- Checked whether revenue used in revenue multiple calculations aligned to actual revenue for the year;
- Assessed the appropriateness of the goodwill allocation to the CGUs;
- Performed sensitivity analysis for key drivers of the impairment models, including considering the sensitivity of the results to changes in the revenue multiples, discount rate and terminal growth rates used; and
- Assessed the adequacy of the disclosures related to goodwill impairment considerations in the consolidated financial statements. This included assessing whether the assumptions which have the most significant effect on the determination of the recoverable amount of CGUs have been appropriately disclosed in the consolidated financial statements.

Melio business combination

Why significant

During the year the Group acquired 100% of the ordinary shares in Melio Limited and its associated entities (collectively 'Melio').

Consideration included $3,976 million cash, $628 million in shares of Xero Limited and $83 million deferred consideration. A further $99 million may be payable contingent on certain conditions.

The acquisition has been treated as a business combination under NZ IFRS 3: *Business Combinations*, which requires the separately identifiable assets and liabilities purchased to be accounted for at their fair value at acquisition date. The assessment of the fair value of these assets and liabilities acquired required significant judgement. The Group engaged an external valuer to perform these valuations.

The impact of the business combination is disclosed in Note 26 of the consolidated financial statements.

How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, we:

- Assessed whether all significant identifiable assets and liabilities had been identified;
- Agreed relevant elements of the purchase price to the sale and purchase agreement;
- Considered the competence, capabilities and objectivity of the external valuer;
- Engaged our own internal valuation experts to assess the fair values determined, including consideration of the valuation methods and key inputs used;
- Confirmed the basis on which management had assessed the likelihood of the contingent considerations being paid and its valuation and accounting treatment; and
- Assessed the adequacy of the business combination note disclosures in the financial statements.

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Information other than the financial statements and auditor's report

The directors of the Company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is John Robinson.

Ernst + Young

Sydney

14 May 2026

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Financial Statements

INCOME STATEMENT

Year ended 31 March	NOTES	2026 ($000s)	2025 ($000s)
Subscription revenue		2,377,662	1,978,184
Other operating revenue		375,419	124,468
Total operating revenue	**4**	**2,753,081**	**2,102,652**
Cost of revenue	5	(444,460)	(230,402)
Gross profit		**2,308,621**	**1,872,250**
Operating expenses			
Sales and marketing		(828,536)	(663,708)
Product design and development		(764,491)	(617,801)
General and administration*		(348,873)	(226,840)
Acquisition-related costs*		(50,600)	(1,258)
Total operating expenses	**5**	**(1,992,500)**	**(1,509,607)**
Operating income		**316,121**	**362,643**
Other income	6	93,076	72
Other expenses	6	(130)	(3,972)
Asset impairments and disposals	11,12	(2,316)	(3,037)
Earnings before interest and tax		**406,751**	**355,706**
Finance income	7	107,017	136,488
Finance expense	7	(174,032)	(129,530)
Net profit before tax		**339,736**	**362,664**
Income tax expense	29	(172,316)	(134,847)
Net profit after tax		**167,420**	**227,817**
Basic earnings per share	8	$1.02	$1.49
Diluted earnings/(loss) per share	8	($0.19)	$1.47

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	NOTES	2026 ($000s)	2025 ($000s)
Net profit		167,420	227,817
Other comprehensive income**			
Movement in cash flow hedges (net of tax)	23	(33,449)	(4,547)
Translation of foreign currency operations (net of tax)		23,147	20,454
Total other comprehensive income/(loss) for the year		**(10,302)**	**15,907**
Total comprehensive income for the year		**157,118**	**243,724**

** Prior-year figures have been reclassified to recognise acquisition-related costs*
*** Items of other comprehensive income may be reclassified to the Income Statement when specific conditions are met*
The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

	NOTES	AT 31 MARCH 2026 ($000s)	AT 31 MARCH 2025 ($000s)
Assets			
Current assets			
Cash and cash equivalents		884,372	768,427
Short-term deposits		1,049,771	1,561,969
Trade and other receivables	9	243,014	192,721
Funds receivable and customer accounts	10	580,157	–
Derivative assets	23	6,450	17,156
Income tax receivable		25,659	31,136
Other current assets		7,021	2,498
Total current assets		**2,796,444**	**2,573,907**
Non-current assets			
Property, plant and equipment	11	180,080	123,498
Intangible assets	12	5,919,608	1,179,417
Derivative assets	23	98,250	527,402
Deferred tax assets	29	29,174	13,761
Investments in financial assets	13	43,726	43,737
Other non-current assets		29,326	1,521
Total non-current assets		**6,300,164**	**1,889,336**
Total assets		**9,096,608**	**4,463,243**
Liabilities			
Current liabilities			
Trade and other payables	14	153,560	91,575
Funds payable and amounts due to customers	15	580,157	–
Employee entitlements	17	152,785	109,059
Lease liabilities	18	33,489	18,402
Derivative liabilities	23	230,204	567,940
Income tax payable		9,795	3,257
Borrowings	21	1,259,003	1,228,572
Other current liabilities	16	136,092	62,416
Total current liabilities		**2,555,085**	**2,081,221**
Non-current liabilities			
Lease liabilities	18	138,827	91,703
Derivative liabilities	23	10,353	7,090
Borrowings	21	693,669	–
Deferred tax liabilities	29	131,728	62,903
Contingent consideration	19	92,311	10,342
Deferred consideration	20	55,149	–
Other non-current liabilities		15,825	14,281
Total non-current liabilities		**1,137,862**	**186,319**
Total liabilities		**3,692,947**	**2,267,540**
Equity			
Share capital	25	4,982,697	2,039,476
Reserves		294,495	197,178
Retained earnings/(Accumulated losses)		126,469	(40,951)
Total equity		**5,403,661**	**2,195,703**
Total liabilities and shareholders' equity		**9,096,608**	**4,463,243**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	NOTES	SHARE CAPITAL ($000s)	SHARE-BASED PAYMENT RESERVE ($000s)	RETAINED EARNINGS/ (ACCUMULATED LOSSES) ($000s)	FOREIGN CURRENCY TRANSLATION RESERVE ($000s)	CASH FLOW HEDGE RESERVE ($000s)	CALL SPREAD OPTIONS RESERVE ($000s)	TOTAL EQUITY ($000s)
Balance at 1 April 2024		**1,854,983**	**116,045**	**(268,768)**	**(5,171)**	**(2,886)**	**(301,256)**	**1,392,947**
Net profit		–	–	227,817	–	–	–	227,817
Other comprehensive income/(loss)		–	–	–	20,454	(4,547)	–	15,907
Total comprehensive income/(loss)		**–**	**–**	**227,817**	**20,454**	**(4,547)**	**–**	**243,724**
Transactions with owners:								
Share-based payments, net of tax	25,30	132,318	80,076	–	–	–	–	212,394
Share options exercised	25,30	34,144	(7,263)	–	–	–	–	26,881
Issue of shares - acquisition related	25	18,031	–	–	–	–	–	18,031
Premium on call spread options, net of issuance costs	21	–	–	–	–	–	324,605	324,605
Partial settlement of call spread options	21	–	–	–	–	–	(22,879)	(22,879)
Balance at 31 March 2025		**2,039,476**	**188,858**	**(40,951)**	**15,283**	**(7,433)**	**470**	**2,195,703**
Balance at 1 April 2025		**2,039,476**	**188,858**	**(40,951)**	**15,283**	**(7,433)**	**470**	**2,195,703**
Net profit		–	–	167,420	–	–	–	167,420
Other comprehensive income/(loss)		–	–	–	23,147	(33,449)	–	(10,302)
Total comprehensive income/(loss)		**–**	**–**	**167,420**	**23,147**	**(33,449)**	**–**	**157,118**
Transactions with owners:								
Share-based payments, net of tax	25,30	206,376	109,118	–	–	–	–	315,494
Share options exercised	25,30	6,729	(1,499)	–	–	–	–	5,230
Institutional placement, net of transaction costs	25	1,957,230	–	–	–	–	–	1,957,230
Issue of shares - acquisition related	25	633,482	–	–	–	–	–	633,482
Share purchase plan, net of transaction costs	25	139,404	–	–	–	–	–	139,404
Balance at 31 March 2026		**4,982,697**	**296,477**	**126,469**	**38,430**	**(40,882)**	**470**	**5,403,661**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

Year ended 31 March	NOTES	2026 ($000s)	2025 ($000s)
Operating activities			
Receipts from customers		2,760,818	2,108,742
Other income		1,428	4,878
Interest received		121,030	93,418
Payments to suppliers and employees		(1,766,668)	(1,313,626)
Interest paid		(43,524)	(23,153)
Income tax paid		(139,937)	(58,589)
Net cash flows from operating activities	**28**	**933,147**	**811,670**
Investing activities			
Capitalised development costs		(405,829)	(272,876)
Purchase of property, plant and equipment		(9,398)	(13,135)
Capitalised contract acquisition costs		(16,225)	(17,062)
Business acquisitions, net of cash acquired		(3,887,273)	(56,184)
Investments in equity instruments		–	(42,070)
Other investing activities		–	(1,852)
Net cash flows from investing activities		**(4,318,725)**	**(403,179)**
Financing activities			
Proceeds from short-term deposits		3,400,710	2,602,385
Payments for short-term deposits		(2,755,694)	(3,106,453)
Share options exercised		5,230	26,881
Payment of lease liabilities		(21,927)	(18,989)
Proceeds from institutional placement		1,994,712	–
Payment of institutional placement transaction costs		(37,695)	–
Settlement of derivative related to placement		(31,970)	–
Proceeds from share purchase plan		139,931	–
Payment of share purchase plan transaction costs		(551)	–
Proceeds from bank debt facility		698,148	–
Payment of debt facility fees		(6,611)	–
Convertible note transaction costs		–	(10,203)
Proceeds from issuance of convertible notes, net of issuance costs		–	1,489,039
Payments for repayment and buyback of convertible notes		(29,138)	(1,067,971)
Call spread options, net of issuance costs		–	(110,696)
Proceeds from unwind of call spread options		–	19,085
Net cash flows from financing activities		**3,355,145**	**(176,922)**
Net increase/(decrease) in cash and cash equivalents		**(30,433)**	**231,569**
Foreign currency translation adjustment		146,378	38,067
Cash and cash equivalents at the beginning of the period		**768,427**	**498,791**
Cash and cash equivalents at the end of the period		**884,372**	**768,427**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

1. REPORTING ENTITY AND STATUTORY BASE

Xero Limited ('the Company') is registered under the New Zealand Companies Act 1993 and is listed on the Australian Securities Exchange (ASX). The Company is required to be treated as an FMC Reporting Entity under the Financial Market Conduct Act 2013 and the Financial Reporting Act 2013.

The consolidated financial statements of the Company and its subsidiaries (together 'the Group' or 'Xero') for the year ended 31 March 2026 were authorised in accordance with a resolution of the directors for issue on 14 May 2026.

2. BASIS OF ACCOUNTING

(a) Basis of preparation

The audited consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the Financial Reporting Act 2013. The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards, and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards.

Other than where described below, or in the notes, the consolidated financial statements have been prepared using the historical cost convention.

The consolidated financial statements are presented in New Zealand dollars ($) (the 'presentation currency'). Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

(b) Changes in accounting policies and disclosures

Certain comparative information has been reclassified to conform with the current period's presentation.

All other accounting policies and disclosures adopted are consistent with those of the previous year.

(c) Standards or interpretations adopted during the year

The New Zealand Accounting Standards Board issued amendments to NZ IAS 21: *The Effects of Changes in Foreign Exchange Rates* effective for reporting periods commencing on or after 1 January 2025. The amendments address Lack of Exchangeability. The amendment to this standard has no material impact to the Group.

(d) Standards or interpretations issued but not yet effective and relevant to the Group

In May 2024, the New Zealand Accounting Standards Board issued a new standard, NZ IFRS 18: *Presentation and Disclosure in Financial Statements*. The standard is effective for Xero from 1 April 2027. The objective of the standard is to set out the overall requirements for presentation and disclosures in the financial statements. The new standard introduces new requirements on presentation within the statement of profit or loss by introducing new subcategories. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information on the face of the primary statements and in the supporting notes. The Group is currently assessing the impact the amendments will have on current practice.

In June 2024, the New Zealand Accounting Standards Board issued amendments to NZ IFRS 9: *Financial Instruments* and NZ IFRS 7: *Financial Instruments: Disclosures*, effective for Xero from 1 April 2026. The amendments clarify the classification of financial assets with contingent features (such as environmental, social and governance targets) and introduce an accounting policy choice for the derecognition of financial liabilities settled via electronic payment systems. They also introduce enhanced disclosure requirements for contingent cash flow features and equity instruments designated at fair value through other comprehensive income. The Group is currently assessing the impact these amendments will have on current practice.

There are no other standards or amendments that have been issued but are not yet effective that are expected to have a significant impact on the Group.

The Group has not adopted, and currently does not anticipate adopting, any standards prior to their effective dates.

(e) Critical accounting estimates

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Group. Actual results may differ from the judgements, estimates and assumptions.

The significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined within the financial statement notes to which they relate.

3. SEGMENT INFORMATION

The Group operates in one business segment, providing online business solutions for small businesses and their advisors. Xero has two operating segments: Australia and New Zealand (ANZ), and International. These segments have been determined based on how the chief operating decision-maker reviews financial performance.

Segment operating expenses represent sales and marketing costs and service delivery costs, including both in-country costs and an allocation of centrally managed costs.

Year ended 31 March 2026	ANZ ($000s)	INTERNATIONAL ($000s)	TOTAL ($000s)
Operating revenue	1,391,961	1,361,120	2,753,081
Cost of revenue	(149,364)	(295,096)	(444,460)
Sales and marketing	(222,092)	(606,444)	(828,536)
Segment contribution	**1,020,505**	**459,580**	**1,480,085**
Year ended 31 March 2025			
Operating revenue	1,177,028	925,624	2,102,652
Cost of revenue	(129,669)	(100,733)	(230,402)
Sales and marketing	(177,545)	(486,163)	(663,708)
Segment contribution	**869,814**	**338,728**	**1,208,542**

Reconciliation from segment contribution to net profit before tax

Year ended 31 March	2026 ($000s)	2025 ($000s)
Segment contribution	1,480,085	1,208,542
Product design and development	(764,491)	(617,801)
General and administration	(348,873)	(226,840)
Acquisition-related costs	(50,600)	(1,258)
Other income	93,076	72
Other expenses	(130)	(3,972)
Asset impairments and disposals	(2,316)	(3,037)
Finance income	107,017	136,488
Finance expense	(174,032)	(129,530)
Net profit before tax	**339,736**	**362,664**

Depreciation and amortisation by segment

Year ended 31 March	2026 ($000s)	2025 ($000s)
ANZ	18,727	16,602
International	47,122	27,071
Corporate (not allocated to a segment)	316,923	239,087
Total	**382,772**	**282,760**

At 31 March 2026, $5.2 billion, or 85%, of the Group's property, plant and equipment and intangible assets were domiciled in New Zealand (2025: $721.4 million, or 55%).

Share-based payments by segment

Year ended 31 March	2026 ($000s)	2025 ($000s)
ANZ	19,211	17,655
International	61,788	40,709
Corporate (not allocated to a segment)	159,086	93,514
Total	**240,085**	**151,878**

4. REVENUE

Operating revenue by geographic location

Year ended 31 March	2026 ($000s)	2025 ($000s)*
Australia	1,148,379	955,239
United Kingdom	726,798	578,037
New Zealand	243,582	221,789
United States	331,677	97,638
Rest of World	302,645	249,949
Total operating revenue	**2,753,081**	**2,102,652**

** Prior-year figures have been reclassified to reflect the updated regional locations.*

Subscription revenue

Subscription revenue comprises recurring monthly fees from customers to Xero's cloud-based software products. Customers are invoiced monthly. Unbilled revenue earned at balance date is recognised in the Statement of Financial Position as accrued income and included within trade and other receivables. Unearned revenue received at balance date is recognised in the Statement of Financial Position as income in advance and included within other current liabilities.

Subscription revenue is recognised as performance obligations under contracts with customers are met. Performance obligations for subscriptions to Xero's cloud-based software consist of the provisioning of the software and related support services over the term of the contract. Where the performance obligations of add-ons are usage-based (such as payroll and expenses), revenue is recognised consistent with the usage profile.

Other operating revenue

Other operating revenue primarily comprises revenue from related services such as financial services products, including invoice payment services, on-premise software, and income from conferences and events.

For the year ended 31 March 2026, 34%, or $128.5 million (2025: 75%, or $92.8 million), of other operating revenue was recognised on a usage basis over time, and 66%, or $246.9 million (2025: 25%, or $31.7 million), related to revenue recognised at a point in time.

Performance obligations under financial services arrangements include the referral of customers to the revenue share counterparty and the continued servicing of that customer by the counterparty. Performance obligations for conference and event revenue consist of the delivery of the conference or event. Performance obligations for on-premise software consist of the delivery of the software. Performance obligations for financial services revenue recognised at a point in time include delivery of payments and invoice processing transactions.

5. EXPENSES

Overhead allocation

The presentation of the Income Statement by function requires certain overhead costs to be allocated to functions. These allocations require management to apply judgement. Facilities, internal use information technology costs, and depreciation and amortisation relating to internal use software have been allocated to functions on a headcount basis. Recruitment costs have been allocated according to the number of employees employed in each function during the period.

Sales tax

The Income Statement and the Statement of Cash Flows have been prepared so that all components are stated exclusive of sales tax, except where sales tax is not recoverable. All items in the Statement of Financial Position are stated net of sales tax, with the exception of trade receivables and trade payables, which include sales tax payable. Sales tax includes Goods and Services Tax and Value Added Tax where applicable.

Cost of revenue and operating expenses

Year ended 31 March	**2026 ($000s)**	**2025 ($000s)**
Employee entitlements	1,065,719	830,625
Employee entitlements capitalised	(337,966)	(233,838)
Share-based payments	317,029	204,026
Share-based payments capitalised	(76,944)	(52,148)
Advertising and marketing	369,057	304,686
Platform costs	144,320	105,141
Platform costs capitalised	(13,619)	(8,441)
Consultants and contractors	170,285	113,328
Consultants and contractors capitalised	(72,900)	(56,331)
Computer equipment and software	93,913	67,826
Post-retirement benefits	59,457	42,127
Travel-related costs	39,701	28,529
Recruitment and other personnel costs	16,684	16,138
Communication, insurance and office administration	16,257	12,159
Rental costs	11,688	9,965
Auditor's remuneration	1,726	1,388
Other operating expenses and cost of revenues	249,781	72,069
Total cost of revenue and operating expenses excl. depreciation and amortisation*	**2,054,188**	**1,457,249**

** Net of $501.4 million of costs capitalised as intangible assets (2025: $350.8 million) and grant income of $1.3 million (2025: $2.0 million)*

Depreciation and amortisation

Year ended 31 March	**2026 ($000s)**	**2025 ($000s)**
Relating to:		
Amortisation of development costs	316,591	235,118
Amortisation of other intangible assets	30,622	18,133
Depreciation of property, plant and equipment	35,559	29,509
Total depreciation and amortisation	**382,772**	**282,760**
Total cost of revenue and operating expenses	**2,436,960**	**1,740,009**
Depreciation and amortisation included in function expenses as follows:		
Product design and development	306,474	228,902
Sales and marketing	52,605	34,065
Cost of revenue	13,244	9,608
General and administration	10,449	10,185
Total depreciation and amortisation	**382,772**	**282,760**

Auditor's remuneration

The auditor of the Xero Group is Ernst & Young New Zealand.

Fees paid to the principal group auditor

Year ended 31 March	2026 ($000s)	2025 ($000s)
Fees for auditing and reviewing of the statutory financial statements	1,253	873
Fees for other assurance and agreed-upon-procedures services under legislation or contractual arrangements not required to be performed by the auditor		
Assurance engagements*	378	507
Fees for other services		
Other non-audit services**	73	8
Total principal group auditor's remuneration	**1,704**	**1,388**

** Assurance engagement services relate to ISO 27001 certification, ISAE 3402 assurance, limited assurance over our carbon data, and grant assurance (2025: ISO 27001 certification, limited assurance over our carbon data and comfort letter procedures)*
*** Other non-audit services relate to the provision of remuneration market data and sustainability and climate workshops*

The auditor of the Melio subsidiary statutory financial statements is PricewaterhouseCoopers.

Fees paid to the other auditors

Year ended 31 March	2026 ($000s)	2025 ($000s)
Fees for auditing and reviewing of the statutory financial statements	22	–
Total other auditor's remuneration	**22**	**–**

6. OTHER INCOME AND EXPENSES

Other income

Year ended 31 March	2026 ($000s)	2025 ($000s)
Foreign exchange gains	92,625	–
Other income	451	72
Total other income	**93,076**	**72**

Other expenses

Year ended 31 March	2026 ($000s)	2025 ($000s)
Revaluation of contingent consideration	46	2,090
Other expenses	84	1,882
Total other expenses	**130**	**3,972**

7. FINANCE INCOME AND EXPENSE

Finance income

Year ended 31 March	2026 ($000s)	2025 ($000s)
Interest income on cash and deposits	106,921	100,328
Gain on repurchase of convertible note	–	36,105
Finance lease interest income	96	55
Total finance income	**107,017**	**136,488**

Finance expense

Year ended 31 March	2026 ($000s)	2025 ($000s)
Amortisation of discount and debt issuance costs	58,369	51,201
Lease liability interest	7,913	7,547
Derivative revaluation loss	57,470	29,886
Interest on convertible note	25,599	20,380
Unwind of contingent consideration	3,722	352
Loan commitment revaluation loss	–	9,494
Amortisation of bank facility fees	725	–
Interest on syndicated facilities	17,129	–
Other finance expense	3,105	10,670
Total finance expense	**174,032**	**129,530**

8. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares on issue during the year, excluding shares held as treasury shares.

Diluted EPS is determined by adjusting the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares on issue for the effects of all potential dilution to ordinary shares, which comprise convertible notes, restricted shares, options, and restricted stock units (RSUs). Instruments are only treated as dilutive when their conversion to ordinary shares would decrease EPS or increase the loss per share.

During the period, the Company completed a Share Purchase Plan (SPP), issuing 741,538 new shares to eligible shareholders at a discounted price of AUD174.67 per share, a 2% discount to the 5-day volume weighted average price up to and including the closing date of the SPP. This issue contained a bonus element because the subscription price was less than the fair value of the shares. The weighted average number of ordinary shares outstanding for all periods presented has been retrospectively restated by applying the theoretical ex-rights price factor resulting from the bonus element. This adjustment was for the purposes of the earnings per share calculations only and does not impact actual share capital on issue.

The shares issued as a result of the institutional placement were included in the weighted average number of ordinary shares outstanding from the date of issue. Since the placement was not offered to all shareholders, the discount element of this transaction did not require retrospective restatement.

Diluted EPS is negative in the current year due to the required ‘if-converted’ adjustment, which excludes the non-cash revaluation gains related to the embedded derivative of the 2031 convertible notes. While the Company maintains call spread transactions to economically hedge against potential dilution from these notes, these instruments are excluded from the calculation of diluted EPS, as the call options were ‘out-of-the-money’ during the period. Consequently, the diluted EPS does not reflect the offsetting economic benefit of the call spread transactions, which would have resulted in a positive impact on net profit of $302.1 million had they been included.

Year ended 31 March	2026 (000s)*	2025 (000s)*
Net profit attributable to equity holders of the Group, used in calculating basic EPS	**$167,420**	**$227,817**
Add back: revaluation gain, amortisation of debt discount and interest on 2031 convertible notes	($200,636)	–
Net profit/(loss) attributable to equity holders of the Group, used in calculating diluted EPS	**($33,216)**	**$227,817**
Basic weighted average number of ordinary shares	164,588	152,726
Shares issuable in relation to convertible notes	8,436	–
Shares issuable in relation to equity-based compensation schemes	2,833	1,911
Diluted weighted average number of ordinary shares	**175,857**	**154,637**
Basic earnings per share	**$1.02**	**$1.49**
Diluted earnings/(loss) per share	**($0.19)**	**$1.47**

** Except for per share amounts*

For both periods presented, the weighted average number of shares outstanding used in computation of diluted earnings per share does not include the effect of share options, convertible notes and call spread options, where their impact would be anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

At 31 March	2026 ($000s)	2025 ($000s)
Prepayments	92,631	76,605
Accrued income	63,289	44,478
Trade receivables	59,169	23,844
Provision for doubtful debts	(1,734)	(1,359)
Interest receivable	7,522	25,904
Other receivables	22,137	23,249
Total trade and other receivables	**243,014**	**192,721**

Trade and other receivables are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost (using the effective interest method) less impairment losses.

Trade receivables relate primarily to subscriptions to Xero's software products, the majority paid by direct debit. At 31 March 2026, trade receivables of the Group of $1.9 million were past due and are considered partially impaired (2025: $2.6 million).

Other receivables at 31 March 2026 include $0.16 million receivable in relation to shares that were sold to cover employees' withholding obligations under Xero's employee share-based compensation plans (2025: $22.7 million). A corresponding liability is recognised in employee entitlements.

Key estimates and assumptions

In accordance with NZ IFRS 9: *Financial Instruments*, the Group recognises impairment losses using an Expected Credit Loss (ECL) model. The Group calculates the impairment for trade receivables using lifetime ECL, which is the expected credit loss resulting from all possible default events over the expected life of the trade receivable.

A six-month historical default rate is applied to the current period trade receivable balance to calculate any impairment. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the Income Statement. When a receivable is uncollectable, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited to the Income Statement.

10. FUNDS RECEIVABLE AND CUSTOMER ACCOUNTS

At 31 March	2026 ($000s)	2025 ($000s)
Funds receivable and customer accounts	580,157	–
Total funds receivable and customer accounts	**580,157**	**–**

As a result of the Melio acquisition, the Group recognises funds receivable and customer accounts (this is a flow-through account), with a corresponding liability offset in the balance sheet, recognised as funds payable and amounts due to customers which is outlined in Note 15.

The Group receives customer funds into, and sends funds from, pooled custodial accounts held for the benefit of Melio's customers, as the customers are the principal beneficiaries of the accounts. The Group receives interest on the balances of these accounts and holds the risk of default on these accounts above any government/federal deposit protection schemes.

Funds receivable and customer accounts are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost (using the effective interest method) less impairment losses.

Key estimates and assumptions

In accordance with NZ IFRS 9: *Financial Instruments*, the Group recognises impairment losses using an Expected Credit Loss (ECL) model. The Group calculates the impairment for trade receivables using lifetime ECL, which is the expected credit loss resulting from all possible default events over the expected life of the customer account balances.

A historical default rate is applied to the current period funds receivable and customer accounts to calculate any impairment. The carrying amount of the asset is reduced through the use of a provision account, and the amount of a loss is recognised in the Income Statement. When a balance is considered uncollectable, it is written off against the provision; any subsequent recoveries of amounts previously written off are credited to the Income Statement.

11. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2026	RIGHT OF USE ASSET ($000s)	LEASEHOLD IMPROVEMENTS ($000s)	FURNITURE AND EQUIPMENT ($000s)	COMPUTER EQUIPMENT ($000s)	TOTAL ($000s)
Opening net book value	85,466	29,786	4,223	4,023	123,498
Additions	11,867	4,870	2,789	8,857	28,383
Acquisitions*	62,213	4,131	1,252	1,784	69,380
Impairments and disposals	(961)	(342)	(179)	(132)	(1,614)
Reassessment of lease liabilities	60	–	–	–	60
Depreciation expense	(22,768)	(6,961)	(1,887)	(3,943)	(35,559)
Foreign exchange adjustment	2,948	(1,118)	(1,525)	(4,373)	(4,068)
Closing net book value	**138,825**	**30,366**	**4,673**	**6,216**	**180,080**
At 31 March 2026					
Cost	233,187	57,678	12,683	15,853	319,401
Accumulated depreciation	(94,362)	(27,312)	(8,010)	(9,637)	(139,321)
Closing net book value	**138,825**	**30,366**	**4,673**	**6,216**	**180,080**

** Refer to Note 26*

Year ended 31 March 2025	RIGHT OF USE ASSET ($000s)	LEASEHOLD IMPROVEMENTS ($000s)	FURNITURE AND EQUIPMENT ($000s)	COMPUTER EQUIPMENT ($000s)	TOTAL ($000s)
Opening net book value	90,889	25,489	5,452	3,398	125,228
Additions	9,772	9,599	802	3,629	23,802
Acquisitions	692	1	18	54	765
Impairments and disposals	(709)	(163)	(3)	(49)	(924)
Reassessment of lease liabilities	1,447	–	–	–	1,447
Depreciation expense	(18,573)	(5,784)	(2,117)	(3,035)	(29,509)
Foreign exchange adjustment	1,948	644	71	26	2,689
Closing net book value	**85,466**	**29,786**	**4,223**	**4,023**	**123,498**
At 31 March 2025					
Cost	154,481	48,284	13,873	7,869	224,507
Accumulated depreciation	(69,015)	(18,498)	(9,650)	(3,846)	(101,009)
Closing net book value	**85,466**	**29,786**	**4,223**	**4,023**	**123,498**

Key estimates and assumptions

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation on assets is charged on a straight-line basis to allocate the differences between their original cost and the residual values over their estimated useful lives, as follows:

Right-of-use asset*	Term of lease**
Leasehold improvements	Term of lease**
Furniture and equipment	2-7 years
Computer equipment	2-3 years

** Substantially all of the right-of-use asset relates to building leases*
*** Lease terms range between 1 and 12 years (2025: 2 and 12 years)*

12. INTANGIBLE ASSETS

Year ended 31 March 2026	SOFTWARE DEVELOPMENT ($000s)	CONTRACT ACQUISITION ASSET ($000s)	OTHER INTANGIBLE ASSETS ($000s)	GOODWILL ($000s)	TOTAL ($000s)
Opening net book value	720,914	44,016	8,578	405,909	1,179,417
Additions*	481,415	18,415	1,599	–	501,429
Acquisitions**	281,443	–	133,463	4,160,694	4,575,600
Amortisation expense	(316,591)	(17,081)	(13,541)	–	(347,213)
Disposals	(702)	–	–	–	(702)
Foreign exchange adjustment	3,463	1,153	240	6,221	11,077
Closing net book value	**1,169,942**	**46,503**	**130,339**	**4,572,824**	**5,919,608**
At 31 March 2026					
Cost	1,860,394	90,727	148,992	4,572,824	6,672,937
Accumulated amortisation	(690,452)	(44,224)	(18,653)	–	(753,329)
Closing net book value	**1,169,942**	**46,503**	**130,339**	**4,572,824**	**5,919,608**

** Included in software development and other intangible asset additions is $86.5 million of external costs capitalised (2025: $64.8 million)*
*** Refer to Note 26*

Year ended 31 March 2025	SOFTWARE DEVELOPMENT ($000s)	CONTRACT ACQUISITION ASSET ($000s)	OTHER INTANGIBLE ASSETS ($000s)	GOODWILL ($000s)	TOTAL ($000s)
Opening net book value	598,456	40,744	8,610	336,346	984,156
Additions	332,355	16,889	1,514	–	350,758
Acquisitions	26,394	–	1,110	69,951	97,455
Amortisation expense	(235,118)	(15,506)	(2,627)	–	(253,251)
Disposals	(2,113)	–	–	–	(2,113)
Foreign exchange adjustment	940	1,889	(29)	(388)	2,412
Closing net book value	**720,914**	**44,016**	**8,578**	**405,909**	**1,179,417**
At 31 March 2025					
Cost	1,268,279	82,162	17,015	405,909	1,773,365
Accumulated amortisation	(547,365)	(38,146)	(8,437)	–	(593,948)
Closing net book value	**720,914**	**44,016**	**8,578**	**405,909**	**1,179,417**

Software development

Costs that are directly associated with the development of software are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured

Other development expenditure that does not meet the above criteria is recognised as an expense when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Research costs, and costs associated with maintenance, are recognised as an expense when incurred.

At 31 March 2026, if software development capitalisation rates had been 10% higher/lower with all other variables held constant, the impact on operating expenses would have been $43.0 million lower/higher (2025: $30.0 million).

Contract acquisition costs

In accordance with NZ IFRS 15: *Revenue from Contracts with Customers*, Xero capitalises incremental costs of obtaining customer contracts. Capitalisable costs consist of sales commissions that have a direct relationship to new revenue contracts obtained. Costs capitalised are amortised to sales and marketing and expensed over the average period of benefit associated with the costs. The period of benefit for the contract acquisition asset is determined to be five years (2025: five years). Management have determined this as appropriate with reference to estimated customer lifespans and the useful lives of the software sold to which the commissions relate.

Other intangible assets

Other intangible assets consist of patents, brands and trademark costs, along with customer contracts. Other intangible assets acquired in a business combination are initially measured at cost, which is their fair value at the date of acquisition. Internally generated assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Income Statement when it is incurred.

Useful lives of intangible assets

With the exception of goodwill, the useful lives of the Group's intangible assets are assessed to be finite. Assets with finite lives are amortised over their useful lives and tested for impairment whenever there are indications that the assets may be impaired.

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful life of the intangible asset, from the date it is available for use. The estimated useful lives are as follows:

Software development	3–7.5 years
Contract acquisition asset	5 years
Customer contracts	4–7.5 years
Patents, brands, and trademark costs *	5–10 years

** Excluding Melio, which has been assessed as having an indefinite useful life*

Melio brand assets acquired have been recognised with an indefinite useful life due to the indefinite benefit the brand will provide to the group.

At 31 March	2026 ($000s)	2025 ($000s)
Melio brand	18,017	–
Total	**18,017**	**–**

Impairment considerations

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In accordance with NZ IAS 36: *Impairment of Assets*, the recoverable amount of an asset is the greater of fair value less costs of disposal or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Goodwill is tested at least annually for impairment, or whenever indicators of impairment exist.

Goodwill

Goodwill represents the excess of purchase consideration over the fair value of net assets acquired in a business combination. The Group recognised $4.2 billion of goodwill in the current year relating to the acquisition of Melio, reflective of the technology development expertise that Melio brings to the Group. The synergies from the acquisition are expected to help the Group to drive growth in Xero's small business platform and support better financial decision-making for customers.

Finite life asset impairment testing

No impairment loss was recognised during the period.

Goodwill and intangible assets with indefinite useful lives

Goodwill is allocated to cash-generating units (CGUs), which are the lowest level of assets that generate cash inflows that are largely independent of the cash inflows of other assets. The Group performed a detailed impairment review of goodwill for the year ended 31 March 2026. The allocation of goodwill to CGUs and methodology applied for the current year testing are outlined below. The allocation of goodwill to CGUs remains unchanged from prior periods. The goodwill arising from the Melio acquisition in October 2025 was allocated to the International CGU and Melio CGU and tested within the International operating segment.

The revenue multiples applied in the testing of ANZ, International and Planday below are classified as level two on the fair value hierarchy and are based on a 12-month look back revenue multiple of comparable companies, adjusted for a control premium.

Goodwill

At 31 March	2026 ($000s)	2025 ($000s)
ANZ CGU	77,936	77,069
International and Melio CGU's	4,316,612	151,410
Planday CGU	138,611	138,611
TaxCycle CGU	39,665	38,819
Total	**4,572,824**	**405,909**

Intangible assets with indefinite useful lives

Brand acquired in the Melio acquisition $18.0m (2025: nil) is allocated to the International CGU.

ANZ and International CGUs

The recoverable amounts of the ANZ and International CGUs were calculated on the basis of fair value less costs of disposal in accordance with NZ IFRS 13: *Fair Value Measurement*. Fair value was determined using a 12-month look-back peer company revenue multiple of 3.4 for ANZ (2025: 10.6) and 4.2 for International (2025: 7.9), including a control premium of 57.1% for ANZ (2025: 58.6%) and 41.1% for International (2025: 39.4%). A sensitivity analysis has been performed over the key inputs to the determined revenue multiple, being the publicly traded multiples of peer companies and the control premium. A reasonably possible change in the key inputs would not give rise to an impairment.

Planday CGU

The recoverable amount of the Planday CGU was calculated on the basis of fair value less costs of disposal in accordance with NZ IFRS 13: *Fair Value Measurement*. Fair value was determined using a 12-month look-back peer company revenue multiple of 4.2 (2025: 4.5), including a control premium of 41.8% (2025: 39.8%). A sensitivity analysis has been performed over the key inputs to the determined revenue multiple, being the publicly traded multiples of peer companies and the control premium. With all other variables held constant, the revenue multiple would need to decrease by 44.3% (2025: 12.8%) or the control premium would need to decrease by 55.8% (2025: 45.1%) before the recoverable amount of the CGU would be less than its carrying value.

TaxCycle CGU

The recoverable amount of the TaxCycle CGU was determined based on a value in use calculation using a discounted cash flow model. The major inputs and assumptions used in performing the assessment that require judgement are included in the table below.

At 31 March	2026	2025
Cash flow forecast period	5 years	5 years
Terminal growth rate	4%	4%
Discount rate (post-tax)	13%	12%
Discount rate (pre-tax)	17%	16%

The compound annual cash flow growth rate over the 5-year forecast period is 26% (2025: 48%). Growth in cash flows reflects the fact that revenues are expected to increase at a much higher rate than expenses as economies of scale are achieved. The forecast financial information was based on both past experience and future expectations of CGU performance. The terminal growth rate was determined based on the long-term anticipated growth rate of the business and was determined with reference to external benchmarks. The discount rate used is based on the CGU's weighted average cost of capital, and was determined by an external valuation specialist.

A sensitivity analysis was performed over the key inputs used in the value-in-use valuation, being the discount rate, terminal growth rate and cash flow forecasts. With all other variables held constant, the discount rate would need to increase by 13 percentage points, the terminal growth rate would need to decrease by 38 percentage points, or the forecast cash flows would need to be discounted by 62% before the recoverable amount of the CGU would be less than its carrying value.

13. INVESTMENTS IN FINANCIAL ASSETS

At 31 March	2026 ($000s)	2025 ($000s)
Balance at 1 April	43,737	–
Acquisitions & additions	–	42,103
Foreign exchange adjustment	(11)	1,634
Balance at 31 March	**43,726**	**43,737**

Xero's investments in financial assets comprise a 2.5% shareholding in Deputy, a global people platform for hourly work.

The investment is remeasured at fair value at each reporting date, with fair value gains or losses recognised in the Income Statement. The 31 March 2026 valuation resulted in no revaluation gain or loss for the period.

Key estimates and assumptions

The fair value of the investment in financial assets is determined using a combination of level two and level three inputs, resulting in an overall classification of level three on the fair value hierarchy. Fair value of the shares as at 31 March 2026 was determined using a multiple of 7.7 (2025: 11.8), along with consideration of the specific rights associated with the preference shares. The revenue multiple was determined with reference to a range of market multiples, adjusted to factor in Deputy's financial performance. A 10% increase or decrease in the multiple used would have no impact on the valuation at 31 March 2026.

14. TRADE AND OTHER PAYABLES

At 31 March	2026 ($000s)	2025 ($000s)
Trade payables	18,476	12,201
Accrued expenses	92,431	60,289
Sales tax payable	42,653	19,085
Total trade and other payables	**153,560**	**91,575**

The Group recognises trade and other payables initially at fair value and subsequently at amortised cost using the effective interest method. The amounts are unsecured and non-interest bearing.

15. FUNDS PAYABLE AND AMOUNTS DUE TO CUSTOMERS

At 31 March	2026 ($000s)	2025 ($000s)
Funds payable and amounts due to customers	580,157	–
Total funds payable and customer accounts	**580,157**	**–**

As a result of the Melio acquisition, the Group recognises funds payable and amounts due to customers. This is a flow-through account, with a corresponding asset offset in the balance sheet, recognised as funds receivable and customer accounts outlined in Note 10.

The Group recognises funds payable and amounts due to customers initially at fair value and subsequently at amortised cost using the effective interest method.

Funds payable and amounts due to customers represent funds received by Melio on behalf of the payer, which has not yet been settled with the designated payee. Funds are typically held for 1-3 days before they are paid out.

16. OTHER CURRENT LIABILITIES

At 31 March	NOTES	2026 ($000s)	2025 ($000s)
Income in advance		66,888	49,031
Accrued interest		13,408	7,934
Contingent consideration	19	20,613	5,312
Deferred consideration	20	30,505	–
Other current liabilities		4,678	139
Total other current liabilities		**136,092**	**62,416**

The Group recognises other current liabilities, excluding contingent consideration and deferred consideration, initially at fair value, and subsequently at amortised cost using the effective interest method. Contingent consideration is recognised initially at the present value of expected future cash flows, and subsequently at fair value. Adjustments are made to the fair value where expected achievement against targets change. Deferred consideration is recognised initially at the present value of expected future cash flows, and subsequently at amortised cost.

Income in advance is recognised when the Group has received consideration prior to services being rendered. All income in advance from the prior period was subsequently recognised as revenue in the year.

17. EMPLOYEE ENTITLEMENTS

At 31 March	2026 ($000s)	2025 ($000s)
Leave entitlements	62,951	41,735
Employee incentive plans	36,654	20,859
Payroll taxes payable	24,007	24,601
Wages payable	15,487	5,447
Post-retirement benefits	6,459	3,362
Accrued equity on-costs	2,666	6,802
Other employee benefits	11,949	7,714
Balance at 31 March	**160,173**	**110,520**
Current	152,785	109,059
Non-current	7,388	1,461

The Group recognises employee entitlements initially at fair value and subsequently at amortised cost using the effective interest method.

18. LEASE LIABILITIES

At 31 March	2026 ($000s)	2025 ($000s)
Balance at 1 April	110,105	116,336
Leases entered into during the period	10,205	7,893
Acquisitions*	66,655	628
Principal repayments	(21,927)	(18,989)
Change in future lease payments	3,194	1,447
Foreign exchange adjustment	4,084	2,790
Balance at 31 March	**172,316**	**110,105**
Current	33,489	18,402
Non-current	138,827	91,703

** Refer to Note 26*

Under NZ IFRS 16: *Leases*, the Group is required to recognise lease liabilities for contracts identified as containing a lease, except when the lease is for 12 months or less, or the underlying asset is of low value. The majority of the Group's leases relate to buildings.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement. The expense relating to short-term leases for the year ended 31 March 2026 was $2.3 million (2025: $1.0 million). Low-value assets comprise IT equipment. The expense relating to low-value assets for the year ended 31 March 2026 was $3.8 million (2025: $3.7 million).

Lease liabilities are initially measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. Subsequently, the carrying value of the liability is adjusted to reflect interest and lease payments made. Lease liabilities may be re-measured if there is a change in future lease payments arising from a change in an index or market rate, if there is a change in the Group's estimate of the amount expected to be payable, or if the Group changes its assessment of whether it will exercise a renewal or termination option.

At lease commencement, the Group assesses whether it expects to exercise renewal or termination options included in contracts. Where it is reasonably certain that such options will be exercised, these are included in the determination of the lease term. The lease term is reassessed if there is a significant event or change in circumstances, that is within the Group's control, which affects whether the Group is reasonably certain to exercise an option.

19. CONTINGENT CONSIDERATION

At 31 March	NOTES	2026 ($000s)	2025 ($000s)
Balance at 1 April		15,654	2,149
Acquisitions & additions	26	99,182	17,145
Disposals & settlements		(5,779)	(5,732)
Unwinding of discount	7	3,722	352
Change in fair value estimate – loss recognised in the Income Statement	6	46	2,090
Foreign exchange adjustment		99	(350)
Balance at 31 March		**112,924**	**15,654**
Current	16	20,613	5,312
Non-current		92,311	10,342

Contingent consideration comprises the Group's scenario based and probability-weighted assessment of discounted amounts payable to vendors in respect of business acquisitions.

The addition of $99.2 million in contingent consideration pertains to the acquisition of Melio.

During the year, contingent consideration payments totaling $5.8 million were made to the former shareholders of Syft. These payments were linked to the achievement of revenue and product development milestones.

Changes in fair value estimates for the year ended 31 March 2026 included a revaluation loss. This was primarily driven by accelerating the expected settlement of a significant product milestone, which was partially offset by extending the timing of other product milestones.

The closing balance of contingent consideration is payable as follows:

- **Syft ($10.8 million):** Expected to be settled in cash. The full balance is classified as non-current and is expected to become payable following the achievement of specified product milestones, which are anticipated to be met by December 2027. Payable to the former shareholders of Syft
- **Melio ($102.1 million):** At least 50% must be settled in cash and the remaining portion may be settled in either cash or equity at the Group's discretion. The current portion is expected to become payable upon achieving specified business performance and integration milestones within the next 12 months. The non-current portion is contingent upon specified business performance and integration milestones, which are anticipated to be met by October 2028. Payable to the former shareholder employees of Melio (who may or may not still be employed by the Group)

Key estimates and assumptions

The fair value of contingent consideration is determined as follows:

- Contingent consideration based on a sliding scale is valued based on a scenario based technique against a range of factors including revenue, gross profit and monthly active user targets (level three on the fair value hierarchy), and then a probability-weighting applied and discounted based on the acquired entity's cost of debt.
- Contingent consideration based on all or nothing is determined using valuation techniques such as probability-weighted forecasts of meeting certain product development and revenue targets (level three on the fair value hierarchy), and is discounted based on the acquired entity's cost of debt.

The scenarios and probability of achievement is reviewed, and the fair value of the related liability is adjusted at each reporting period or as circumstances change. Probabilities of achievement range between 20% and 100%.

Sensitivity analyses were undertaken for the significant unobservable inputs (discount rates and achievement probabilities) used to calculate the fair value of contingent consideration as at 31 March 2026. Any resulting changes in the carrying amount would be recognised in profit or loss

When applying probability sensitivities, the absolute adjustments are capped at a maximum of 100% and bounded at a minimum of 0%. Where base case probabilities are 0%, a 10% relative increase results in no change to the valuation.

- Syft: A 10% increase or decrease in the discount rate would have resulted in a corresponding decrease or increase of $0.1 million (2025: $0.2 million). A 10% absolute increase or decrease in the applied probabilities would have resulted in a corresponding increase or decrease of $1.1 million (2025: $1.0 million increase / $1.3 million decrease).

- Melio: A 10% increase or decrease in the discount rate would have resulted in a corresponding decrease or increase of $1.3 million. Melio contingent consideration is built around two basis: all or nothing, and a sliding scale. A 10% absolute increase or decrease in the applied probabilities for all or nothing would result in a corresponding increase or decrease of $5.8m. A 10% increase to the absolute probabilities for sliding scale would result in a corresponding increase or decrease of $4.4m. Contractual payments are denominated in USD. Based on all or nothing, contractual payments range between USD0.0m and USD40.7m, and based on the sliding scale, contractual payments range between USD0.0m and USD317.9m.

20. DEFERRED CONSIDERATION

At 31 March	NOTES	2026 ($000s)
Balance at 1 April		–
Acquisitions	26	83,192
Unwinding of discount		2,362
Foreign exchange adjustment		100
Balance at 31 March		**85,654**
Current	16	30,505
Non-current		55,149

Deferred consideration comprises the Group's discounted amounts payable to vendors in respect of standard commercial holdback provisions. The addition of $83.2 million in deferred consideration pertains to the acquisition of Melio, which is payable across a period of three years.

During the year, there have been no payments of deferred consideration, and $2.4 million was recognised as a finance cost representing the unwinding of the discount.

The closing balance of deferred consideration is held at amortised cost and is payable to the former shareholders of Melio, which is expected to be settled in cash. The current portion of deferred consideration is payable once the first payment period has passed in October 2026 and is subject to various holdback requirements. The non-current portion is payable following the remaining payment periods and is subject to various holdback requirements.

Key estimates and assumptions

The fair value has been determined using a discounted cash flow valuation technique. The significant inputs used in the measurement are observable market interest rates drawn from active markets to determine the appropriate cost of debt. The carrying amount of the deferred consideration is a reasonable approximation of its fair value.

A sensitivity analysis was undertaken in relation to the discount rate applied in calculating the value of the contingent consideration arising from the Melio acquisition. A 10% increase or decrease in the discount rate would have resulted in a corresponding decrease or increase of $1.0 million in the liability.

21. BORROWINGS

Term debt

Borrowings consist of the 2031 convertible notes and the syndicated facilities.

At 31 March	2026 ($000s)	2025 ($000s)
Current	1,259,003	1,228,572
Non-current	693,669	–
Total borrowings	**1,952,672**	**1,228,572**

Convertible notes

On 2 December 2020, Xero Investments Limited, a wholly owned subsidiary of the Company, made an offering of USD700 million of convertible notes (the '2025 notes').

In June 2024, Xero Investments Limited made a new convertible notes offering of USD925 million (the '2031 notes'). In conjunction with the settlement of the 2031 notes, Xero Investments Limited substantially repurchased the 2025 notes and unwound the existing call spread options.

Maturity of the 2025 convertible notes

During June 2024 and July 2024, Xero Investments Limited repurchased USD683.3 million ($1,112.3 million) of the 2025 notes for a total cash consideration of USD654.4 million ($1,065.4 million).

The term debt and embedded derivative component, which were historically accounted for at amortised cost and fair value respectively, were settled at fair value. The repurchase resulted in a $36.1 million gain on the term debt and embedded derivative being recognised within finance income in the Income Statement for the year ended 31 March 2025.

On 2 December 2025, the remaining USD16.7 million ($29.2 million) of the 2025 notes matured and was settled in full for cash. As a result, the 2025 notes liability was derecognised from the Statement of Financial Position. There are no remaining carrying values or further obligations in relation to the 2025 notes as at 31 March 2026.

At 31 March	2026 ($000s)	2025 ($000s)
Principal amount	–	29,216
Unamortised debt discount	–	(628)
Unamortised issuance costs	–	(34)
Term debt	**–**	**28,554**

Unwind of the 2025 call spread transactions

In conjunction with the repurchase of the 2025 notes, the 2025 call spread options were unwound in the prior year for a total price of USD11.7 million ($19.1 million). The lower strike call options were accounted for as derivative assets in the Statement of Financial Position at their estimated fair value. The derivative assets were adjusted to fair value at each reporting period. Revaluations relating to the 2025 low call spread transactions for the year ended 31 March 2025 are included in Note 23. At unwind, the value of the lower strike call options were $41.9 million.

The upper strike call options were accounted for as equity and initially recognised at their fair value less transaction costs. On unwind of the upper strike call options, a $22.9 million loss on settlement was recognised in equity.

2031 convertible notes and conversion feature derivative

In June 2024, Xero Investments Limited made an offering of USD925 million convertible notes. The convertible notes were settled on 12 June 2024 and listed on the SGX-ST on 13 June 2024.

The 2031 notes are unsubordinated, unsecured obligations of Xero, and have a final maturity date of 12 June 2031. The 2031 notes also include a one-time put option at the end of year five, allowing holders to sell the bond back to the issuer at par. The settlement of the 2031 notes will be in cash unless Xero elects to settle in shares, in which case Xero will be obliged to deliver ordinary shares to relevant noteholders. The cash settlement amount will be calculated based on the volume-weighted average price of the ordinary shares over a 90-day trading period. The initial conversion of the 2031 notes is USD109.6453 per ordinary share based on a fixed exchange rate of AUD1.00 = USD0.6649. At initial recognition, the value of the notes is allocated between the term debt component and the embedded derivative component.

The difference between the fair value of the term debt on settlement and the cash received is recognised as debt discount and is amortised as interest expense using the effective interest method over the term of the notes. The principal amount, unamortised debt discount, unamortised issue costs, and net carrying amount of the term debt component of the 2031 notes at 31 March 2026 were as follows:

At 31 March	2026 ($000s)	2025 ($000s)
Principal amount	1,617,880	1,618,279
Unamortised debt discount	(345,590)	(402,776)
Unamortised issue costs	(13,287)	(15,485)
Term debt	**1,259,003**	**1,200,018**

The Group recognised a one-off loan commitment revaluation loss of $9.5 million during the year ended 31 March 2025, reflecting movement in fair value of the term debt component between trade date and settlement date. At initial recognition, the fair value of the 2031 notes was determined using a market interest rate for an equivalent non-convertible bond. The notes are subsequently recognised at amortised cost.

The 2031 notes have a coupon rate of 1.625% per annum, payable semi-annually in arrears in equal instalments. This is amortised as interest expense using the effective interest method over the term of the notes. At 31 March 2026, the accrued interest balance was $7.9 million.

Liabilities can only be classified as non-current if the entity has a substantive right to defer settlement for at least 12 months after the reporting period. Since the 2031 notes are callable by the holders at any time, Xero does not have the right to defer settlement. As a result, the 2031 notes, along with the associated embedded derivative liabilities, are classified as current liabilities.

2031 call spread options

In connection with the issuance of the 2031 notes during the year ended 31 March 2025, Xero purchased call spread options, which are expected to reduce potential dilution to shareholders upon conversion of the notes, offsetting any cash payments Xero may be required to make in excess of the principal amounts on conversion. The call spread options will be effective at offsetting dilution on conversion of the notes up to a share price of USD134.95, converted to AUD at the prevailing exchange rate. The call spread options consist of 0.9 million lower strike call options purchased with an average strike price equal to the conversion price of the notes, and 0.9 million upper strike call options sold with an average strike price of USD134.95. Both the lower call and upper call options are exercisable into a total of approximately 8.4 million ordinary shares. The call spread options have expiry dates between 24 January 2031 and 4 June 2031.

The lower strike call options are accounted for as derivative financial assets and are accounted for at their fair value. At 31 March 2026, the fair value of the lower strike call options was $96.8 million (2025: $526.1 million). The upper strike call options are accounted for as equity, and are recognised at their initial fair value, less transaction costs, and were not subsequently revalued. The carrying value of the upper strike call options is $324.6 million (2025: $324.6 million).

Transaction costs

Transaction costs relating to the convertible notes refinancing and call spread transactions in the prior year totalled $26.9 million. Costs are allocated across the different components of the transactions based on the nature of costs incurred. Where costs incurred related to multiple components, they are allocated based on the relative fair values of those components. The costs were accounted for as follows:

At 31 March	2026 ($000s)	2025 ($000s)	Accounting treatment
2031 debt component	–	15,966	Capitalised and amortised over term of the note
2031 conversion feature	–	6,328	Recognised immediately in the income statement
2031 low call options	–	820	Recognised immediately in the income statement
2031 high call options	–	820	Capitalised to equity
2025 convertible notes repurchase and call spread unwind	–	3,055	Recognised immediately in the income statement
Total	**–**	**26,989**	

Syndicated facilities

At 31 March	2026 ($000s)	2025 ($000s)
Facility A	349,812	–
Facility B	349,812	–
Unamortised issue costs	(5,955)	–
Syndicated facilities	**693,669**	**–**

On 25 September 2025, the Group entered into two multi-currency syndicated facilities of up to USD200 million each (Facility A and Facility B). As at 31 March 2026, Facility A was drawn down at USD200 million and Facility B was drawn down at USD200 million. The facilities were initially drawn as part of funding support for the Melio acquisition and to provide group liquidity support. The facilities are unsecured and hold terms of three years and five years, respectively.

The fair value of the Group's borrowings is not materially different from their carrying amounts, as the interest payable on these borrowings is at current floating market rates. The interest rates are calculated by adding an agreed margin to the interest period's Secured Overnight Financing Rate (SOFR). The interest rate at 31 March 2026 for Facility A was 4.9518% and Facility B was 5.1518%.

Transaction costs incurred to establish the facility are capitalised and amortised over the facility's life using the effective interest method. Commitment fees on any undrawn portion are recognised within finance costs.

The Group is required to maintain specific financial ratios related to:

- net leverage not greater than 3.0:1 (or in the 12 months following a material acquisition, not greater than 3.5:1)
- interest cover not less than 3.0:1
- EBITDA and Total Assets for the consolidated guarantor entities will not be less than 85% of the EBITDA and Total Assets of the Group
- certain non-financial covenants, which are tested semi-annually.

As at 31 March 2026, the Group was in compliance with all debt covenants.

22. FINANCIAL INSTRUMENTS, CAPITAL AND FINANCIAL RISK MANAGEMENT

Financial instruments

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, short-term deposits, funds receivable and payable, receivables and payables, contingent consideration, deferred consideration, borrowings, investments in financial assets and derivative financial instruments. The Group's policy is that no speculative trading in financial instruments may be undertaken.

Classification and fair values

Xero has carried out a fair value assessment of its financial assets and liabilities at 31 March 2026 in accordance with NZ IFRS 9.

Under NZ IFRS 9, financial instruments are classified as either measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification of the Group's financial instruments into these categories is included within the table below.

At initial recognition, the fair value of the convertible notes was determined using a market interest rate for an equivalent non-convertible bond. The notes are subsequently recognised at amortised cost. The fair value of the debt component of the notes at 31 March 2026 was $1,299.8 million (2025: $1,281.4 million).

There were no transfers between classes of financial instruments, and no financial instruments measured at fair value on a non-recurring basis for the period (2025: nil).

Key estimates and assumptions

The Group's foreign exchange derivatives, conversion feature, call option derivative assets, investment in financial assets and contingent consideration liabilities are recognised at fair value. Information on fair value valuation methodologies can be found within the relevant notes within these financial statements.

Included below are financial assets and liabilities held at amortised cost:

At 31 March	2026 ($000s)	2025 ($000s)
Financial assets at amortised cost		
Cash and cash equivalents	884,372	768,427
Term deposits	1,049,771	1,561,969
Trade and other receivables	87,094	71,638
Funds receivable and customer accounts	580,157	–
Other current assets	2,240	543
Other non-current assets	25,755	1,093
Total financial assets at amortised cost	**2,629,389**	**2,403,670**
Financial liabilities at amortised cost		
Trade and other payables	18,476	12,201
Funds payable and amounts due to customers	580,157	–
Accrued interest	13,408	7,934
Deferred consideration	85,654	–
Other non-current liabilities	155	152
Term debt	1,952,672	1,228,572
Total financial liabilities at amortised cost	**2,650,522**	**1,248,859**

Included below are financial assets and liabilities measured at fair value on a recurring basis:

At 31 March 2026	LEVEL 1 ($000s)	LEVEL 2 ($000s)	LEVEL 3 ($000s)	TOTAL ($000s)
Financial assets at fair value through profit or loss				
Derivative assets (foreign currency derivatives)*	–	7,925	–	7,925
Derivative assets (call spread options)	–	96,775	–	96,775
Investment in financial assets	–	–	43,726	43,726
Total financial assets measured at fair value through profit or loss	**–**	**104,700**	**43,726**	**148,426**
Financial liabilities at fair value through profit or loss				
Derivative liabilities (foreign currency derivatives)*	–	64,916	–	64,916
Derivative liabilities (conversion feature on convertible notes)	–	175,641	–	175,641
Contingent consideration	–	–	112,924	112,924
Total financial liabilities measured at fair value through profit or loss	**–**	**240,557**	**112,924**	**353,481**

At 31 March 2025	LEVEL 1 ($000s)	LEVEL 2 ($000s)	LEVEL 3 ($000s)	TOTAL ($000s)
Financial assets at fair value through profit or loss				
Derivative assets (foreign currency derivatives)*	–	18,486	–	18,486
Derivative assets (call spread options)	–	526,072	–	526,072
Investment in financial assets	–	–	43,737	43,737
Total financial assets measured at fair value through profit or loss	**–**	**544,558**	**43,737**	**588,295**
Financial liabilities at fair value through profit or loss				
Derivative liabilities (foreign currency derivatives)*	–	28,889	–	28,889
Derivative liabilities (conversion feature on convertible notes)	–	546,141	–	546,141
Contingent consideration	–	–	15,654	15,654
Total financial liabilities measured at fair value through profit or loss	**–**	**575,030**	**15,654**	**590,684**

** Foreign currency derivatives are hedge accounted when possible, with unrealised gains and losses recognised in other comprehensive income until the underlying cash flows are realised, at which point the gains and losses are reclassified to the Income Statement*

Capital management

For the purposes of capital management, the Group's capital primarily consists of equity raised by the issue of ordinary shares in the Company and issued debt. Xero manages its capital in order to maintain an appropriate capital structure to support the business and maximise shareholder value. The Group's capital structure is adjusted based on business needs and economic conditions.

Financial risk management

The Group is exposed to the following risks through the normal course of business and from its use of financial instruments:

a. Market risk

b. Liquidity risk

c. Credit risk

The following presents both qualitative and quantitative information on the Group's exposure to each of the above risks, along with policies and processes for managing risk.

(a) Market risk

The Group is exposed to market risk primarily through changes in foreign currency exchange rates and interest rates.

Foreign currency risk

Nature of risk

Foreign currency risk is the risk that the changes to foreign currency exchange rates negatively impact the Group's New Zealand dollar (NZD) net cash flows.

Exposure and risk management

Xero is exposed to currency risk from the operations of foreign subsidiaries and foreign currency denominated expenses in the parent Company. The Group has significant operations in four foreign currencies, being Australian dollars (AUD), United States dollars (USD), Great British pounds (GBP), and Canadian dollars (CAD), with exposures to other currencies to a lesser degree. The material exposures are USD and CAD outflows, as well as AUD and GBP inflows. In order to reduce the impact of short-term movements in exchange rates, the Group's treasury policy requires a portion of the next 18 months' net USD and CAD cash flows, and 24 months' net AUD and GBP cash flows, to be hedged with foreign exchange contracts and vanilla options (outright purchased options and vanilla collars).

The Group's exposure to monetary foreign currency financial instruments and lease liabilities is outlined below in NZD:

At 31 March 2026	AUD ($000s)	USD ($000s)	GBP ($000s)	CAD ($000s)	SGD ($000s)	ZAR ($000s)
Exposures						
Cash and cash equivalents, and short-term deposits	108,488	468,834	20,699	5,364	17,698	35,212
Trade and other receivables	7,124	56,168	9,240	4,211	278	247
Funds receivable and customer accounts	–	580,157	–	–	–	–
Investments in financial assets	–	43,726	–	–	–	–
Trade and other payables	(6,332)	(6,030)	(726)	(280)	(150)	(384)
Funds payable and amounts due to customers	–	(580,157)	–	–	–	–
Accrued interest	–	(15,492)	–	–	–	–
Contingent consideration	–	(112,924)	–	–	–	–
Deferred consideration	–	(85,654)	–	–	–	–
Lease liabilities	(44,003)	(42,869)	(22,180)	(787)	(532)	(574)
Borrowings	–	(2,317,504)	–	–	–	–
Derivative financial instruments (foreign currency derivatives)	782,441	(211,840)	542,629	(23,096)	–	–
Total foreign currency exposure	**847,718**	**(2,223,585)**	**549,662**	**(14,588)**	**17,294**	**34,501**

At 31 March 2025	AUD ($000s)	USD ($000s)	GBP ($000s)	CAD ($000s)	SGD ($000s)	ZAR ($000s)
Exposures						
Cash and cash equivalents, and short-term deposits	60,088	1,143,091	44,534	7,433	17,324	19,207
Trade and other receivables	5,316	12,338	7,871	3,565	234	166
Investments in financial assets	–	43,737	–	–	–	–
Trade and other payables	(4,087)	(1,391)	(1,273)	(177)	(423)	(1,779)
Other current liabilities	–	(7,934)	–	–	–	–
Contingent consideration	–	(15,654)	–	–	–	–
Lease liabilities	(34,671)	(7,705)	(25,546)	(1,015)	(1,161)	(739)
Borrowings	–	(1,647,495)	–	–	–	–
Derivative financial instruments (foreign currency derivatives)	623,557	(190,108)	506,832	(24,485)	–	–
Total foreign currency exposure	**650,203**	**(671,121)**	**532,418**	**(14,679)**	**15,974**	**16,855**

As at 31 March, a movement of 10% in the NZD would impact the Income Statement and Statement of Changes in Equity (after hedging), as detailed in the table below:

	10% DECREASE		10% INCREASE	
At 31 March	2026 ($000s)	2025 ($000s)	2026 ($000s)	2025 ($000s)
Impact on:				
AUD				
Net profit before income tax (increase/(decrease))	(15,314)	(10,412)	12,530	8,519
Equity (before income tax) (increase/(decrease))	87,113	64,383	(71,274)	(52,677)
USD				
Net profit before income tax (increase/(decrease))	(96,170)	(3,623)	78,685	2,964
Equity (before income tax) (increase/(decrease))	16,869	(49,160)	(13,802)	40,222
GBP				
Net profit before income tax (increase/(decrease))	(13,577)	(2,225)	11,108	1,820
Equity (before income tax) (increase/(decrease))	63,689	51,468	(52,109)	(42,110)

This analysis only includes the effect of foreign exchange movements on financial instruments. All other variables remain constant.

Interest rate risk

Nature of risk

Interest rate risk is the risk that changes in interest rates negatively impact the Group's financial performance or the value of its financial instruments.

Exposure and risk management

The Group's interest rate risk arises from its cash and cash equivalents and short-term deposit balances, customer balances, and when term debt is refinanced. Cash and cash equivalents comprise cash in hand, deposits held on call with banks, funds invested in money market funds, and other short-term and highly liquid investments with original maturities of 90 days or less. Surplus balances are placed in short-term investments with high credit quality counterparties. The repricing of these at maturity exposes the Group to interest rate risk. Customer balances generate interest income, therefore changes in market interest rates will impact the Group's interest income. Money market funds invested into include a broad range of highly rated short-term fixed income securities and calculate investment returns on a daily basis. Changes to interest rates will impact the returns generated by each fund. The convertible notes would give rise to interest rate risk at maturity (June 2031) if the Group were to refinance at prevailing interest rates, with higher interest rates increasing the cost of debt financing should they be in effect at this time.

The Group does not currently enter into interest rate hedges. However, management regularly reviews its investment and funding arrangements to ensure it achieves the best returns on its funds while maintaining access to necessary liquidity levels to service the Group's day-to-day activities.

Sensitivity to interest rate risk

If interest rates for the year ended 31 March 2026 had been 100 basis points higher/lower with all other variables held constant, the impact on the interest income and net profit of the Group would have been $19.3 million higher/lower, and retained earnings $19.3 million higher/lower (2025: $23.3 million). This analysis assumes that the cash and cash equivalents and short-term deposits balance was consistent with the year-end balance throughout the year. The impact on interest expense and net loss of the Group would have been $3.2 million higher/lower, and retained earnings $3.2 million lower/higher (2025: nil).

(b) Liquidity risk

Nature of risk

Liquidity risk is the risk that the Group cannot pay contractual liabilities as they fall due.

Exposure and risk management

At 31 March 2026, the Group held cash and cash equivalents of $884.4 million and term deposits of $1,049.8 million, which are available to be used to service the Group's day-to-day activities, and for investments into strategic and complementary businesses and assets.

The liquidity risk that arises on maturity of the convertible notes in June 2031 is being closely monitored by management, with the intention that there will be repayment or refinancing plans in advance of this to ensure that the Group has sufficient liquidity to meet its contractual obligations as they fall due.

The Group's exposure to liquidity risk based on undiscounted contractual cash flows relating to financial liabilities and lease liabilities is summarised below:

At 31 March 2026	LESS THAN 12 MONTHS ($000s)	BETWEEN 1 AND 2 YEARS ($000s)	BETWEEN 2 AND 5 YEARS ($000s)	OVER 5 YEARS ($000s)	TOTAL CONTRACTUAL CASHFLOWS ($000s)	CARRYING AMOUNT ($000s)
Non-derivative financial liabilities						
Trade and other payables	18,476	–	–	–	18,476	18,476
Lease liabilities	41,235	42,258	87,927	25,812	197,232	172,316
Accrued interest	61,635	61,635	141,134	13,145	277,549	13,408
Other non-current liabilities	–	–	155	–	155	155
Contingent consideration	21,374	37,815	68,559	–	127,748	112,924
Deferred consideration	31,467	31,467	31,467	–	94,401	85,654
Borrowings	–	–	699,624	1,617,880	2,317,504	1,952,672
Contractual cash flows	**174,187**	**173,175**	**1,028,866**	**1,656,837**	**3,033,065**	**2,355,605**
Derivative financial liabilities						
Foreign exchange contracts	–	–	–	–	–	(64,916)
Inflows	912,776	383,727	–	–	1,296,503	–
Outflows	(854,214)	(362,677)	–	–	(1,216,891)	–
Contractual cash flows	**58,562**	**21,050**	**–**	**–**	**79,612**	**(64,916)**

At 31 March 2025	LESS THAN 12 MONTHS ($000s)	BETWEEN 1 AND 2 YEARS ($000s)	BETWEEN 2 AND 5 YEARS ($000s)	OVER 5 YEARS ($000s)	TOTAL CONTRACTUAL CASHFLOWS ($000s)	CARRYING AMOUNT ($000s)
Non-derivative financial liabilities						
Trade and other payables	12,201	–	–	–	12,201	12,201
Lease liabilities	24,085	24,529	64,805	18,004	131,423	110,105
Accrued interest	26,297	26,297	78,891	39,446	170,931	7,934
Other non-current liabilities	–	–	152	–	152	152
Contingent consideration	5,651	11,897	–	–	17,548	15,654
Borrowings	29,216	–	–	1,618,279	1,647,495	1,228,572
Contractual cash flows	**97,450**	**62,723**	**143,848**	**1,675,729**	**1,979,750**	**1,374,618**
Derivative financial liabilities						
Foreign exchange contracts	–	–	–	–	–	(28,889)
Inflows	417,419	232,950	–	–	650,369	–
Outflows	(396,795)	(222,557)	–	–	(619,352)	–
Contractual cash flows	**20,624**	**10,393**	**–**	**–**	**31,017**	**(28,889)**

(c) Credit risk

Nature of risk

Credit risk arises in the normal course of Xero's business on financial assets if a counterparty fails to meet its contractual obligations.

Exposure and risk management

Financial instruments that potentially subject the Group to credit risk principally consist of cash and cash equivalents, short-term deposits, derivatives, bonds and deposits, receivables and funds receivable and customer accounts.

The Group manages credit risk by placing cash, short-term deposits, customer accounts and derivative contracts with high-quality financial institutions. The exposure to the credit risk of the call option counterparties means that in the event of default, the Group may have to pay an increased amount on settlement of the convertible notes. The Group manages liquidity by factoring in any risk of default. The credit risk of customer accounts is reduced by government-backed federal deposit insurance. The credit risk associated with trade receivables is small, due to the inherently low transaction value and the distribution over a large number of customers.

Group financial assets subject to credit risk at balance date are as follows:

At 31 March	2026 ($000s)	2025 ($000s)
Cash and cash equivalents	884,372	768,427
Short-term deposits	1,049,771	1,561,969
Trade and other receivables	87,094	71,638
Funds receivable and customer accounts	580,157	–
Derivative financial assets	104,700	544,558
Other current assets	2,240	543
Non-current assets	25,755	1,093
Total financial assets subject to credit risk	**2,734,089**	**2,948,228**

A summary of the Group's exposure to credit risk on cash and cash equivalents, short-term deposits, funds receivable and customer accounts, and derivative assets categorised by external credit risk grading is as follows:

At 31 March	2026 ($000s)	2025 ($000s)
Cash and cash equivalents, short-term deposits and funds receivable and customer accounts		
AAAm	303,209	422,499
A-1+	1,465,195	1,554,654
A-1	645,684	347,304
A-2	100,212	99
A-3	–	4,442
B	–	1,398
Total cash and cash equivalents, short-term deposits and funds receivable and customer accounts	**2,514,300**	**2,330,396**
Derivative assets		
A-1+	4,529	12,108
A-1	51,784	532,450
A-2	48,387	–
Total derivative assets	**104,700**	**544,558**

In addition to the above table, $0.2 million of the Group's trade and other receivables, other current assets, and non-current assets are with counterparties with an A-1 external credit risk rating (2025: $22.7 million with counterparties with an A-1 external credit risk rating). The remaining amounts are with counterparties that have no external credit risk rating. Due to the nature of the Group's business, the balances do not consist of any concentration of risk that is considered individually material.

23. DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivative financial instruments consist of foreign exchange contracts, conversion feature of the convertible notes, and call spread options entered into in connection with the convertible notes.

At 31 March	**2026 ($000s)**	**2025 ($000s)**
Current derivative assets		
Foreign exchange contracts	6,450	17,156
Non-current derivative assets		
Call spread options	96,775	526,072
Foreign exchange contracts	1,475	1,330
Total derivative assets	**104,700**	**544,558**
Current derivative liabilities		
Foreign exchange contracts	(54,563)	(21,799)
Conversion feature of convertible notes	(175,641)	(546,141)
Non-current derivative liabilities		
Foreign exchange contracts	(10,353)	(7,090)
Total derivative liabilities	**(240,557)**	**(575,030)**

Foreign currency hedges

The Group uses derivatives in the form of foreign exchange contracts to reduce the risk that movements in foreign exchange rates will affect the Group's NZD cash flows. Whenever possible, these derivatives have been designated as a hedging instrument in a cash flow hedge of a highly probable forecast transaction under NZ IFRS 9. The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency and timing of respective cash flows. Derivatives in hedge relationships are designated as hedging instruments based on a hedge ratio of 1:1. Ineffectiveness arises if there is a change in the forecasted timing or amount of cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are reclassified to the Income Statement in the periods during which the hedged transaction affects profit and loss.

During the period, a net hedging loss of $76.6 million (before taxation) was recognised in other comprehensive income (2025: loss of $12.7 million). During the period, a loss of $30.1 million (before taxation) was reclassified out of other comprehensive income to the Income Statement (2025: loss of $6.4 million). These amounts are included in the same line items as the underlying hedged transactions within subscription revenue and operating expenses. The remaining balance will be reclassified to the Income Statement in future reporting periods as the relevant hedging instruments mature.

Hedge position

The Group's financial instruments designated as hedging instruments are as follows:

At 31 March	2026 AVERAGE FORWARD PRICE	2026 FAIR VALUE ($000s)	2026 NOTIONAL AMOUNT HEDGED (NZD) ($000s)	2025 AVERAGE FORWARD PRICE	2025 FAIR VALUE ($000s)	2025 NOTIONAL AMOUNT HEDGED (NZD) ($000s)
Derivative assets						
Buy USD - Sell NZD	0.5978	6,998	206,606	0.6100	13,001	186,900
Buy CAD - Sell NZD	0.8119	350	22,787	0.8231	287	21,869
Buy NZD - Sell AUD	0.8483	40	12,967	0.9033	4,878	511,435
Buy NZD - Sell GBP	0.4379	534	98,204	–	–	–
Total		**7,922**			**18,166**	
Derivative liabilities						
Buy USD - Sell NZD	0.5731	(18)	5,234	–	–	–
Buy CAD - Sell NZD	–	–	–	0.8150	–	491
Buy NZD - Sell AUD	0.9000	(51,003)	769,474	0.9142	(469)	112,121
Buy NZD - Sell GBP	0.4525	(13,681)	433,157	0.4680	(28,022)	501,550
Total		**(64,702)**			**(28,491)**	

Key estimates and assumptions

Fair value of foreign exchange derivatives are determined using spot foreign exchange rates that are quoted in an active market (level two on the fair value hierarchy).

Conversion feature and call option derivatives

The conversion feature derivative liability of the convertible notes represents an embedded derivative financial instrument in the host debt contract. The conversion feature represents the Group's obligation to issue Xero Limited shares (or an equivalent amount of cash) should noteholders exercise their conversion option. The embedded conversion derivatives are carried in the Statement of Financial Position at their estimated fair value and adjusted at the end of each reporting period, with any unrealised gain or loss reflected in the Income Statement. During the year, the Group recognised a $362.0 million revaluation gain in the Income Statement relating to conversion feature derivatives (2025: loss of $59.9 million).

In connection with the issue of the convertible notes, the Group entered into call spread options. The lower strike call options are accounted for as derivative assets in the Statement of Financial Position at their estimated fair value. The derivative assets are adjusted to fair value each reporting period, with unrealised gains or losses reflected in the Income Statement. During the year ended 31 March 2026, the Group recognised a $419.4 million revaluation loss in the Income Statement relating to lower strike call options (2025: gain of $30.0 million).

Key estimates and assumptions

The fair values of the conversion feature and call option derivative assets relating to the convertible notes are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates (level two on the fair value hierarchy). Inputs into the valuation include share price volatility and time to expiration.

24. CHANGES IN FINANCIAL ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

*Year ended 31 March 2026**	AT 1 APRIL 2025 ($000s)	PROCEEDS ($000s)	PAYMENTS ($000s)	AMORTISATION EXPENSE ($000s)	FOREIGN EXCHANGE MOVEMENT ($000s)	FAIR VALUE MOVEMENTS ($000s)	AT 31 MARCH 2026 ($000s)
Short-term deposits	1,561,969	(3,400,710)	2,755,694	–	132,818	–	1,049,771
Call spread option derivative assets	526,072	–	–	–	(422)	(428,875)	96,775
Term debt and conversion feature	(1,774,713)	–	29,138	(58,369)	(893)	370,193	(1,434,644)
Syndicated facilities	–	(698,148)	6,611	(725)	(1,407)	–	(693,669)

*Year ended 31 March 2025**	AT 1 APRIL 2024 ($000s)	PROCEEDS ($000s)	PAYMENTS ($000s)	AMORTISATION EXPENSE ($000s)	FOREIGN EXCHANGE MOVEMENT ($000s)	FAIR VALUE MOVEMENTS ($000s)	AT 31 MARCH 2025 ($000s)
Short-term deposits	1,031,079	(2,602,385)	3,106,453	–	26,822	–	1,561,969
Call spread option derivative assets	61,124	(41,964)	435,292	–	41,645	29,975	526,072
Term debt and conversion feature	(1,171,144)	(1,489,039)	1,067,971	(51,201)	(98,050)	(33,250)	(1,774,713)

** These tables exclude lease liabilities, the movements of which are disclosed separately in Note 18*

25. SHARE CAPITAL

	NOTES	2026 AUD PRICE*	2026 (000s)	2025 AUD PRICE*	2025 (000s)
Balance at 1 April		–	153,618	–	152,327
Issue of ordinary shares - institutional placement		176.00	10,511	–	–
Issue of ordinary shares - acquisition of Melio	26	123.21	4,415	–	–
Issue of ordinary shares - restricted stock unit schemes	30	150.19	1,269	124.58	963
Issue of ordinary shares - share purchase plan		174.67	742	–	–
Issue of ordinary shares - exercising of employee share options	30	105.13	45	106.21	231
Issue of ordinary shares - acquisition of Syft		–	–	168.37	97
Ordinary shares on issue at 31 March		**–**	**170,600**	**–**	**153,618**
Treasury shares		–	(31)	–	(31)
Ordinary shares on issue at 31 March excluding treasury shares		**–**	**170,569**	**–**	**153,587**

** Prices shown for acquisition-related payments and restricted stock units are the weighted average issue prices. The price shown for options is the weighted average exercise price*

All shares have been issued, are fully paid, and have no par value.

26. BUSINESS COMBINATIONS

Melio acquisition

On 15 October 2025, Xero acquired 100% of the ordinary shares in Melio Ltd and its associated entities (collectively referred to as 'Melio'), a leading US SMB bill pay platform, pursuant to an agreement dated 25 June 2025.

Total initial consideration for the acquisition consists of an upfront payment of USD2.5 billion, plus adjustments of USD67 million for closing cash, indebtedness and third-party expense adjustments. These upfront payments consisted of USD2.2 billion in cash and USD359 million in Xero shares. Additionally, a holdback of USD54 million is payable in instalments on the anniversary of the closing date of 15 October 2025 across three years.

Further contingent consideration of up to USD359 million is payable subject to achieving specific business, revenue, gross profit and customer milestones. On acquisition, management recognised contingent consideration based on its assessment of the probability of achieving each of the milestones. This assessment reflected the outperformance nature of these targets. Contingent consideration has been discounted to reflect the time value of money. The probability of achieving contingent consideration milestones is reviewed, and the fair value of the related liability is adjusted at each reporting period or as circumstances change.

In addition, up to USD73 million of additional employee incentives in the form of Restricted Stock Units have been agreed. As these payments are linked to continued employment, they are not considered as purchase price consideration. These incentives vest over a three-year period based on the completion of service period requirements by recipients.

Goodwill of $4.2 billion has been recognised, reflecting Melio's role in uniting accounting and payments to accelerate Xero's global growth. This acquisition delivers stronger unit economics and a diversified revenue model by capturing a greater share of the US small business market.

The assets and liabilities assumed, and the consideration transferred for the above acquisition, are included in detail below.

	NOTES	15 OCTOBER 2025 ($000s)
Fair value of assets acquired and liabilities assumed at acquisition date		
Cash and cash equivalents		86,824
Short-term deposits		157,580
Trade and other receivables		55,905
Funds receivable and customer accounts		556,314
Derivative asset		2,360
Other current assets		1,013
Other current liabilities		(2,744)
Property, plant and equipment*	11	69,380
Software development asset	12	281,443
Customer contracts**	12	115,446
Brand**	12	18,017
Goodwill	12	4,160,694
Other non-current assets		2,868
Trade and other payables		(20,788)
Deferred tax liabilities	29	(54,972)
Lease liabilities	18	(66,655)
Funds payable and amounts due to customers		(556,314)
Employee entitlements		(19,460)
Income tax payable		(157)
Net assets acquired		**4,786,754**

** Property, plant and equipment contains right-of-use assets acquired at an amount equal to the lease liability, adjusted for any unfavourable terms of the lease*
*** Classified as other intangible assets per Note 12*

Consideration transferred		
Cash*		3,976,406
Shares**		628,231
Contingent consideration	19	99,182
Deferred consideration	20	83,192
Funds receivable		(257)
Total consideration		**4,786,754**

Year ended 31 March 2026	2026 ($000s)
Cash outflows relating to acquisitions (net of cash acquired)*	3,881,096

** Cash included in total consideration is valued at acquisition date; cash included in cash outflows is translated on date of payment*
*** Issue costs of $0.5 million were incurred in issuing this share consideration; these costs were recognised as a deduction from equity within share capital*

The software development asset, valued at $281.4 million, and customer contracts, valued at $115.4 million, are determined to have finite useful lives of 7.5 years and 5 years respectively. The acquired brand, valued at $18.0 million, is determined to have an indefinite useful life.

For the period from acquisition date to 31 March 2026, Melio contributed $205.0 million in operating revenue and $111.7 million in net loss. If the acquisition had occurred on 1 April 2025, management estimates that consolidated operating revenue and net profit would have been an additional $201.3 million higher and $71.4 million lower respectively for the year ended 31 March 2026.

Transaction costs totalling $50.6 million have been recognised in operating expenses in the 12 months to 31 March 2026, included as part of acquisition-related costs in the Income Statement. None of these costs have been recognised in the Statement of Financial Position as at 31 March 2026.

The acquisition accounting for Melio has been finalised. The amounts recognised in these financial statements represent the final assessment of the fair values of assets acquired and liabilities assumed at the acquisition date.

27. GROUP ENTITIES

Consolidation subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions and balances between Group companies are eliminated on consolidation.

The financial statements of each of the Group's subsidiaries are prepared in the functional currency of that entity. The functional currency is determined for each entity based on factors such as the principal trading currency. The assets and liabilities of these entities are translated at exchange rates existing at balance date. Revenue and expenses are translated at rates approximating the exchange rates ruling at the dates of the transactions. The exchange gains or losses arising on translation are recorded in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

The table below contains the significant subsidiaries of the Group, along with subsidiaries over which the Group has either gained or lost control during the period. The Group also has operations in other jurisdictions to a lesser extent.

	COUNTRY OF INCORPORATION	BALANCE DATE	INTEREST 2026 (%)	INTEREST 2025 (%)
Xero (NZ) Limited	New Zealand	31 March	100	100
Xero (UK) Limited	United Kingdom	31 March	100	100
Xero Australia Pty Limited	Australia	31 March	100	100
Xero, Inc.	United States	31 March	100	100
Xero Investments Limited	New Zealand	31 March	100	100
Xero South Africa (Pty) Ltd	South Africa	31 March	100	100
Xero (Singapore) Pte Limited	Singapore	31 March	100	100
Planday A/S	Denmark	31 March	100	100
Xero Payments (NZ) Limited*	New Zealand	31 March	100	–
Xero Payments (AU) PTY Limited**	Australia	31 March	100	–
Melio Limited***	Israel	31 March	100	–
Melio Payments Inc***	United States	31 March	100	–
Melio Holdings Inc***	United States	31 March	100	–
Melio Solutions Inc***	United States	31 March	100	–
Melio Services Inc***	United States	31 March	100	–

** Incorporated 18 July 2025*
*** Incorporated 5 August 2025*
**** Acquired 15 October 2025*

28. RECONCILIATION OF OPERATING CASH FLOWS

Year ended 31 March	2026 ($000s)	2025 ($000s)
Net profit	167,420	227,817
Adjustments:		
Depreciation	35,559	29,509
Amortisation	347,213	253,251
Share-based payments	240,085	151,878
Amortisation of discount and debt issuance costs on term debt	58,369	51,201
Amortisation of bank facility fees	725	–
Deferred tax and current taxes recognised in equity	14,201	12,269
Asset impairments and disposals	2,316	3,037
Revaluation of contingent consideration	46	2,090
Bad debts	9,641	6,671
Derivative revaluation	57,470	29,886
Gain on redemption of convertible note	–	(36,105)
Loan commitment revaluation loss	–	9,494
Financing transaction costs	–	10,203
Foreign exchange (gains)/losses	(92,625)	4,673
Other non-cash items	7,541	352
Changes in working capital:		
(Increase)/decrease in trade receivables and prepayments	(35,058)	9,168
(Increase)/decrease in deferred tax assets	(72)	60,360
Increase/(decrease) in trade payables and other related items	45,161	(6,891)
Increase in net tax receivable	13,169	2,040
Increase/(decrease) in employee entitlements	41,874	(18,657)
Increase in interest payable	7,411	5,286
Increase in income in advance	12,701	4,138
Net cash flows from operating activities	**933,147**	**811,670**

29. CURRENT AND DEFERRED TAX

Tax expense comprises current and deferred tax. Income tax is recognised in the Income Statement or Statement of Comprehensive Income except when it relates to items recognised directly in equity (in which case the income tax is recognised in equity). Income tax is based on tax rates and regulation enacted in the jurisdictions in which the entities operate.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realisation of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised.

Income tax expense

The tax on the Group's net profit before tax differs from the theoretical amount that would arise using the New Zealand statutory income tax rate, as follows:

Year ended 31 March	2026 ($000s)	2025 ($000s)
Accounting profit before income tax	339,736	362,664
At the New Zealand statutory income tax rate of 28%	95,126	101,546
Non-taxable/non-deductible income/expenditure	31,977	4,203
Non-deductible Melio acquisition costs	15,334	–
Prior period adjustment	141	(105)
R&D benefit	(1,019)	(798)
Tax rate variance of subsidiaries and revaluations of deferred tax	10,481	(2,401)
Current year tax losses/deferred expenditure not recognised	21,841	32,463
Recognition/utilisation of historic unrecognised tax losses	(1,565)	(61)
Income tax expense	**172,316**	**134,847**
Comprising:		
Current tax expense	163,373	72,201
Deferred tax expense	8,943	62,646
Income tax expense	**172,316**	**134,847**

Income tax expense charged to equity

Year ended 31 March	2026 ($000s)	2025 ($000s)
Current tax		
Share-based payments	3,324	6,825
Translation of foreign currency operations	374	3,130
Total	**3,698**	**9,955**
Deferred tax		
Share-based payments	(2,504)	546
Fair value movement on cash flow hedges	13,008	1,768
Total	**10,504**	**2,314**

Net deferred tax balances

Year ended 31 March 2026	DERIVATIVES ($000s)	PROVISIONS AND EMPLOYEE BENEFITS ($000s)	TAX DEPRECIATION ($000s)	TAX LOSSES AND R&D EXPENDITURE ($000s)	TOTAL ($000s)
Balance at 1 April 2025	2,891	35,820	(87,858)	5	(49,142)
Prior period adjustment	–	1,844	1,727	(5)	3,566
Charged to Income Statement	–	3,657	(17,901)	1,829	(12,415)
Charged to equity	13,008	(2,504)	–	–	10,504
Tax losses and R&D credits utilised	–	–	–	(685)	(685)
Impact of change in tax rates	–	1,342	(752)	–	590
Recognition of deferred tax on business combination*	–	–	(54,972)	–	(54,972)
Balance at 31 March 2026	**15,899**	**40,159**	**(159,756)**	**1,144**	**(102,554)**
Comprising:					
Deferred tax asset	–	27,580	450	1,144	29,174
Deferred tax liability	15,899	12,579	(160,206)	–	(131,728)

** Refer to Note 26*

Year ended 31 March 2025	DERIVATIVES ($000s)	PROVISIONS AND EMPLOYEE BENEFITS ($000s)	TAX DEPRECIATION ($000s)	TAX LOSSES AND R&D EXPENDITURE ($000s)	TOTAL ($000s)
Balance at 1 April 2024	1,122	31,230	(67,738)	53,988	18,602
Prior period adjustment	–	72	(867)	(47)	(842)
Charged to Income Statement	1	3,798	(11,715)	(90)	(8,006)
Charged to equity	1,768	546	–	–	2,314
Tax losses and R&D credits utilised	–	–	–	(53,847)	(53,847)
Impact of change in tax rates	–	174	(126)	1	49
Recognition of deferred tax on business combination	–	–	(7,412)	–	(7,412)
Balance at 31 March 2025	**2,891**	**35,820**	**(87,858)**	**5**	**(49,142)**
Comprising:					
Deferred tax asset	–	15,200	(1,444)	5	13,761
Deferred tax liability	2,891	20,620	(86,414)	–	(62,903)

Key estimates and assumptions

Recognised tax losses and temporary differences

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available, against which the deductible temporary differences can be offset.

Unrecognised tax losses and temporary differences

The Group has estimated unrecognised tax losses available to carry forward and other unrecognised temporary differences in overseas jurisdictions of $1,568.2 million (2025: $606.0 million), subject to shareholder continuity being maintained (as applicable), noting that deferred tax assets are recognised for carried forward tax losses to the extent of deferred tax liabilities in the same jurisdiction.

OECD Pillar Two Model Rules

The Group is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar Two Model Rules. Pillar Two legislation has been enacted in New Zealand, and came into effect for the Group from 1 April 2025. For some entities within the Group, such as subsidiaries in the United Kingdom and Australia, the Pillar Two rules came into effect from 1 April 2024.

Under Pillar Two legislation, the Group may be liable to pay a top-up tax where the effective tax rate per jurisdiction is below the 15% minimum rate. The Group has performed an assessment of the potential exposure to Pillar Two income taxes based on the financial information for the year ended 31 March 2026, which showed that no top-up tax exposure should arise for the Group. This is on the basis that the Safe Harbour rules can be relied upon in each jurisdiction that the Group operates in.

The Group has applied the mandatory exception to recognising and disclosing information about any deferred tax impact related to Pillar Two income taxes.

30. SHARE-BASED PAYMENTS

The Group operates equity-settled, share-based compensation plans, under which employees provide services in exchange for non-transferable options or RSUs. The value of the employee services rendered for the grant of non-transferable options and RSUs is recognised as an expense over the vesting period, and the amount is determined by reference to the fair value of the options and RSUs granted.

Restricted stock units

On the allocation date, an RSU agreement is entered into between the employee and Company stipulating the number of units granted and their vesting schedules. On the vest date, the RSUs are converted to ordinary shares in the Company. No cash consideration is required to be paid on vesting of the RSUs.

The fair value of RSUs granted is determined using the volume-weighted average price. The RSUs are conditional on the employees completing a specified period of service (the vesting period) and are, for the most part, converted to shares in equal amounts over the vesting period. A portion of the RSUs granted to a select number of executives is also conditional on both market and non-market performance conditions. These performance conditions are based on operating revenue growth, free cash flow margin and total shareholder return relative to a predetermined peer group over a specified period. The weighted average vesting period for RSUs granted in the year was 1.66 years (2025: 1.55 years). The Group has no legal or constructive obligation to repurchase or settle RSUs in cash.

Movements in the number of RSUs outstanding and their weighted average grant prices are as follows:

Year ended 31 March	2026 WEIGHTED AVERAGE GRANT DATE FAIR VALUE (AUD)	2026 RSUs (000s)	2025 WEIGHTED AVERAGE GRANT DATE FAIR VALUE (AUD)	2025 RSUs (000s)
Opening balance	134.95	1,805	106.76	942
Granted	155.35	2,806	143.28	1,917
Forfeited	146.04	(397)	128.53	(91)
Converted to shares	150.19	(1,269)	124.58	(963)
Settled in cash	82.64	(4)	–	–
Closing balance	**146.42**	**2,941**	**134.95**	**1,805**

RSUs with service and non-market performance conditions attached are recognised at fair value over the vesting period, with an adjustment for the number of awards that are expected to forfeit. The likelihood of meeting market performance conditions is reflected in the grant date fair value of RSUs granted, and this fair value is not subsequently adjusted.

Share options scheme

Options are granted to selected employees and executives. Options are conditional on the completion of the necessary years of service (the vesting period) as appropriate to that tranche.

The options tranches vest within four years from the grant date. No options can be exercised later than the tenth anniversary of the grant date. There were 11 holders of options at 31 March 2026 (2025: 20). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

Year ended 31 March	2026 WEIGHTED AVERAGE EXERCISE PRICE (AUD)	2026 OPTIONS (000s)	2025 WEIGHTED AVERAGE EXERCISE PRICE (AUD)	2025 OPTIONS (000s)
Opening balance	127.82	1,144	91.73	822
Granted	–	–	171.11	575
Forfeited/expired	105.52	(10)	137.52	(22)
Exercised	105.13	(45)	106.21	(231)
Settled in cash	121.46	(16)	–	–
Closing balance	**129.09**	**1,073**	**127.82**	**1,144**
Exercisable at 31 March	105.80	687	86.11	403

The weighted average share price on date of exercise for options exercised in the year ended 31 March 2026 was AUD166.43 (2025: AUD155.33). The weighted average remaining contractual term of options outstanding at 31 March 2026 is 7.6 years (2025: 8.2 years).

Options outstanding at 31 March fall within the following ranges:

Granted	EXERCISE PRICE (AUD)	2026 OPTIONS (000s)	2025 OPTIONS (000s)
2020-21	120.93	–	16
2021-22	121.39–146.99	26	48
2022-23	72.39–88.88	454	487
2023-24	118.58	18	18
2024-25	171.11	575	575
		1,073	**1,144**

No options were granted during the year. The weighted average fair value of options granted during the previous year was AUD72.26 per option, determined using the Black-Scholes valuation model.

The significant inputs into the model were the market share price at grant date, the exercise price as shown above, expected annualised volatility of 39%, a dividend yield of 0%, an expected option life of 5.5 years, and an annual risk-free interest rate of 4%.

The volatility input is measured as the standard deviation of continuously compounded share returns and is based on a statistical analysis of daily share prices over a period consistent with the options' expected life. The risk-free rate is measured using Australian Government bond rates, and applying linear interpolation over a period consistent with the options' expected life.

Warrants

In connection with the acquisition of Melio, the Company assumed warrants for a maximum of 663,537 ordinary shares, contingent upon a strategic partner meeting specific operational milestones by 20 March 2033.

This arrangement is accounted for in accordance with NZ IFRS 2: *Share-based payment*, as an equity-settled share-based payment transaction with a non-employee. As achievement of these milestones is currently deemed not probable, no expense was recognised for the year ended 31 March 2026 (2025: nil).

31. KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes the directors, the Chief Executive Officer and the Chief Financial Officer.

The following table summarises expense recognised in relation to key management personnel remuneration:

Year ended 31 March	2026 ($000s)	2025 ($000s)
Directors' fees	2,729	2,428
Short-term employee benefits	9,318	3,201
Share-based payments - restricted stock units	25,910	8,554
Share-based payments - options	23,676	10,873

Related party transactions

Other than remuneration paid to key management personnel above, there have been no other related party transactions, outstanding balances or commitments during the period ending 31 March 2026 (2025: nil).

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. Key management and their related parties, from time to time, subscribe to services provided by the Group on normal business terms. None of these related party transactions are significant to either party, and are completed on arm's length terms. There were no related party transactions during the year as detailed above.

No amounts with any related parties have been written off or forgone during the year (2025: nil).

32. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group has capital commitments of $0.1 million as at 31 March 2026 (2025: nil). These commitments relate to the Hawke's Bay building refresh currently in progress and the Manchester furniture fit-outs, which has been agreed to but goods and services not rendered.

Contingent liabilities

There were no contingent liabilities at 31 March 2026 (2025: nil).

From time to time, the Xero Group is involved in various legal proceedings, regulatory, tax and other claims and enquiries arising in the ordinary course of business. While the outcome of these matters is uncertain, the directors do not believe that the final resolution of these matters currently known will have a material adverse effect on the Group's financial position, results of operations, or cash flows.

33. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events between balance sheet date and the date these financial statements were authorised for issue.

Directors' Responsibilities Statement

The directors are required to prepare financial statements for each financial year that present fairly the financial position of the Group and its operations and cash flows for that period.

The directors consider these financial statements have been prepared using accounting policies suitable to the Group's circumstances, that these have been consistently applied and are supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1993 (New Zealand). They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

During the year ended 31 March 2026, the principal activities of the Group were for the provision of online business solutions for small businesses and their advisors. Other than as disclosed in this Annual Report, there were no significant changes in the state of affairs or activities of the Group during the year.

The Board authorised these financial statements for issue on 14 May 2026.

For and on behalf of the Board

David Thodey
Chair
Xero Limited
14 May 2026

Mark Cross
Director
Xero Limited
14 May 2026

Disclosures

All financial figures in this section of the Annual Report are in New Zealand dollars except where indicated otherwise. References to FY26 are to the financial year ended 31 March 2026. Xero Group means Xero Limited (Xero) and its subsidiaries.

EQUITY HOLDINGS OF DIRECTORS, CEO AND CFO

The table below sets out the equity of Xero's directors, CEO and CFO, held nominally and through their associates or related parties.

At 31 March 2026	NUMBER OF ORDINARY SHARES (SHARES)	NUMBER OF UNLISTED OPTIONS (OPTIONS)	NUMBER OF RESTRICTED STOCK UNITS (RSUs)
Non-executive directors			
David Thodey	11,005	–	–
Steven Aldrich	1,400	–	–
Mark Cross	5,292	–	–
Anjali Joshi	2,512	–	–
Brian McAndrews	4,994	–	–
Dale Murray	3,094	–	–
Susan Peterson	3,512	–	–
CEO & CFO			
Sukhinder Singh Cassidy	35,046	1,038,308	249,252
Claire Fullard (née Bramley)	13,253	–	122,190

ENTRIES RECORDED IN THE INTERESTS REGISTER

Xero maintains an interests register in accordance with the Companies Act 1993 (New Zealand).

Directors' interests

Directors have disclosed the following relevant interests, which remain current as at 31 March 2026.

DIRECTOR/ENTITY	RELATIONSHIP
David Thodey	
Ramsay Health Care Limited (ASX listed)	Chair
Steven Aldrich	
Semrush Holdings, Inc. (NYSE listed)	Director
Mark Cross[1]	
Chorus Limited (NZX and ASX listed)	Chair
Fisher & Paykel Healthcare Corporation (NZX and ASX listed)	Director
Vocus Group Limited	Chair
Anjali Joshi	
Persistent Systems Limited (NSE and BSE listed)	Director
Brian McAndrews[2]	
The New York Times Company (NYSE listed)	Director
Frontdoor, Inc. (NASDAQ listed)	Lead Director
Dale Murray[3]	
Jupiter Fund Management PLC (LON listed)	Lead Independent Director
Lightspeed Commerce, Inc. (NYSE and TSE listed)	Director
Susan Peterson[4]	
Vista Group International Limited (NZX and ASX listed)	Chair
Mercury NZ Limited (NZX and ASX listed)	Director
Craigs Investment Partners	Director
Kiwibank Limited (and its non-operational holding company, Kiwi Group Capital Limited)	Chair

1. *Mark Cross ceased as a board member of Accident Compensation Corporation New Zealand during FY26 and was elected as chair of Vocus Group Limited during FY26*

2. *Brian McAndrews stepped down as presiding director of The New York Times Company on 30 April 2025, but continued as a director*

3. *Dale Murray was elected as lead independent director of Lightspeed Commerce, Inc. on 1 April 2025, where she was previously a director*

4. *Susan Peterson was elected as chair of Kiwibank Limited (and its non-operational holding company, Kiwi Group Capital Limited) during FY26*

Share dealings of directors

Directors disclosed the following acquisitions or disposals of relevant interests in Xero shares during FY26.

REGISTERED HOLDER	DATE OF ACQUISITION	CONSIDERATION PER SHARE	NUMBER OF SHARES ACQUIRED
David Thodey			
Aspiring Co Pty Ltd	28 July 2025	$174.76	172
Aspiring Co Pty Ltd	18 November 2025	$119.87	833
Susan Peterson			
Susan Peterson	28 July 2025	$174.76	172
Mark Cross			
Alpha Investment Partners Limited	28 July 2025	$174.76	172
Alpha Investment Partners Limited	18 November 2025	$120.01	820
Dale Murray			
BNP Paribas Nominees Pty Ltd as nominee for Dale Murray	28 July 2025	$174.67	172
Dale Murray	11 December 2025	$115.30	1,286
Brian McAndrews			
Brian McAndrews	7 August 2025	US$115.62	2,000

Insurance

Xero has continued to insure its directors and officers in accordance with the Companies Act 1993 (New Zealand) (through renewal of its D&O insurance policy) against potential liability or costs incurred in any proceeding, except to the extent prohibited by law.

Deeds of indemnity

Xero has provided deeds of indemnity to all directors and officers of Xero, and its subsidiaries, for potential liabilities and costs they may incur for acts or omissions in their capacity as directors or officers of Xero or its subsidiaries, to the extent permitted by law.

REMUNERATION REPORTING

Xero's remuneration policy and practices are summarised on pages 92–121 of this Annual Report.

SHAREHOLDER INFORMATION

The shareholder information set out below is current as at 9 April 2026, unless otherwise specified.

Issued capital

The total number of issued shares in Xero was 170,599,259, of which 31,081 shares were held on a restricted basis in connection with Xero's share-based compensation plans and 3,075,759 shares were held in voluntary escrow in connection with the acquisition of Melio Limited. 1,304,371 shares were released from voluntary escrow on 15 April 2026, with, for the purposes of ASX Listing Rule 3.10A, the remaining 1,771,388 shares to be released from voluntary escrow on 15 October 2026.

Distribution of shareholdings

RANGE	NUMBER OF HOLDERS	%	SHARES	%
1 to 1,000	63,362	95.30	9,249,010	5.42
1,001 to 5,000	2,699	4.06	5,236,580	3.07
5,001 to 10,000	242	0.36	1,672,861	0.98
10,001 to 100,000	147	0.22	4,147,255	2.43
100,001 and over	39	0.06	150,293,553	88.10
Total	**66,489**	**100.00**	**170,599,259**	**100.00**

There were 4,421 holders of less than a marketable parcel of shares as at 9 April 2026, based on a market price of AUD73.41 per share.

Distribution of RSUs and Options

There were 11 individuals holding a total of 1,072,702 Options and 761 individuals holding a total of 2,940,277 RSUs. RSUs are a conditional contractual right to be issued an equivalent number of shares in Xero.

Distribution of Options

RANGE	NUMBER OF HOLDERS	%	SHARES	%
1 to 1,000	-	-	-	-
1,001 to 5,000	9	81.82	24,394	2.27
5,001 to 10,000	1	9.09	10,000	0.93
10,001 to 100,000	-	-	-	-
100,001 and over	1	9.09	1,038,308	96.80
Total	**11**	**100.00**	**1,072,702**	**100.00**

Distribution of RSUs

RANGE	NUMBER OF HOLDERS	%	SHARES	%
1 to 1,000	351	46.12	193,130	6.57
1,001 to 5,000	335	44.02	659,990	22.45
5,001 to 10,000	22	2.89	146,788	4.99
10,001 to 100,000	50	6.58	1,336,385	45.45
100,001 and over	3	0.39	603,984	20.54
Total	**761**	**100.00**	**2,940,277**	**100.00**

On-market purchases

No securities were purchased on-market during FY26 for the purposes of an employee incentive scheme or to satisfy the entitlements of securities holders to acquire securities granted under an employee incentive scheme.

Substantial holdings and limitations on the acquisition of securities

Xero is a New Zealand incorporated and domiciled company listed on the ASX. From a regulatory perspective, this means that while the ASX Listing Rules apply to Xero, certain provisions of the Australian Corporations Act 2001 (Cth) do not. During FY26, Xero was not subject to chapters 6, 6A, 6B, and 6C of the Australian Corporations Act 2001 (Cth) dealing with the acquisition of its shares (including substantial holdings and takeovers). The Companies Act 1993 (New Zealand) applies to Xero, and certain provisions of the Financial Markets Conduct Act 2013 (New Zealand) also apply to Xero (including in relation to financial reporting, but not including the provisions relating to substantial shareholdings).

During FY26, there was no requirement on Xero's substantial shareholders to provide substantial product holder notices to Xero. Any such notices Xero receives during the year are available through the ASX website and Xero's Investor Centre.

Key limitations on the acquisition of shares in Xero are imposed by the following New Zealand legislation: Commerce Act 1986, Overseas Investment Act 2005, and Takeovers Act 1993, together with various regulations and codes promulgated under such legislation.

Top 20 holders

The names of the 20 largest holders of Xero shares as at 9 April 2026 are listed below.

NAME	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	50,226,280	29.44
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	39,583,198	23.20
CITICORP NOMINEES PTY LIMITED	28,020,985	16.43
BNP PARIBAS NOMS PTY LTD	6,279,119	3.68
MR RODNEY KENNETH DRURY & MR SCOTT MORAN	3,693,134	2.16
ANNA M C STUCK & INDEPENDENT PROFESSIONAL TRUSTEE(2017) LTD & ITC (AS) LIMITED	2,934,712	1.72
BNP PARIBAS NOMINEES PTY LTD	2,767,835	1.62
CITICORP NOMINEES PTY LIMITED	2,371,734	1.39
IBI TRUST MANAGEMENT	1,566,593	0.92
SOLIUM NOMINEES (AUSTRALIA) PTY LTD	1,253,950	0.74
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,204,639	0.71
BNP PARIBAS NOMS (NZ) LTD	1,073,323	0.63
BNP PARIBAS NOMINEES PTY LTD	853,682	0.50
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	835,000	0.49
BNP PARIBAS NOMINEES PTY LTD	791,300	0.46
MR NELSON NIEN SHENG WANG & MS PEI-CHUN KO	640,989	0.38
NETWEALTH INVESTMENTS LIMITED	637,696	0.37
WHSP HOLDINGS PTY LIMITED	549,498	0.32
BVP IX FUNDS ME LLC	525,879	0.31
BNP PARIBAS NOMINEES PTY LTD	487,180	0.29
Top 20 holders of fully paid shares (total)	**146,296,726**	**85.75**
Other shareholders (balance on register)	24,302,533	14.25
Grand total	**170,599,259**	**100.00**

Voting rights

Xero has a single class of shares on issue. Where voting at a meeting of shareholders is by voice or a show of hands, every shareholder present in person, or by representative, has one vote. On a poll, every shareholder present in person, or by representative, has one vote for each fully paid share. In practice, Xero ensures that all resolutions at shareholder meetings are decided by a poll rather than a show of hands. There are no voting rights attached to RSUs or Options.

On-market buy-back

There is no current on-market buy-back for Xero shares.

COMPANY INFORMATION

Donations

The Xero Group made charitable donations totalling $803,861.34 during FY26. The Xero Group made no donations to political parties during FY26.

Company directors

The following persons held office as directors of Xero as at the end of FY26. No directors ceased to hold office during FY26.

DIRECTORS						
David Thodey (Chair)	Steven Aldrich	Mark Cross	Anjali Joshi	Brian McAndrews	Dale Murray	Susan Peterson

Company subsidiaries and directors

Xero has 33 wholly owned subsidiaries as shown in the table below. The following persons held office as directors of Xero's subsidiary companies during FY26.

JURISDICTION	SUBSIDIARY	DIRECTORS	DIRECTORS WHO CEASED TO HOLD OFFICE DURING FY26
Australia	Planday Australia Pty Ltd	David Lee Rebecca Small (appointed 1 Apr 2025) Henrietta Thomas (appointed 4 Feb 2026)	Toby Langley (ceased 30 Jan 2026)
	Waddle Loans Pty. Ltd. (deregistered 4 Jun 2025)	N/A	Kirsty Godfrey-Billy (ceased 4 Jun 2025) Henrietta Thomas (ceased 4 Jun 2025)
	Waddle SaaS Pty Ltd (deregistered 4 Jun 2025)	N/A	Kirsty Godfrey-Billy (ceased 4 Jun 2025) Henrietta Thomas (ceased 4 Jun 2025)
	Xero Australia Pty Limited	Theofani Konstantas (appointed 3 Feb 2026) Angad Soin Rebecca Small (appointed 1 Apr 2025)	Ashley Hansen Grech (ceased 24 Oct 2025) Toby Langley (ceased 30 Jan 2026)
	Xero Payments (AU) Pty Limited (incorporated 5 Aug 2025)	Bharathi Ramavarjula (appointed 5 Aug 2025) Angad Soin (appointed 5 Aug 2025) Rebecca Small (appointed 5 Aug 2025) Henrietta Thomas (appointed 5 Aug 2025)	
Canada	Hubdoc Inc.	Claire Fullard (née Bramley) (appointed 12 May 2025) Ashalee Mohamed Rebecca Small (appointed 12 May 2025)	
	Xero Software (Canada) Ltd.	Claire Fullard (née Bramley) (appointed 12 May 2025) Ashalee Mohamed Rebecca Small (appointed 12 May 2025)	

JURISDICTION	SUBSIDIARY	DIRECTORS	DIRECTORS WHO CEASED TO HOLD OFFICE DURING FY26
Denmark	Planday A/S	Lasse Andersen (appointed 28 Nov 2025) Claire Fullard (née Bramley) (appointed 2 Feb 2026) David Lee Rebecca Small (appointed 1 Apr 2025)	Anders Frederiksen (ceased 28 Nov 2025) Ashley Hansen Grech (ceased 24 Oct 2025) Alexander Von Schirmeister (appointed 5 Nov 2025; ceased 16 Dec 2025)
	Xero Denmark A/S	Mikkel Petersen (appointed 24 Jul 2025) Rebecca Small (appointed 16 Jun 2025)	Martin Andersen (ceased 23 Jul 2025) Ashley Hansen Grech (ceased 24 Oct 2025) Alexander von Schirmeister (ceased 16 Dec 2025)
Germany	Planday GmbH	David Lee Rebecca Small (appointed 22 Aug 2025)	Kirsty Godfrey-Billy (ceased 22 Aug 2025)
Hong Kong	Xero (HK) Limited	Koren Wines Rebecca Small (appointed 7 Apr 2025)	
India	Xero Software Solutions (India) Private Limited (in liquidation)	Rebecca Small Kumar Iyer (Indian resident non-executive director)	
Israel	Hamelin Investments Ltd. (incorporated 8 Jun 2025; merged with Melio Ltd. 15 Oct 2025)	N/A	Rebecca Small (appointed 10 Jun 2025; ceased 15 Oct 2025) Alon Peled (appointed 8 Jun 2025; ceased 10 Jun 2025)
	Melio Ltd. (acquired 15 Oct 2025)	Matanya Bar Tomer Barel (appointed 15 Oct 2025) Claire Fullard (née Bramley) (appointed 15 Oct 2025) Diya Jolly (appointed 15 Oct 2025) Rebecca Small (appointed 15 Oct 2025)	
Malaysia	Xero Software (Malaysia) Sdn. Bhd.	Rebecca Small Koren Wines Mahathir Bin Mahzan (Malaysian resident non-executive director)	Kirsty Godfrey-Billy (ceased 22 Apr 2025)

JURISDICTION	SUBSIDIARY	DIRECTORS	DIRECTORS WHO CEASED TO HOLD OFFICE DURING FY26
New Zealand	Xero Investments Limited	Claire Fullard (née Bramley) (appointed 28 Apr 2025) Rebecca Small	
	Xero (NZ) Holdings Limited	Claire Fullard (née Bramley) (appointed 28 Apr 2025) Rebecca Small	Kirsty Godfrey-Billy (ceased 30 Apr 2025)
	Xero (NZ) Limited	Rebecca Small (appointed 1 Apr 2025) Bridget Snelling	
	Xero Payments (NZ) Limited (incorporated 18 Jul 2025)	Bharathi Ramavarjula (appointed 18 Jul 2025) Rebecca Small (appointed 18 Jul 2025) Bridget Snelling (appointed 18 Jul 2025)	
	Xero Trustee Limited	Rebecca Small (appointed 1 Apr 2025)	
Norway	Planday Norway AS	David Lee (appointed 12 Jun 2025) Rebecca Small (appointed 12 Jun 2025) Clarence Willard	Kirsty Godfrey-Billy (ceased 11 Jun 2025)
Singapore	Xero (Singapore) Pte. Ltd	Rebecca Small (appointed 7 Apr 2025) Koren Wines	
South Africa	Syft Analytics Group South Africa Proprietary Limited	Diya Jolly Vangelis Kyriazis Rebecca Small (appointed 14 Apr 2025)	
	Syft Analytics Operations South Africa Proprietary Limited	Diya Jolly Vangelis Kyriazis Rebecca Small (appointed 14 Apr 2025)	
	Xero South Africa Proprietary Limited	Vangelis Kyriazis (appointed 20 Feb 2026) Rebecca Small (appointed 14 Apr 2025) Colin Timmis	Alexander von Schirmeister (ceased 16 Dec 2025)
Sweden	Tickstar AB	Lasse Andersen (appointed 28 Nov 2025) Bharathi Ramavarjula (appointed 16 Jul 2025) Rebecca Small (appointed 16 Jul 2025) Clarence Willard	Anders Frederiksen (ceased 28 Nov 2025) Diya Jolly (ceased 15 Jul 2025) Kirsty Godfrey-Billy (ceased 16 Jul 2025)

JURISDICTION	SUBSIDIARY	DIRECTORS	DIRECTORS WHO CEASED TO HOLD OFFICE DURING FY26
United Kingdom	Planday Limited	Kate Hayward (appointed 3 Feb 2026) David Lee Rebecca Small (appointed 1 Apr 2025)	Alexander von Schirmeister (appointed 1 Apr 2025; ceased 16 Dec 2025)
	Xero (UK) Limited	Kate Hayward (appointed 1 Apr 2025) Rebecca Small (appointed 1 Apr 2025) Matthew Starmer (appointed 3 Feb 2026)	Alexander von Schirmeister (ceased 16 Dec 2025)
United States	Melio Holdings, Inc. (acquired 15 Oct 2025)	Matanya Bar Claire Fullard (née Bramley) (appointed 30 Oct 2025) Diya Jolly (appointed 30 Oct 2025)	Ilan Atias (ceased 30 Oct 2025)
	Melio Payments, Inc. (acquired 15 Oct 2025)	Matanya Bar Claire Fullard (née Bramley) (appointed 30 Oct 2025) Diya Jolly (appointed 30 Oct 2025)	Ilan Atias (ceased 30 Oct 2025)
	Melio Services, Inc. (acquired 15 Oct 2025)	Matanya Bar Claire Fullard (née Bramley) (appointed 30 Oct 2025) Diya Jolly (appointed 30 Oct 2025)	Ilan Atias (ceased 30 Oct 2025)
	Melio Solutions, Inc. (acquired 15 Oct 2025)	Ilan Atias Matanya Bar Tomer Barel	
	Planday, Inc.	Andrew Kanzer (appointed 6 Nov 2025) David Lee Rebecca Small (appointed 8 May 2025)	Ashley Hansen Grech (ceased 24 Oct 2025)
	Syft Analytics, Inc.	Claire Fullard (née Bramley) (appointed 8 May 2025) Diya Jolly Rebecca Small (appointed 8 May 2025)	Vangelis Kyriazis (ceased 12 May 2025)
	Xero CA Acquisitions, Inc.	Claire Fullard (née Bramley) (appointed 8 May 2025) Rebecca Small (appointed 8 May 2025)	Ashley Hansen Grech (ceased 12 May 2025)
	Xero, Inc.	Matanya Bar (appointed 5 Nov 2025) Claire Fullard (née Bramley) (appointed 9 May 2025) Andrew Kanzer (appointed 5 Nov 2025) Rebecca Small (appointed 9 May 2025)	Ashley Hansen Grech (ceased 24 Oct 2025)

Directors of Xero's subsidiaries disclosed the following relevant interests, or cessations of interest, during FY26.

DIRECTOR/ENTITY	RELATIONSHIP
Tomer Barel	
PayBox Ltd	Independent director
Lightspark Inc.	Consultant & co-founder

Kumar Iyer received total remuneration of USD18,000 in his role as non-executive director of Xero Software Solutions (India) Private Limited during FY26. Kumar Iyer received no other benefits from Xero or any Xero subsidiary company during FY26.

Mahathir Bin Mahzan of Mahzan Sulaiman received total remuneration of MYR60,000 in his role as non-executive director of Xero (Software) Malaysia Sdn. Bhd. Mahathir Bin Mahzan received no other benefits from Xero or any Xero subsidiary company during FY26.

No employee appointed as a director of Xero's subsidiary companies receives any remuneration or other benefits from Xero in their role as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for employee remuneration disclosed on pages 92–121 of this Annual Report.

Remuneration Report

SECTIONS 1 - 6

SECTIONS 7 - 13

1. PEOPLE AND REMUNERATION COMMITTEE CHAIR LETTER

Dear shareholder,

I am pleased to present Xero's FY26 Remuneration Report on behalf of the People and Remuneration Committee. As a high-growth, global SaaS business, Xero continues to execute its strategy and the Board remains confident in our ability to deliver long-term value for shareholders.

Response to shareholder feedback

At our 2025 Annual Meeting, 51.26% of the votes cast were in favour of the 2025 Remuneration Report.

As part of our review of the CEO's FY26 remuneration structure, the Board undertook a proactive engagement program, meeting with 22 of our largest shareholders, including all of the top ten, major shareholder representative groups, and five major proxy advisors.

This dialogue directly shaped our final FY26 remuneration structure, and a significant majority of these investors we engaged with supported our approach.

Guided by stakeholder feedback, we have strengthened our disclosures this year, including publishing current-year long-term incentive (LTI) relative total shareholder return (rTSR) targets and payout ranges, and expanding commentary on how the Board assessed the CEO's individual short-term incentive (STI) performance multiplier.

Xero's remuneration framework is grounded in our remuneration principles, which set pay based on performance, the scope and criticality of the role, and location. Accordingly, we benchmark executive roles directly against peers in the countries where they are based.

As an Australian-listed global company competing for senior technology talent, we are up against high paying US competitors. We, like other non-US technology companies, have had to adopt some practices such as service-based restricted stock units (RSUs). However, the Board deliberately maintains a hybrid model that balances ASX shareholder expectations with the structures required to attract and retain world-class leadership. We deviate from US norms by maintaining a 60:40 performance-to-service equity split and annual RSU vesting rather than quarterly.

Linking pay to performance

FY26 was another year of strong performance. Operating revenue grew 31% (28% in constant currency) to $2.8 billion, with adjusted EBITDA increasing 18% on FY25 to $757.4 million. The opex-to-revenue ratio was 70.5%[1].

Remuneration outcomes reflect this performance: the STI plan paid out 94.2% of target (62.7% of maximum), resulting in the CEO receiving 113.0% and the CFO 104.5% of their respective STI targets. The FY24 LTI plan achieved 101.3% against target (67.5% of maximum) over its three-year performance period.

Our people

Delivering these results reflects the talent and dedication of our global team. In FY26, we strengthened goal-setting and impact tracking to deepen alignment between individual performance and Xero's strategic objectives, and expanded learning and development opportunities across the business.

As we look forward, AI continues to provide significant opportunity to simplify our internal workflows and processes and uplift the quality of work for our people. In parallel, the global market is becoming increasingly competitive for AI talent and also for those who have the vision and capability to reimagine ways of working.

Non-executive director (NED) fees

Following our annual review, the Board and Committee fee structure was adjusted in line with our regional peer group benchmarks. Our ANZ peer group now comprises ASX50 companies operating across multiple international jurisdictions, reflecting the appropriate comparator set for a business of Xero's scale. Committee fees have also been restructured by region (ANZ / UK and US), consistent with our approach to base fees. Changes were effective 1 October 2025. Further detail is provided in section 12.

Looking ahead

Following the Melio acquisition, we have updated our incentive frameworks to reflect Xero's new financial profile. In-flight plans exclude Melio's impact; from FY27 STI and FY26 LTI onwards, Melio is incorporated into targets, ensuring management accountability for acquisition outcomes.

The market re-rating of the SaaS industry will no doubt see our competitors take action to shore up their best talent. Xero will continue to assess how our culture, values and remuneration frameworks continue to retain and attract our top talent.

Thank you

I want to thank our shareholders and stakeholder groups for their ongoing engagement and constructive dialogue. Your input meaningfully shapes our governance approach. I also want to thank my Board colleagues and the entire Xero team for their commitment to our strategy and our customers. We remain focused on positioning Xero for long-term success and driving more value for our customers, partners and shareholders.

Yours sincerely,
Susan Peterson

1. Excluding acquisition-related costs

2. FY26 REMUNERATION OUTCOMES AND NOTABLE CHANGES

<table>
<tr><th>TOPIC</th><th>DETAIL</th><th>FURTHER DETAIL</th></tr>
<tr><td>FY26 remuneration outcomes at a glance</td><td>The following table provides a snapshot of FY26 remuneration outcomes
<table>
<tr><th>COMPONENT</th><th>PLAN ACHIEVEMENT</th><th>% OF TARGET</th><th>% OF MAX</th></tr>
<tr><td>FY26 STI
1 year performance</td><td>Net new monthly recurring revenue (nnMRR)</td><td>18.9%</td><td>12.6%</td></tr>
<tr><td></td><td>Operating expense (OPEX) ratio</td><td>52.5%</td><td>35.0%</td></tr>
<tr><td></td><td>Underlying churn</td><td>5.3%</td><td>3.5%</td></tr>
<tr><td></td><td>Customer net promoter score (NPS)</td><td>5.0%</td><td>3.3%</td></tr>
<tr><td></td><td>Employee engagement</td><td>5.0%</td><td>3.3%</td></tr>
<tr><td></td><td>Accelerate strategy</td><td>7.5%</td><td>5.0%</td></tr>
<tr><td colspan="2">Total FY26 STI scorecard outcome</td><td>94.2%</td><td>62.7%</td></tr>
<tr><td>FY24 LTI
3 year performance</td><td>Operating revenue compound annual growth rate (CAGR)</td><td>18.7%</td><td>12.5%</td></tr>
<tr><td></td><td>Free cash flow (FCF) margin</td><td>56.3%</td><td>37.5%</td></tr>
<tr><td></td><td>rTSR - Nasdaq Emerging Cloud Index (EMCLOUD)</td><td>26.3%</td><td>17.5%</td></tr>
<tr><td colspan="2">Total FY24 LTI outcome</td><td>101.3%</td><td>67.5%</td></tr>
</table>
</td><td>Section 9.2

Section 9.3</td></tr>
<tr><td>FY26 STI plan changes</td><td>The Board has refreshed the FY26 STI scorecard to sharpen alignment to Xero's strategic priorities. The core structure remains unchanged — 50% cash / 50% deferred RSUs, and a 70% financial / 30% non-financial split.

Group nnMRR and the Group OPEX ratio each retain their 35% weighting as the primary financial metrics. Within the non-financial component, 15% remains customer metrics, with each of Global Partner NPS, Global Small Business NPS, and a new underlying MRR churn metric weighted at 5% as part of an integrated view of customer sentiment and behaviour. Underlying MRR churn assesses retention on a cohorted basis (customers active for more than six months), removing short-term volatility and reinforcing Xero's focus on long-term value. This consolidation reflects the Board's conviction that the voice of our customers is a vital strategic signal.

A new "Accelerate Strategy" measure (5%) has also been added to capture transformational progress and factors that play an instrumental role in creating future value — including strategic M&A and AI innovation — not otherwise reflected in scorecard outcomes.

Employee Engagement retains its role in the scorecard at a 10% weighting.

Together, these changes focused the FY26 STI plan on rewarding performance levers aligned to sustainable growth.</td><td>Section 7.4</td></tr>
<tr><td>Peer group changes</td><td>To ensure our remuneration practices remain robust and responsive to our local listing environment, the Board refined the methodology for our Australian and New Zealand (ANZ) benchmarking peer group, effective for FY26 onwards.

While we continue to benchmark against other global SaaS (and therefore US-based) peers to accurately reflect the global SaaS talent market in which we compete, the updated ANZ peer group provides a more relevant local reference point. The revised peer group methodology focuses on selecting ASX-listed companies with similar levels of complexity and global reach.

This enhancement ensures the Board has a comprehensive view of both the competitive global SaaS talent market and domestic ASX expectations when evaluating and setting remuneration, further strengthening our alignment with local shareholder perspectives.</td><td>Section 7.1</td></tr>
<tr><td>NED fee changes</td><td>In FY26, Xero reviewed its Board and Committee fee structures to ensure ongoing alignment with our principle of benchmarking director remuneration against relevant regional peer groups, including the newly refined ANZ peer group.

Effective 1 October 2025, the following structural updates and fee adjustments were implemented:

• Board chair fee: Increased to NZD563,000 (an increase of 71,000)

• Regional base fees: The ANZ and UK base fee increased to NZD230,500 (an increase of 35,500), while the US base fee increased to NZD470,000 (an increase of 54,000)</td><td>Section 12</td></tr>
</table>

TOPIC	DETAIL	FURTHER DETAIL
NED fee changes *Cont.*	• **Regionally aligned Committee fee structure:** To mirror our approach to base fees, Committee fees for the Audit and Risk Committee (ARC) and People and Remuneration Committee (PRC) have been restructured and split by region › **Committee fees (ANZ & UK):** Chair fees increased to NZD64,250 (an increase of 12,750), and member fees were increased to NZD29,600 (an increase of 4,400) › **Committee fees (US):** Chair fees were adjusted downward to NZD42,000 (a decrease of 9,500), and member fees down to NZD17,000 (a decrease of 8,200) • **Nominations and Governance Committee (NGC):** Consistent with our existing framework, no separate fees are payable to the Chair or members of this committee	
Further uplift in disclosures	We recognise the importance of transparent disclosures that clearly align pay with performance. In FY26, guided by stakeholder feedback and our commitment to continuous improvement, we have provided more information in our FY26 report including:	
	• **Additional disclosure:** The current year's LTI rTSR targets and payout ranges have been included to provide shareholders with clearer visibility into our equity performance hurdles. As a one-off for this year, we have included the take-home pay for the CEO and CFO to help shareholders better understand FY26 remuneration outcomes	Section 7.4 & 10.2
	• **CEO & CFO STI assessment:** Qualitative information on how the Board assessed the CEO and CFO's individual performance multiplier has been included, reflecting the strategic achievements in FY26 that meaningfully moved the organisation forward	Section 9.2
	• **Transparent benchmarking:** Continuing to explicitly share our peer group data and methodology, including any changes to the peer groups and methodologies we apply, ensuring transparency in how we set globally competitive remuneration	Section 7.1
	• **Incorporation of Melio:** Outlined how the Melio acquisition factors into our incentives structures	Section 5.6
	The Board continues to review our remuneration framework and reporting taking into account the evolving expectations of our global shareholder base.	

3. RESPONSE TO STAKEHOLDER FEEDBACK

3.1 Our approach to the FY25 Annual Meeting vote

Xero is a New Zealand-domiciled company and is therefore not required to hold a remuneration report vote and is not subject to the Australian "two strikes" rule. However, we voluntarily published a Remuneration Report and held an advisory vote. While a majority of our shareholders supported our Remuneration Report vote at Xero's Annual Meeting in August 2025, the margin was slim, with a significant portion of shareholders voting against our Remuneration Report.

Given the non-standard structure and relatively high remuneration received by our US-domiciled executive key management personnel (KMP), including our CEO, relative to other ASX-listed companies with mainly Australian-domiciled executives, this was not unexpected. Nevertheless, we sought and received further feedback regarding our remuneration practices and disclosures. We are grateful for shareholders' time and constructive efforts as we sought to bridge differences in perspectives.

3.2 Board engagement and action

The Board regularly reviews its remuneration practices, taking into account our broader market context alongside the perspectives shared by shareholders.

Xero's remuneration framework reflects a deliberate decision by the Board grounded in our remuneration principles, global market context (based on independently sourced global market data) and long-term shareholder alignment.

While investors remain supportive of Xero's strategy and the high calibre of our global leadership team, our engagement highlighted differing perspectives regarding the CEO's remuneration.

The table below sets out the key areas of feedback, the rationale for our approach and where relevant, any actions taken.

In our discussions, we also received strong support from many institutional investors that reinforced the importance of Xero's global context. Xero is one of only a handful of truly global SaaS companies outside of the US on the ASX. These stakeholders understood and emphasised that Xero is competing for global talent against multinational companies. Our pay structures must reflect the competitive reality of the global market in which we operate.

KEY AREA OF FEEDBACK	SHAREHOLDER FEEDBACK	BOARD RESPONSE
FY25 option grant	Feedback was received regarding the grant of options awarded to the CEO in FY25	Options provide an effective way to align the CEO's interests with shareholders' interests. The top-up options, combined with the other changes made to the CEO's total target remuneration (TTR), were to bring the CEO's total equity exposure to the median of the group (excluding founder CEOs). The Board recognises that options are less common among ASX-listed companies. To ensure transparency, we provided detailed disclosure last year on their mechanics, specifically highlighting that they only generate value for the executive when the share price appreciates. Although options do not carry explicit performance measures, they have an inherent market hurdle. Options only reward positive share price performance above a set exercise price. For example, the CEO's options are currently "out of the money", and will only deliver value if the share price exceeds AUD171.11. At the current share price, the CEO's December 2024 options hold no value. Combining these options with service-based RSUs and performance-based share units (PSUs) incentivise absolute TSR outperformance.
Use of long term equity (LTE) (service-based vesting)	Some stakeholders expressed a preference for remuneration to be weighted more heavily towards performance-hurdled incentives (LTI) rather than service-based equity (LTE)	To attract the leading talent required to execute our strategy — a pool that is overwhelmingly US-based — we must remain competitive by offering service-based RSUs, as they are the norm in that market. While US practice typically sees service-based RSUs granted at equal weighting to performance equity with quarterly vesting, Xero's approach is more weighted to performance. At the maximum opportunity, service-based RSUs comprise 40% of total equity (vs. 60% performance-based) and vest annually, an intentional structure that bridges standard US tech practices with ASX investor expectations. We have retained the LTE component as it remains a deliberate part of our remuneration structure. Tenure-based shares are considered a normal part of a US package and are viewed as being in the best interests of shareholders because they provide both cash efficient fixed base pay, while also ensuring that the executives are strongly incentivised to deliver improved share price performance.

KEY AREA OF FEEDBACK	SHAREHOLDER FEEDBACK	BOARD RESPONSE
Benchmarking approach	A number of investors expressed a preference for greater weighting to ASX-listed comparators rather than a primary reliance on global peers, which drove discussions regarding the quantum of CEO pay	Executing our growth strategy, including the integration of Melio, requires extensive global technology experience, which is why Xero's management team is largely based in the US, and is where these key skills are concentrated. Accordingly, to attract, grow and retain this talent, remuneration must be aligned to shareholder outcomes in a global context. The Board's review of the CEO's package assessed her overall performance, role scope, and location against Xero's enterprise-wide remuneration principles. For executives who are US-domiciled, we conduct benchmarking against relevant US peers. Benchmarking against the broader ASX is challenging given the absence of comparable local SaaS peers. The global technology sector uses fundamentally different pay structures, heavily equity-weighted and US-aligned, that general ASX comparators fail to reflect. Feedback from a range of institutional investors strongly supported this view, affirming that benchmarking should reflect who we compete with, not where we are listed. Xero's true competitors are global multinationals. Accordingly, we will continue to benchmark against US technology peers. Further detail is in section 7.1.
Prospective disclosure of LTI targets	Several stakeholders raised concern with the lack of transparency for in-year grants and / or prospective disclosure of LTI targets	We are committed to providing our shareholders with clear and transparent remuneration reporting. However, we do not prospectively disclose the targets and performance ranges for our LTI revenue growth and FCF measures. To protect Xero's commercial interests and avoid making unintended market forecasts, we disclose targets retrospectively. For FY26, we enhanced our disclosures by including the targets and vesting schedule for the rTSR component of the FY26 LTI plan. Please see section 7.4.3 for further information.
Individual performance multiplier in the STI plan and lack of transparency around individual outcomes	Some stakeholders provided feedback regarding the application of an individual performance multiplier within the STI plan. Feedback highlighted a need for greater explanation of the rationale that supports individual performance outcomes	Individual STI outcomes are assessed against the delivery of strategic goals, Xero's values, and leadership attributes. Xero's performance framework recognises both company and individual performance. Consistent with broader market practice, STI outcomes are differentiated to reflect individual contributions that help drive our success. This year we have enhanced our disclosures and set out how the Board evaluates and determines individual STI outcomes for the CEO and CFO. Further information is provided in section 9.2 of this report.

To deliver on our strategy, we attract and retain leaders within an increasingly competitive talent landscape. This requires Xero to attract leaders not only from our direct global SaaS peers but also from the world's largest technology firms, where the complexity of our industry and talent requirements overlap. We believe our remuneration structure strikes the right balance between these global imperatives and local governance expectations, and is designed to incentivise high performance ensuring we remain capable of retaining high calibre leaders who are laser-focused on delivering shareholder value.

4. DIRECTORS AND SENIOR LEADERSHIP TEAM

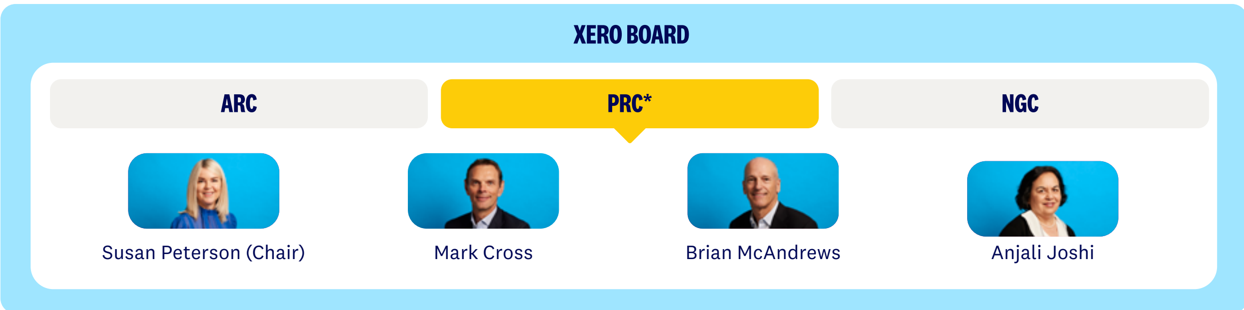
This report focuses on the FY26 remuneration of individuals determined as KMP. Xero's KMP are assessed each year and consists of the Directors, CEO and CFO (as identified in the table below). The individuals included are consistent with those determined as KMP for both financial reporting purposes and this report.

Broader details of Xero's remuneration framework and structure are also included in this report and relate to Xero's Executive Leadership Team (XLT) i.e. certain executives who report directly to the CEO.

	COUNTRY OF RESIDENCE	POSITION	PERIOD POSITION WAS HELD DURING THE YEAR
Senior Leaders			
Sukhinder Singh Cassidy	United States	CEO	Full year
Claire Bramley	United States	CFO	Full year
Directors			
David Thodey, AO	Australia	Independent non-executive Chair	Full year
Steven Aldrich	United States	Independent non-executive director	Full year
Mark Cross	New Zealand	Independent non-executive director	Full year
Anjali Joshi	United States	Independent non-executive director	Full year
Brian McAndrews	United States	Independent non-executive director	Full year
Dale Murray, CBE	United Kingdom	Independent non-executive director	Full year
Susan Peterson	New Zealand	Independent non-executive director	Full year

5. REMUNERATION GOVERNANCE FRAMEWORK

Xero's remuneration practices and governance framework is overseen by the PRC on behalf of the Board. PRC membership on 31 March 2026 is outlined below. All directors have a standing invitation to attend PRC meetings. Members of management may be invited to attend meetings of the PRC where appropriate.



**All members are independent NEDs, including the Chair*

The PRC's primary responsibilities include:

- Aligning our remuneration frameworks, policies and practices with Xero's purpose, values, strategic objectives, risk appetite, and good governance principles and practice
- Making recommendations to the Board regarding Xero's remuneration framework, policies and practices, remuneration budgets, employee incentive plans, material employee benefits, NED remuneration, and diversity objectives
- Making recommendations to the Board regarding remuneration outcomes and changes to the CEO's remuneration
- Supporting the Chair of the Board to evaluate the CEO's performance and makes recommendations to the Board on CEO performance objectives
- Approving and informing the Board of the appointment and remuneration of the CFO and other members of Xero's executive leadership team, including the vesting of incentives, and overseeing their performance
- Monitoring the development and implementation of strategies relating to Xero's culture and employee engagement, succession planning and talent management, and health, safety and wellbeing
- Overseeing shareholder and other stakeholder engagement in relation to Xero's remuneration policies and practices

The PRC's charter setting out the breadth of its responsibilities is available on Xero's website: www.xero.com/investors/governance

5.1 External and independent advice

To assist the Board and PRC in making independent and informed decisions, additional information and market data is sought from external remuneration advisors, as required. Along with seeking input from management, the PRC may obtain independent advice directly from external advisers to support the performance of its role and may meet in the absence of management including to consider matters on which they have advised.

Although Xero is incorporated in New Zealand, we confirm that no “remuneration recommendations” (as defined in the Australian Corporations Act 2001 (Cth)) were provided to the Board, PRC or management during FY26.

5.2 No dealing or protection arrangements

Xero’s Share Trading Policy prohibits employees and directors from entering into transactions that are intended to hedge or otherwise limit the economic risk of unvested or restricted Xero securities.

Employees are not permitted to deal with their RSUs, PSUs or options. All dealing of shares received on vesting of RSUs, PSUs or exercise of options is subject to the Share Trading Policy. A copy of Xero’s Share Trading Policy is available on Xero’s website: www.xero.com/investors/governance

5.3 Remuneration Report adoption

Xero is incorporated in New Zealand and subject to New Zealand law. Under Australian law, listed companies incorporated in Australia must prepare a Remuneration Report and put an advisory resolution to shareholders at the Annual General Meeting that the Remuneration Report be adopted. While this law does not apply to Xero, we have voluntarily published a Remuneration Report and put an advisory resolution to our shareholders at our Annual Meeting.

We have sought to disclose information that provides a good understanding around how we prioritise the work to support our culture and performance, and how we connect our reward and recognition frameworks with the successful execution of our strategy. However, this Remuneration Report is not intended to fully replicate the statutory disclosure requirements of an Australian-domiciled company’s Remuneration Report as these requirements do not apply to Xero.

The voting outcome and comments following the non-binding resolution at our Annual Meeting will be considered by the Board when setting future remuneration strategy, and in the preparation of the following year’s Remuneration Report.

Outside of the Annual Meeting cycle, the Board actively seeks and considers feedback from shareholders and proxy advisors on matters of remuneration and governance.

Following the review of the CEO’s remuneration arrangements in FY25, the Board conducted an extensive program of stakeholder consultation. This engagement spanned the year of the review, the release of our FY25 Remuneration Report, and the period leading up to and following the Annual Meeting. This ongoing dialogue reflects the Board’s deep commitment to active stakeholder engagement on critical matters and responsiveness to investor feedback (refer to section 3 for further information).

5.4 Use of discretion

The Board also has discretion in relation to how variable remuneration is treated in a change of control (see section 5.7) or cessation of employment scenario. The treatment of the CEO’s variable remuneration has already been determined in certain cessation of employment scenarios (see section 7.5).

In addition, all variable remuneration is subject to malus and clawback provisions, which apply to vested and unvested equity awards and incentive payments. These provisions give Xero’s Board broad discretion to adjust, lapse / forfeit, or require repayment of equity award or incentive payments to ensure no unfair benefit is obtained by a member of the leadership team. This is one of the ways that Xero embeds risk management into its remuneration framework.

Malus and clawback provisions are relevant in a range of potential award adjustment events, for example where:

- A leadership team member has acted fraudulently, dishonestly, or is in breach of their obligations to Xero
- Xero becomes aware of a material misstatement or omission in Xero’s financial statements
- A leadership team member has failed to act consistently with Xero’s risk appetite and risk management priorities
- In any other circumstances where the Board determines in good faith there is an unfair benefit to the leadership team member

Prior to any equity awards vesting, the PRC reviews all XLT vesting events (which includes the CEO and CFO) to ensure no malus or clawback events have occurred. The PRC or the Board did not apply any discretion, or any malus and clawback adjustments, with respect to grants or vesting events for the CEO and CFO during FY26. All grants and vesting events were made in accordance with the standard terms and treatment applicable to each grant.

5.5 STI & LTI Adjustment Principles

The PRC has adopted principles to guide the Board’s application of discretion to STI or LTI plan outcomes. The principles are as follows:

- **Nature and timing of adjustments** — Discretion will only be applied to plan outcomes and not plan targets. If any discretion is to be exercised, it will be applied at the completion of the relevant performance or vesting period, when the Board has a full view of the applicable period
- **Materiality of adjustments** — Adjustments will only be made for events or items over the plan period that have a material impact on outcomes (e.g. where relevant M&A activity occurs). Where applicable, any deviation to the assumptions underpinning the business plan that guided the target setting process will be assessed for materiality and whether it was outside of management’s control (e.g. accounting policy changes)
- **Plan integrity** — Adjustments will be assessed to ensure that their application will continue the plan’s purpose, which is to incentivise and reward management in delivering sustainable value to shareholders
- **Consistency, fairness, and transparency** — The use of discretion (both positive and negative) will be applied consistently and with the view to balance both management and shareholder interests

- **Accountability** — Adjustments to the individual component of the plan will be applied selectively where it is appropriate to reflect the degree of control and influence which individuals / groups had on business outcomes

The Board has absolute discretion to change how STI or LTI performance is assessed or paid out to ensure outcomes are fair and appropriate.

5.6 Target Setting Approach

Xero's target-setting process strikes a deliberate balance between disciplined operational efficiency and ambitious global growth. As we expand our platform capabilities, most notably through the strategic acquisition of Melio, the Board proactively reviews our incentive frameworks to ensure they remain relevant.

We completed the acquisition of Melio on 15 October 2025; this transaction will materially change Xero's financial profile over the coming years and as such we outline how this will be incorporated into our targets.

- FY24 and FY25 LTI plans: The targets for these in-flight plans were established prior to the acquisition and do not incorporate Melio. Consequently, the Board adjusts to exclude the impact of Melio in the remuneration outcomes when assessing the final outcomes of these plans to ensure a fair evaluation of underlying performance
- FY26 LTI plans and beyond: The anticipated financial impact of Melio has been fully integrated into the performance targets for FY26 and future LTI grants. Achievement against these targets will be explicitly assessed in light of the expected benefits from Melio, holding management accountable for the success of the integration and its performance
- FY26 STI plans and beyond: The financial impact of Melio was excluded from the FY26 STI assessment. From FY27 onwards, Melio is fully incorporated into the STI targets. Refer to section 8 for further information

5.7 Change of control provisions

The Board has broad discretion to determine the appropriate treatment of unvested options, vested but unexercised options, and unvested RSUs / PSUs on a change of control. Among other things, the Board may decide to vest / lapse unvested RSUs / PSUs or settle them in cash instead of shares.

If the Board does not exercise its discretion, unvested RSUs / PSUs will vest pro-rata based on the proportion of the vesting period that has passed at the time of the change of control and the extent to which any applicable conditions have been satisfied.

5.8 Use of equity

As Xero continues to grow and our remuneration practices become more aligned with the global SaaS and wider technology industry in an effort to attract and retain world-class talent in an increasingly competitive talent landscape, a greater proportion of compensation may be in the form of share-based payments (SBP).

Equity grants provide an efficient way to reward and incentivise employees, and strengthen the alignment to sustainable long-term shareholder value creation. At the same time, we acknowledge the recent broader market de-rating of the SaaS sector and the resulting impact on share prices. We are closely managing these impacts to ensure our equity program remains effective and competitive, while remaining strictly within our budgeted envelopes of equity burn.

The Board has specific oversight on overall SBP expense, and has in place guidelines and budgets pertaining to our overall equity burn rate as well as the level of expense in each budget period. SBP expense is included in our reported financial metrics which are monitored regularly throughout the year and captured within our STI financial targets.

We actively monitor at the Board level the ratio of SBP expense to revenue and compare against global SaaS and technology peers on a relative basis.

At the reporting date, our ratio of SBP expense to revenue is materially lower than the median expenditure of these peers.

In addition to this positioning, given our strong balance sheet the Board has authorised a cash outlay of up to AUD550 million to offset dilution associated with share-based compensation for upcoming FY27 allocations as well as historical grants.

6. REMUNERATION STRATEGY

6.1 Remuneration objectives, philosophy and principles

Xero's remuneration structure and overall objectives are inherently tied to our strategy, aspirations, values and the creation of long-term sustainable value for shareholders through the following remuneration philosophy.

WHY WE EXIST

Purpose

To make life better for people in small business, their advisors and communities around the world

Vision

To be the most trusted and insightful small business platform

ASPIRATION

The combined business (following the acquisition of Melio) is expected to significantly accelerate US revenue growth and gives us the opportunity to more than double Xero's FY25 group revenue in FY28 excluding anticipated revenue synergies[2,3]. This outcome is expected to support our aspiration to deliver greater than Rule of 40 outcomes for the group in FY28[4,5,6]

REMUNERATION OBJECTIVES

Attracting and retaining high quality directors and employees, and ensuring they are fairly, reasonably and transparently remunerated. This is done through the application of the three principles of performance, scope and criticality of role, and location that apply to all role levels at Xero

Ensuring our people are motivated to perform to the best of their abilities in the interests of Xero and in alignment with Xero's desired culture

Ensuring that conduct is only rewarded where it aligns with Xero's code of conduct, values and risk appetite

REMUNERATION PHILOSOPHY

Alignment

- The leadership team's remuneration is designed to align with shareholder interests, globally comparable technology companies and drive meaningful equity holdings
- LTI measures selected in support of Xero's long-term strategy and shareholder alignment

Fairness

- Domicile-based market competitive, up-front cash-based remuneration is balanced with equity remuneration providing significant potential upside
- The application of our three pay principles is applied consistently across Xero

Collaboration

- Performance conditions attached to STI and LTI are largely company-wide to reflect the importance of teamwork and collaboration across the business

Simplicity

- STI performance measures are clear, easily assessed and aligned with the voices of the shareholder, customer, and employee
- The LTE plan is simple to understand, being 100% service contingent and using RSUs which reflect common practice in the broader technology industry in the primary markets in which we operate

Flexibility

- Xero's STI and LTI performance measures provide flexibility for Xero to respond to different needs and circumstances, recognising that each role, market, and team member is unique, while always having regard to Xero's strategy, purpose, and long-term value creation

GOVERNANCE

Xero's remuneration governance framework is overseen by the PRC on behalf of the Board. Governance and risk is considered through (but not limited to) the use of at-risk remuneration, malus and clawback rules and Board discretion

REMUNERATION COMPONENTS

Service-based		Performance-based	
Base salary and other benefits	**LTE Long Term Equity**	**STI Short Term Incentive**	**LTI Long Term Incentive**
100% Cash	100% RSUs	50% Cash; 50% RSUs	100% PSUs
	1-3 year(s) vesting	1-2 year(s) vesting	3 years vesting
• Reviewed annually, based on skills, experience, accountabilities, performance, leadership and location • Other benefits include pension (superannuation / KiwiSaver or local equivalent)	• Rewards delivery against longer-term strategy and sustained shareholder value creation • The equity-based nature of this grant means that it is a form of cash efficient fixed pay, while also ensuring that the XLT are incentivised to deliver improved share price performance • LTE is contingent on service in alignment with the global pay practices of technology organisations	• Rewards delivery of key strategic and financial objectives, in line with the annual business plan, and rewards outcomes aligned to Xero's goals for growth and operational discipline • Calculated based on achievement against company-wide and individual performance	• Rewards delivery against longer-term strategy and sustained shareholder value creation through the application of FCF, revenue growth and TSR measures. Being contingent on performance measures, LTI fosters alignment between shareholder, customer, and leadership team outcomes • LTI is designed to broadly align with the pay practices of ASX and global technology organisations

The value of any awards that vest will ultimately vary in line with the shareholder experience, due to the exposure to Xero's share price through the allocation of RSUs / PSUs

2. Anticipated FY28 revenue synergies are expected to be ~US$70m, for more detail refer to page 27 of the Investor Presentation lodged with the ASX on 25 June 2025. Assuming constant currency conversion of NZ$ / US$ 0.57, NZ$ / AU$ 0.91 and NZ$ / GBP 0.46

3. FY25 revenue was NZ$2,103m. This statement applies to FY28 only and no implication should be made relating to any other financial year

4. In the interim period prior to FY28, Xero expects to deliver below Rule of 40 outcomes on a pro forma basis (pro forma refers to adjusting for inorganic revenue growth benefits from the time of transaction completion by comparing to a prior year revenue base that fully incorporates Melio's revenue)

5. Assessed including both expected revenue and expected cost synergies outlined on page 27 of the Investor Presentation lodged with the ASX on 25 June 2025

6. Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and FCF margin percentage (free cash flow as a percentage of revenue)

Incentivising appropriate risk-taking and risk management further underpin our remuneration principles and structure. This approach to managing risk is exercised in a number of ways including (but not limited to) PRC review and approval, the use of at-risk remuneration, malus and clawback rules, and available Board discretion. Sections 5 and 7 contain further information about risk-taking and risk management as it relates to Xero's STI, LTI and LTE arrangements.

6.2 Remuneration structure

Our leadership team remuneration structure is deliberately weighted to have a substantial proportion of target total remuneration at risk, and aligned to performance and shareholder interests. For the CEO, a large part of this at-risk component consists of LTI and LTE awards, providing an effective multi-year incentive aligned with Xero's long-term strategy and long-term retention.

XLT Remuneration Structure

BASE	100% base salary in cash		
STI	Performance testing 50% paid in cash 50% granted in RSUs*	50% RSUs vests**	
	Performance period 1 year 70% financial and 30% non-financial	Deferred STI service period 1 year	
LTE	RSUs granted upfront* 33.3% vests**	33.3% vests**	33.3% vests**
	Service period 1 year	Service period 2 year	Service period 3 year
LTI	PSUs granted upfront*		Performance testing Up to 100% of PSUs vest**
	Performance period 3 years 37.5% Average FCF margin, 37.5% CAGR Revenue and 25.0% rTSR (against the EMCLOUD peer group)		
	Year 1	Year 2	Year 3

** STI Cash is paid in June following completion of the STI performance year. All RSUs / PSUs granted under the STI, LTE and LTI plans are allocated in July following the commencement of the relevant vesting period*

*** RSUs awarded under the LTE and STI are released in May each year. Any PSUs that vest under the LTI are released in May following the end of the performance period*

7. KEY REMUNERATION COMPONENTS FOR FY26

Further detail is set out below on how the remuneration structure described in section 6 applies to the CEO and CFO.

7.1 Remuneration benchmarking and review

Xero operates in a highly competitive global technology landscape for talent. As Xero has grown in scale and complexity with a global portfolio of markets, it is critical our remuneration structure and benchmarking supports us to secure the calibre of global talent we need to deliver on our strategic ambitions.

As one of only a few global technology companies of its size listed on the ASX, Xero's longer-term performance metrics are benchmarked against the leading global SaaS companies represented in the EMCLOUD index. In order to attract global talent and perform at or above global SaaS peer levels, we therefore adopt an approach that differs from most ASX-listed entities. We have regard to ASX peers, but these are not our primary comparators for SaaS performance, and do not represent an effective benchmark for internationally located executives prosecuting our global strategy.

It is essential that our approach responds to the US market in particular, given the concentration of global SaaS talent based there. To do so requires us to set pay and performance levels that are comparable to companies of similar size and industry in the US. This reflects our remuneration principles, which include consideration of location along with performance, scope and criticality of role.

Roles based out of the US — such as the CEO, CFO, and US-based NEDs — are benchmarked against a US peer group comprising of listed SaaS and broader technology organisations with a similar global scale and reach.

ANZ and UK-based NED roles are benchmarked against Australian-listed companies of similar size, complexity, and global footprint.

We assess the suitability of our peer groups annually to ensure they consistently reflect our industry, geographic spread, and stage of growth. While our underlying methodology remains consistent year-to-year, specific companies may be added to or removed from the peer group due to delistings or shifts in how they align with our assessment criteria.

Historically, a key challenge Xero has faced in benchmarking against the ASX is the limited number of comparably sized SaaS businesses in the local market. Consequently, from FY26 onwards we have revised our approach with respect to our ANZ peers. The Australian listed technology sector remains relatively limited in depth, particularly at Xero's size and stage of growth. As a result, industry alone is not a sufficient comparator for remuneration.

Instead, greater weight has been placed on organisational scale, global reach and operational complexity when determining appropriate benchmarks for both executive and NED remuneration. As a result, this revised peer group consists of 25 ASX-listed organisations from the ASX 50 that operate across multiple international jurisdictions.

Our previous ANZ peer group consisted of a bespoke group of local technology organisations, supplemented with non-technology companies featuring heavy digitisation to build a meaningful benchmark. However, only half of that previous group had true global operations. The updated peer group therefore focuses on ASX-listed companies with comparable size, international exposure and governance requirements. The revised approach was driven by Xero's growth and evolving scale, with the review completed independently of recent volatility in the broader SaaS sector. At the time of this change, Xero's market capitalisation was positioned at approximately the middle of the Australian ASX 50 global subset peer group. At 31 March 2026, Xero's market capitalisation was positioned between the 25th and 50th percentiles across both peer groups.

The following table lists the companies that formed the US peer group used as our primary comparator for benchmarking US-based executives and NED remuneration for FY26.

TICKER	COMPANY NAME	TICKER	COMPANY NAME
APPF US	Appfolio	PCTY US	Paylocity
BILL US	BILL	QLYS US	Qualys
DOCU US	DocuSign	SNOW US	Snowflake
DT US	Dynatrace	TEAM US	Atlassian Corp
FRSH US	Freshworks	TWLO US	Twilio
GTLB US	Gitlab	VEEV US	Veeva Systems
HUBS US	HubSpot	XWDAY US	Workday
MDB US	MongoDB	WIX US	Wix.com
OKTA US	Okta	ZM US	Zoom Communications
PAYC US	Paycom Software	ZS US	Zscaler

The following table lists the companies that formed the ASX peer group used as the primary comparator for benchmarking ANZ-based executives and NED remuneration for FY26.

TICKER	COMPANY NAME	TICKER	COMPANY NAME
AMC AU	Amcor	PME AU	Pro Medicus
ALL AU	Aristocrat Leisure	QAN AU	Qantas Airways
BHP AU	BHP Group	QBE AU	QBE Insurance Group
BSL AU	BlueScope Steel	RMD AU	Resmed
BXB AU	Brambles	RIO AU	Rio Tinto
CAR AU	CAR Group	STO AU	Santos
COH AU	Cochlear	SEK AU	Seek
CPU AU	Computershare	SHL AU	Sonic Healthcare
CSL AU	CSL	S32 AU	South32
GMG AU	Goodman Group	TWE AU	Treasury Wine Estates
JHX AU	James Hardie Industries	WTC AU	WiseTech Global
MQG AU	Macquarie Group	WDS AU	Woodside Energy Group
NEM AU	Newmont Corporation		

Details of the outcomes of the FY26 remuneration review for the CEO and CFO are outlined in section 7.3, and for NEDs in section 12.

7.2 CEO and CFO FY26 remuneration mix

CEO and CFO remuneration is deliberately weighted to have a substantial proportion of target total remuneration at risk and aligned to company performance.

- The CEO's FY26 remuneration mix is as follows: Performance-based or linked to share price performance pay (comprising STI, LTE and LTI) forms 96.4% of target total remuneration (97.2% of maximum total remuneration) and equity forms 94.6% of target total remuneration (94.6% of maximum total remuneration)
- The CFO's FY26 remuneration mix is as follows: Performance-based or linked to share price performance pay forms 91.4% of target total remuneration (93.3% of maximum total remuneration) and equity forms 87.1% of target total remuneration (87.2% of maximum total remuneration)

One-off awards (such as sign-on or other one-off equity grants) are excluded from the remuneration mix calculations below.

CEO

AT TARGET — 94.6% Equity

3.6% Base	46.4% LTE	1.8% STI Cash	1.8% STI Deferred	46.4% LTI
100% Cash	100% RSUs	50% Cash	50% RSUs	100% PSUs
50% Service-based		**50% Performance-based**		

AT MAX — 94.6% Equity

2.8% Base	36.8% LTE	2.6% STI Cash	2.6% STI Deferred	55.2% LTI
100% Cash	100% RSUs	50% Cash	50% RSUs	100% PSUs
39.6% Service-based		**60.4% Performance-based**		

40%: 60% split of LTE / LTI at max

CFO

AT TARGET — 87.1% Equity

8.6% Base	41.4% LTE	4.3% STI Cash	4.3% STI Deferred	41.4% LTI
100% Cash	100% RSUs	50% Cash	50% RSUs	100% PSUs
50% Service-based		**50% Performance-based**		

AT MAX — 87.2% Equity

6.7% Base	32.4% LTE	6.1% STI Cash	6.1% STI Deferred	48.7% LTI
100% Cash	100% RSUs	50% Cash	50% RSUs	100% PSUs
39.1% Service-based		**60.9% Performance-based**		

40%: 60% split of LTE / LTI at max

7.3 FY26 Fixed annual remuneration

Base salary is reviewed annually and set in the context of Xero's remuneration strategy, an individual's skills, experience, accountabilities, performance, leadership, behaviours and location. Each year, or upon commencement in the role, the PRC reviews each XLT member's base salary against relevant benchmarks. Effective for FY26, base salaries are as follows:

- CEO: USD540,000
- CFO: USD520,000

7.4 FY26 service and performance-based remuneration components

7.4.1 FY26 Long Term Equity (LTE) — service-based

LTE is granted as a fixed number of RSUs each year and vesting is contingent on service, in alignment with the global pay practices of technology companies. In the US market, CEOs and other executive roles typically receive lower fixed base pay than their Australian counterparts and have higher share-based compensation. Tenure-based shares are considered a normal part of a US package and are viewed as being in the best interests of shareholders because they provide both cash efficient fixed base pay, while also ensuring that the executives are strongly incentivised to deliver improved share price performance. The equity-based nature of this grant means that the value realised by the CEO and CFO will be reflective of Xero's long term share price performance through the annual vesting of RSUs. This component of remuneration is presented separately from LTI to reflect the service-based nature of the award.

The following table provides an overview of the key features of the FY26 LTE structure as they apply to the CEO and CFO.

ELEMENT	DETAILS
Purpose	Rewards delivery against longer-term strategy and sustained long-term value creation. Provides alignment between shareholder, customer and leadership team outcomes through multi-year vesting.
FY26 Grant Value	CEO: USD7,060,000 CFO: USD2,500,000
Pay vehicle	Equity allocated in the form of RSUs. RSUs do not carry an entitlement to dividends or voting rights prior to vesting.
Grant Date	RSUs are typically granted annually in or around July each year.
Allocation methodology	Grant Value ÷ 30-day VWAP = Number of RSUs The 30-day volume weighted average price (VWAP) of Xero shares is calculated up to and including the trading day prior to the grant date.
Vesting schedule and conditions	Contingent on service (being employed on the vest date). RSUs under the LTE component vest in equal thirds in May each year following the year in which they are granted. The vesting approach has been determined taking into account both ASX practice and US practice (where time based RSUs with a quarterly vest are the norm).
Malus and Clawback	Other than as set out in section 5, the Board has discretion to make changes to the terms of RSUs, and the Xero Limited USA Incentive Scheme, subject to the law and ASX Listing Rules applicable, from time to time. The Board also has power to make adjustments to the number of RSUs that vest where the payment would not be warranted based on behavioural or risk outcomes.

Refer to section 7.5 for further information on how equity is treated upon cessation of employment.

7.4.2 Short Term Incentive (STI) — performance-based

STI is an at-risk component of remuneration structured to reward achievement in the 12-month financial period. The selected objectives reward delivery of key strategic and financial objectives in line with the annual business plan, and reward outcomes aligned to Xero's goals for growth and operational discipline.

We review our STI measures and weightings each year to ensure they reflect the voices of shareholders, customers and employees. The STI performance measures have been chosen to focus on growing global revenue and creating customer value and engaged teams, while delivering disciplined operational and financial outcomes. Vesting outcomes have regard to whether the leadership team member has acted in accordance with Xero's values.

The following table provides an overview of the key features of the FY26 STI structure.

<table>
<tr><th>ELEMENT</th><th>DETAILS</th></tr>
<tr><td>Purpose</td><td>Drive and incentivise delivery of business objectives over a one-year period.</td></tr>
<tr><td>Opportunity</td><td>For the CEO and CFO: 100% of base salary at target (maximum is 1.8x target).</td></tr>
<tr><td>Performance period</td><td>Performance is measured from 1 April to 31 March each year.</td></tr>
<tr><td>Performance measures</td><td>Performance metrics measure success in relation to our key stakeholders, reflecting the voices of shareholders, customers and employees. Each measure has a threshold, target and maximum.
<table>
<tr><th colspan="2">70% Financial</th><th colspan="3">30% Non Financial</th></tr>
<tr><th colspan="2">Shareholder</th><th>Customer</th><th>Employee</th><th>Strategy</th></tr>
<tr><td>35% Net new monthly recurring revenue (nnMRR)</td><td>35% Operating expense (OPEX Ratio)</td><td>5% Underlying churn
5% Global partner NPS
5% Global small business NPS</td><td>10% Employee engagement</td><td>5% Accelerate strategy</td></tr>
</table>
See the next page for information on the STI measures and the rationale for why those measures were chosen.</td></tr>
<tr><td>Individual multiplier (applies to the overall calculated STI outcome)</td><td>Individual multiplier is based on personal impact tied to the delivery of individual goals and other agreed deliverables crucial to the success of the company, the demonstration and embodiment of Xero values, and the display of leadership attributes.</td></tr>
<tr><td>Target setting</td><td>Measures, weightings, and targets set at the beginning of each financial year are reviewed by the PRC and approved by the Board annually. Performance measures are calibrated to ensure they are sufficiently stretching and aligned to our values, longer-term strategic priorities and risk appetite. The targets we set are ambitious and thoughtful, and depending on the expected performance, may increase, decrease or stay the same from the previous year. See section 5.6 for further information.</td></tr>
<tr><td>Evaluation of performance</td><td>Performance against financial and non-financial objectives is determined at the end of the financial year. Financial outcomes are confirmed after the audited results are finalised. Leadership team performance (individual multiplier), including acting in accordance with Xero's values, is reviewed by the CEO in consultation with the PRC (and in the case of the CEO, by the Board).</td></tr>
<tr><td>Pay vehicle</td><td>50% of STI awarded is paid in cash with the remaining 50% issued in a single tranche of RSUs. RSUs do not carry an entitlement to dividends or voting rights prior to vesting.</td></tr>
<tr><td>Grant date</td><td>RSUs are typically granted annually in or around July, following the conclusion of the performance period.</td></tr>
<tr><td>Vesting schedule and conditions</td><td>RSUs vest in May in the year following the grant date, subject to continued service and confirmation from the PRC that no award adjustment events have occurred.</td></tr>
<tr><td>Amendments and adjustments</td><td>Other than as set out above, the Board has discretion to make changes to the terms of RSUs and the Xero Limited USA Incentive Scheme, subject to the law and ASX Listing Rules applicable, from time to time. The Board also has power to make upward or downward adjustments to the overall STI outcome and the number of RSUs that vest if the outcome does not reflect true company performance or the payment would not be warranted based on behavioural or risk outcomes. Refer to section 5.4 to 5.5 for further information on the Board's malus and clawback and adjustment principles.</td></tr>
</table>

Refer to section 7.5 for further information on how equity is treated upon cessation of employment.

FY26 STI measures and weightings

The following table outlines the STI measures and weightings that applied to the CEO and CFO's FY26 STI awards and the link between remuneration, strategy and sustained long-term value creation. For FY26, two new STI metrics were introduced: Underlying Churn and Accelerate Strategy (see below for more information).

The measures chosen for the FY26 STI were selected based on their alignment with our strategic objectives.

PERFORMANCE MEASURE	WEIGHTING	RATIONALE FOR CHOICE OF MEASURE
Shareholder (70% of total)		
Group net new monthly recurring revenue (nnMRR)	35%	• Demonstrates Xero's ability to scale and deliver sustainable sources of revenue • Key leading indicator of Xero's financial performance that represents Xero's ability to acquire new customers and penetrate the existing customer base, directly driving subscription or other recurring revenue growth • Indicates the effectiveness of Xero's sales and marketing functions and the value of Xero's investment into product development • Net new MRR is calculated excluding the impact of foreign exchange (FX)
Operating expense (OPEX) ratio	35%	• Key financial indicator that captures the efficiency of Xero's operational spending • Demonstrates how effectively resources are being managed across the business and acts as a measure of profitability • The OPEX ratio is calculated inclusive of share-based compensation, consistent with income statement presentation • The ratio is calculated on a constant currency basis
Customer (15% of total)		
Underlying churn	5%	• Captures the cumulative impact of product quality, value perception, pricing, support, and competitive alternatives • Provides a realised and measurable measure of how sentiment is likely to impact business performance and long-term value • Is an impactful barometer of customer sentiment and actual customer behavior • Underlying churn is evaluated over a 12 month period and on a cohorted basis (i.e. customers that have been users for more than six months) to reflect core customer retention and remove short-term volatility and seasonality
Global partner and small business NPS	10%	• Key indicator of small business customer and accountant and bookkeeper partner satisfaction • Ensures continued focus on customer retention • Drives value creation through greater stakeholder trust and customer advocacy • Drives value creation through delivery of a product experience that exceeds expectations, increased brand awareness, perception and value, including trust in the reliability and security of data
Employee (10% of total)		
Employee engagement	10%	• Key indicator of employee sentiment and engagement • Ensures continued focus on enhancing employee engagement • Drives value creation through enhanced attraction, development and retention of top talent • Measures success of targeted initiatives and flexible ways of working to promote diversity, pay equity and an inclusive environment
Strategy (5% of total)		
Accelerate strategy	5%	• Xero is an OKR driven business, all employee goals are aligned to company OKRs where possible • This measure captures how we improve the business beyond the scorecard that drive our transformational agenda and play an instrumental role in executing Xero's annual and long-term strategy
Individual multiplier (applies to the overall calculated STI outcome)		
Impact achieved against key company goals and leadership values exhibited	Applies to the overall calculated STI outcome	• Key indicator of individual leadership performance • Ensures focus on individual achievement of key company goals • Drives value creation through all of Xero's key outcomes • Assesses demonstration of leadership values

We have evolved our employee analytics capabilities and partnered with a new engagement survey provider for FY26 and beyond.

The overall engagement score is now calculated as the average favourable score across three distinct, critical markers of employee sentiment covering employee motivation, personal accomplishment and recommending Xero as a great place to work. As a result of this transition, the performance targets and scores for FY26 and beyond are measured on a 100-point scale and different methodology from prior periods.

7.4.3 Long Term Incentive (LTI) — performance-based

LTI is structured to reward the effective execution of Xero's long-term strategy and sustained shareholder value creation. The FY26 award is subject to three performance measures, each assessed over a three year performance period: operating revenue growth, average FCF margin and rTSR.

The combination of revenue growth and FCF measures reflects our focus on balancing growth and profitability. While, rTSR ensures management remains focused on our share price performance to support sustainable shareholder value over time.

The following table provides an overview of the key features of the FY26 LTI structure.

<table>
<tr><th>ELEMENT</th><th>DETAILS</th></tr>
<tr><td>Purpose</td><td>Rewards delivery against longer-term strategy and sustained value creation.</td></tr>
<tr><td>FY26 Opportunity</td><td>CEO: USD7,060,000 at target; USD10,590,000 at maximum.
CFO: USD2,500,000 at target; USD3,750,000 at maximum.</td></tr>
<tr><td>Pay vehicle</td><td>LTI is provided in the form of PSUs which do not carry an entitlement to dividends or voting rights prior to vesting.</td></tr>
<tr><td>Vesting conditions and metrics</td><td>The LTI value awarded is contingent on performance targets over a three-year period (commencing 1 April 2025 and ending 31 March 2028). PSUs under the LTI vest once tested in or around May after the end of the three-year performance period.

Performance contingent component measures, weightings, definitions:
<table>
<tr><th>Metric</th><th>Weighting</th><th>Definition (and vesting schedule)</th></tr>
<tr><td>Operating revenue growth</td><td>37.5%</td><td>Calculated based on the three year constant currency compound annual growth rate (CAGR) of operating revenue over the period 1 April 2025 through to 31 March 2028.</td></tr>
<tr><td>FCF margin</td><td>37.5%</td><td>Calculated based on the average three year FCF margin over the period 1 April 2025 through to 31 March 2028. FCF margin is calculated as FCF divided by operating revenue. FCF, for the purposes of LTI measurement, is defined as operating cash flows less investing cash flows, excluding investing cash flows used for acquisitions and strategic investments and net interest income. As a non-cash item, share-based compensation is excluded from the calculation of FCF.</td></tr>
<tr><td>Relative total shareholder return (rTSR)</td><td>25%</td><td>Calculated based on the performance of Xero shares relative to the performance of shares issued (including dividends and other shareholder benefits paid) by companies in the EMCLOUD comparator group, over the period 1 April 2025 through to 31 March 2028.

The rTSR targets and vesting schedule are:
<table>
<tr><th></th><th>Target</th><th>Vesting Schedule</th></tr>
<tr><td>Below Threshold</td><td><50th percentile</td><td>0%</td></tr>
<tr><td>Minimum Threshold</td><td>50th percentile</td><td>50%</td></tr>
<tr><td>Target</td><td>62.5th percentile</td><td>100%</td></tr>
<tr><td>Maximum</td><td>75th percentile</td><td>150%</td></tr>
</table></td></tr>
</table>
While we are committed to providing our shareholders with clear and transparent remuneration reporting, we do not prospectively disclose the specific performance targets for our LTI revenue growth and FCF measures. These are commercially sensitive measures, and the disclosure of specific long term targets in this regard would entail unwarranted risks.</td></tr>
<tr><td>Grant Date</td><td>PSUs are typically granted annually in or around July each year.</td></tr>
<tr><td>Allocation methodology</td><td>Grant Value ÷ 30-day VWAP = Number of PSUs

The 30-day volume weighted average price (VWAP) of Xero shares is calculated up to and including the trading day prior to the grant date.</td></tr>
<tr><td>Amendments and adjustments</td><td>The Board has discretion to make changes to the terms of PSUs, and the Xero Limited USA Incentive Scheme, subject to the law and ASX Listing Rules applicable, from time to time. The Board also has power to make upward or downward adjustments to the overall LTI outcome and the number of PSUs that vest if the outcome does not reflect true company performance or the payment would not be warranted based on behavioural or risk outcomes. Refer to section 5.4 to 5.5 for further information on the Board's malus and clawback and adjustment principles.</td></tr>
</table>

Refer to section 7.5 for further information on how equity is treated upon cessation of employment.

FY26 LTI Peer Group

The FY26 peer group used for Xero's LTI rTSR calculation is the EMCLOUD (Nasdaq Emerging Cloud Index) as at 1 April 2025. Launched in 2013, the EMCLOUD Index is an equally weighted index designed to track the performance of public companies primarily involved in providing cloud software to their customers. Some of the eligibility criteria include a market cap of at least USD500 million, majority of revenue from cloud-based software and services and publicly listed for at least three months. The following table lists the companies that form this peer group.

TICKER	COMPANY NAME	TICKER	COMPANY NAME	TICKER	COMPANY NAME
ADBE	Adobe	ESTC	Elastic N.V	RNG	Ringcentral
ALKT	Alkami Technology	FSLY	Fastly	RBRK	Rubrik
APPF	Appfolio	FIVN	Five9	CRM	Salesforce
ASAN	Asana	FRSH	Freshworks	IOT	Samsara
TEAM	Atlassian	GTLB	Gitlab	S	Sentinelone
AVPT	Avepoint	HUBS	Hubspot	NOW	Servicenow
AVDX	Avidxchange	INTA	Intapp	SHOP	Shopify
BILL	Bill Holdings	FROG	Jfrog	SNOW	Snowflake
BL	Blackline	KVYO	Klaviyo	CXM	Sprinklr
BOX	Box	MNDY	Monday.Com	SPT	Sprout Social
BRZE	Braze	MDB	Mongodb	SPSC	Sps Commerce
AI	C3.Ai	NCNO	Ncino	TENB	Tenable
CWAN	Clearwater Analytics	OKTA	Okta	TOST	Toast
NET	Cloudflare	OLO	Olo	TWLO	Twilio
CFLT	Confluent	PD	Pagerduty	PATH	Uipath
CRWD	Crowdstrike	PLTR	Palantir Tech	VEEV	Veeva Systems
CYBR	Cyberark	PANW	Palo Alto Ntwks	WEAV	Weave Communications
DDOG	Datadog	PAYC	Paycom Software	WIX	Wix.Com
DAY	Dayforce	PCTY	Paylocity	WDAY	Workday
DOCN	Digitalocean	PYPL	Paypal	WK	Workiva
DOCU	Docusign	PCOR	Procore	ZETA	Zeta Global
DBX	Dropbox	QTWO	Q2 Holdings	ZS	Zscaler
DT	Dynatrace	QLYS	Qualys		

7.5 Employment conditions and incentive treatment upon cessation of employment

The following tables outline the employment conditions pertaining to the CEO and CFO for FY26.

ELEMENT	DETAILS
Basis of contract	Ongoing (no fixed term).
Notice period	Sukhinder Singh-Cassidy (CEO): Twelve months by either party Claire Bramley (CFO): Six months by either party Shorter notice may apply by agreement.
Base salary	Subject to annual review (but no adjustments to base salary are guaranteed).
Incentive opportunities	Eligible to participate in short-term incentive arrangements and long-term incentive arrangements, and in the case of the CEO, an initial equity grant awarded upon commencement and an option grant awarded in FY25.
Payment in lieu of notice period	Xero may pay notice in lieu of all or part of the notice period or require the individual to work for part or all of the notice period and pay the balance in lieu.
Treatment of STI and LTE / LTI	For the CEO, the following treatment applies: • If the CEO is dismissed for cause or resigns (other than for good reason or genuine retirement), the CEO's STI Cash and Equity, LTI / LTE and unvested options will be forfeited, unless the Board determines otherwise • If the CEO terminates her employment for good reason or her employment is terminated without cause: › The cash component of the STI and any unvested LTI / LTE will be pro-rated and remain on foot and be eligible to vest in the ordinary course (as if employment had not ceased) › The STI equity component already awarded will remain on foot and be eligible to vest in the ordinary course (as if employment had not ceased)

ELEMENT	DETAILS
Treatment of STI and LTE / LTI *Cont.*	• If the CEO ceases employment for any other reason, unless the board determines otherwise: › The cash component of the STI and any unvested LTI / LTE will be pro-rated and remain on foot and be eligible to vest in the ordinary course (as if employment had not ceased) › The STI equity component already awarded will remain on foot and be eligible to vest in the ordinary course (as if employment had not ceased) Unless the Board determines otherwise: • If the CFO ceases employment for cause or resignation, all unvested RSUs / PSUs lapse and all STI awards not yet paid are forfeited • If the CFO ceases employment for any other reason (such as a genuine retirement or mutual agreement) the cash component of the STI and any unvested LTI / LTE will be pro-rated and remain on foot and be eligible to vest in the ordinary course (as if employment had not ceased)
Treatment of CEO initial equity grant and FY25 option grant	If cessation of employment occurs prior to the vest date (for a tranche) and: • The CEO is dismissed for cause or resigns (other than for good reason or genuine retirement), the CEO's unvested options and RSUs will be forfeited, unless the Board determines otherwise • The CEO terminates her employment due to a genuine retirement › Initial equity grant: all unvested options and RSUs remain on foot and are eligible to vest in the ordinary course (as if employment had not ceased) › FY25 option grant: a pro-rata amount of all unvested options remain on foot and are eligible to vest in the ordinary course (as if employment had not ceased) • If the CEO terminates her employment for good reason or her employment is terminated without cause or for any other reason, all unvested options and RSUs remain on foot and are eligible to vest in the ordinary course (as if employment had not ceased) If cessation of employment occurs after the Vesting Date (for a tranche) for any reason, all vested options remain on foot and the post vesting trading restriction and expiry dates remain the same.
Treatment of CFO sign-on award	Unless the Board determines otherwise: • If the CFO ceases employment for cause or resignation › all unvested RSUs lapse › any cash component paid in the 12 months preceding the cessation of employment date, must be repaid • If the CFO ceases employment for any other reason (such as a genuine retirement or mutual agreement) › any unvested RSUs will be pro-rated and remain on foot and be eligible to vest in the ordinary course (as if employment had not ceased) › any cash component paid prior to the cessation of employment date are retained › any cash component yet to be paid may be retained in part depending on the timing and nature of departure

8. KEY REMUNERATION ARRANGEMENTS FOR FY27

8.1 FY27 STI

The FY27 STI plan will evolve to further match both market practice and investor feedback:

- The total proportion of the scorecard dedicated to core financial measures will increase to 85% financial (was 70%)
- nnMRR will incorporate a blend of global measurement with additional focus on key regions across the 3x3 markets. This better reflects the collective executive decisions required to optimise our overall growth trajectory. The total weighting attributed to nnMRR will be 45% spread across these measures. The nnMRR calculation will be updated to encompass non-subscription, transaction-based revenue streams, such as payments through Melio
- The primary profitability measure will change from an OPEX ratio to an EBITDA-based metric aligned to our updated approach to providing market guidance
- As our business evolves, customer outcomes, employee outcomes, AI transformation, strategic integration, and broader execution priorities have become deeply interconnected and difficult to assess in isolation. Therefore, rather than using standalone customer NPS and employee engagement measures, these factors will now be evaluated collectively as part of the broader assessment for accelerating our strategy

9. FY26 PERFORMANCE AND REMUNERATION OUTCOMES

9.1 Xero's five-year financial performance

Xero's financial performance over the last five years is shown below, along with STI outcomes.

MEASURE	FY22	FY23	FY24	FY25	FY26
Customers	3,271,000	3,741,000	4,160,000	4,414,000	4,920,000
Annualised monthly recurring revenue ($000s)	1,231,087	1,553,803	1,961,368	2,387,763	3,273,059
Operating revenue ($000s)	1,096,819	1,399,884	1,713,767	2,102,652	2,753,081
Operating revenue growth	29.2%	27.6%	22.4%	22.7%	30.9%
FCF ($000s)	2,073	102,340	342,146	506,745	554,043
FCF margin	0.2%	7.3%	20.0%	24.1%	20.1%
Rule of 40[7]	30.3%	31.9%	41.0%	44.3%	48.5%
OPEX ratio	84.0%	83.2%[8]	73.3%	71.8%	72.4%[9]
Xero share price (AUD)[10]	102.75	89.42	133.32	154.75	75.12
Xero share price movement (AUD)	-23.78	-13.33	43.90	21.43	-79.63
Xero total shareholder return	-18.8%	-13.0%	49.1%	16.1%	-51.5%
Average STI received[11] as a % of maximum	85%	59%	54%	49.1%	60.4%
Average STI received[11] as a % of target	104%	77%	97%	88.3%	108.8%

Xero does not currently pay dividends

The chart below provides a comparison of Xero's total return to the ASX200 and EMCLOUD indices.

Xero Performance (vs EMCLOUD and ASX)

7. *Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)*
8. *Includes restructuring costs. Excluding restructuring costs the FY23 OPEX ratio was 80.7%*
9. *Includes acquisition costs. Excluding acquisition costs the FY26 OPEX ratio was 70.5%*
10. *Closing price for the last trading day in the financial year*
11. *Relates to STI received by disclosed executives for the relevant year*

9.2 Xero's FY26 STI Outcomes

The annual outcomes achieved for the CEO and CFO are based on Xero's FY26 performance as set out below. Overall calculated STI outcomes may range from 0%-180%.

STI Scorecard — company-wide performance[12]

OBJECTIVES	WEIGHTING	COMMENTARY	ACHIEVEMENT	SCORECARD RESULT			WEIGHTED OUTCOMES	
				Threshold 50%	Target 100%	Max 150%	Outcome (% of target)	Outcome (% of max)
Share-holder (70%)	35%	**Group nnMRR** nnMRR is calculated at $38.5m (excluding the impact of FX). This was below target of $47.2m, driven mainly by the impact of pricing and packaging actions from the prior year.	53.9%	$37.8m $38.5m	$47.2m	$56.6m	18.9%	12.6%
	35%	**Group OPEX ratio** Group OPEX Ratio was 70.7% (excluding the impact of FX), which was better than target primarily driven by increased operational efficiencies and disciplined labour cost management. This was reflected in the improvement in Xero's OPEX ratio guidance for FY26 from 71.5% to 70.5%, which was announced at our H1 FY26 results.	150%	71.8%	71.4%	71.0% 70.7%	52.5%	35.0%
Customer (15%)	10%	**Global partner & small business NPS** Partner NPS of 52 was at target and small business NPS of 30 was below the threshold for FY26. The outcomes for each measure are calculated based on the total promoters less total detractors from the total number of survey responses received over the twelve month performance period. There was a slight improvement in partner NPS from FY25 and decline in small business NPS driven by pricing concerns.	50%	Partner NPS: 50 Small Business NPS: 34 30	Partner NPS: 52 52 Small Business NPS: 36	Partner NPS: 54 Small Business NPS: 38	5.0%	3.3%
	5%	**Underlying churn** Underlying churn was calculated at 0.82%. This resulted in an outcome slightly better than the target of 0.83% reflecting good outcomes across customer acquisition, retention and satisfaction.	106.3%	0.91%	0.83% 0.82%	0.75%	5.3%	3.5%
Employee (10%)	10%	**Employee engagement** Employee engagement was at threshold for FY26 at 68%. During FY26, we delivered a number of initiatives to drive employee engagement, including LinkedIn Learning, the Xero Leadership Foundations program and AI Xplore Day.	50%	68 68	71	74	5.0%	3.3%
Strategy (5%)	5%	**Accelerate strategy** Reflects the strong collective performance delivered against our FY26 OKRs beyond the STI scorecard. This included successfully acquiring and integrating Melio and AI innovation across key product enhancements for customers while embedding AI internally to drive operational leverage.	150%	Threshold	Target	Max	7.5%	5.0%
Total FY26 STI Scorecard Outcome							**94.2%**	**62.7%**

12. STI performance metrics may not directly align with reported metrics due to minor definitional and calculation convention differences

Individual performance outcomes

	DESCRIPTION	ROLE	INDIVIDUAL MULTIPLIER Min 0x	Target 1x	Max 1.5x	TOTAL STI OUTCOME % of target opportunity	% of max opportunity
Individual Performance	Impact achieved against key company goals and leadership values exhibited: • Key indicator of individual leadership performance • Ensures focus on achievement of key company goals • Drives value creation through all of Xero's key outcomes • Assesses demonstration of leadership values	CEO		1.20x		113.0%	62.8%
		CFO		1.11x		104.5%	58.1%

CEO Individual Performance

In FY26, the CEO positioned Xero for long-term growth by aligning strategy toward global scalability, particularly in the US. She successfully delivered the FY26 plan, meeting key revenue and strategic goal targets while maintaining cost discipline through the Melio acquisition and organisational redesign. The Board noted her exceptional leadership in executing the Melio transaction and driving progress in AU, UK and global product velocity.

Furthermore, the CEO accelerated Xero's AI execution and innovation through the rollout of JAX and strategic partnerships with both OpenAI and Anthropic. Her management transformed the company's cost structure and continued to drive the evolution of Xero's culture to a high performance organisation. Consequently, the Board awarded a final STI outcome of 113.0% of her target opportunity (or 62.8% of her maximum opportunity).

CFO Individual Performance

In her first year, the CFO drove strong financial leadership, partnering with the CEO to deliver robust growth and a strong Rule of 40 outcome. She played a pivotal role in the financial integration and funding strategy for the Melio acquisition, securing the foundation for US scaling.

The CFO also drove rigorous cost discipline and operational efficiency across the business. The Board's assessment, based on the FY26 financial plan and individual goals, ensures her outcomes are firmly aligned with disciplined capital management and long-term shareholder value. The CFO was awarded a final STI outcome of 104.5% of her target opportunity (or 58.1% of her maximum opportunity).

9.3 Xero's FY24 LTI Outcomes

The FY24 LTI reached the end of its three year performance period on 31 March 2026. The targets for each performance metric are set by the Board at the start of the performance period. The performance range for the operating revenue metric was set by reference to our three year strategic and financial plan, historical and forecast financial performance (including guidance) and market consensus at the time[13]. The peer group for the rTSR metric was the EMCLOUD (Nasdaq Emerging Cloud Index) and is set each year at the start of the performance period.

The targets and performance outcomes are summarised in the table below.

			PERFORMANCE RANGE			PERFORMANCE AND VESTING OUTCOMES		
			Threshold 33.3% vesting	Target 66.7% vesting	Max 100% vesting		Weighted outcomes	
Metric	Commentary	Weighting	Straight-line vesting from threshold through to max			Performance result	% of target	% of max
Operating revenue	Three year compound annual growth rate (CAGR) of operating revenue over the period 1 April 2023 through to 31 March 2026, calculated based on constant currency assumptions	37.5%	20%	22%	24%	**20%**	**18.7%**	**12.5%**
FCF margin	Average three year FCF margin over the period 1 April 2023 through to 31 March 2026. FCF margin is calculated as FCF divided by operating revenue. FCF, for the purposes of LTI measurement, is defined as operating cash flows less investing cash flows, excluding investing cash flows used for acquisitions and strategic investments and net interest income. As a non-cash item, share-based compensation is excluded from calculation of FCF	37.5%	14%	15%	17%	**19.8%**	**56.3%**	**37.5%**
rTSR	Calculated based on the performance of Xero shares relative to the performance of shares issued (including dividends and other shareholder benefits paid) by the other companies in the comparator group, over the period 1 April 2023 through to 31 March 2026	25%	50th percentile	62.5th percentile	75th percentile	**63.7th percentile**	**26.3%**	**17.5%**
Total LTI outcome							**101.3%**	**67.5%**

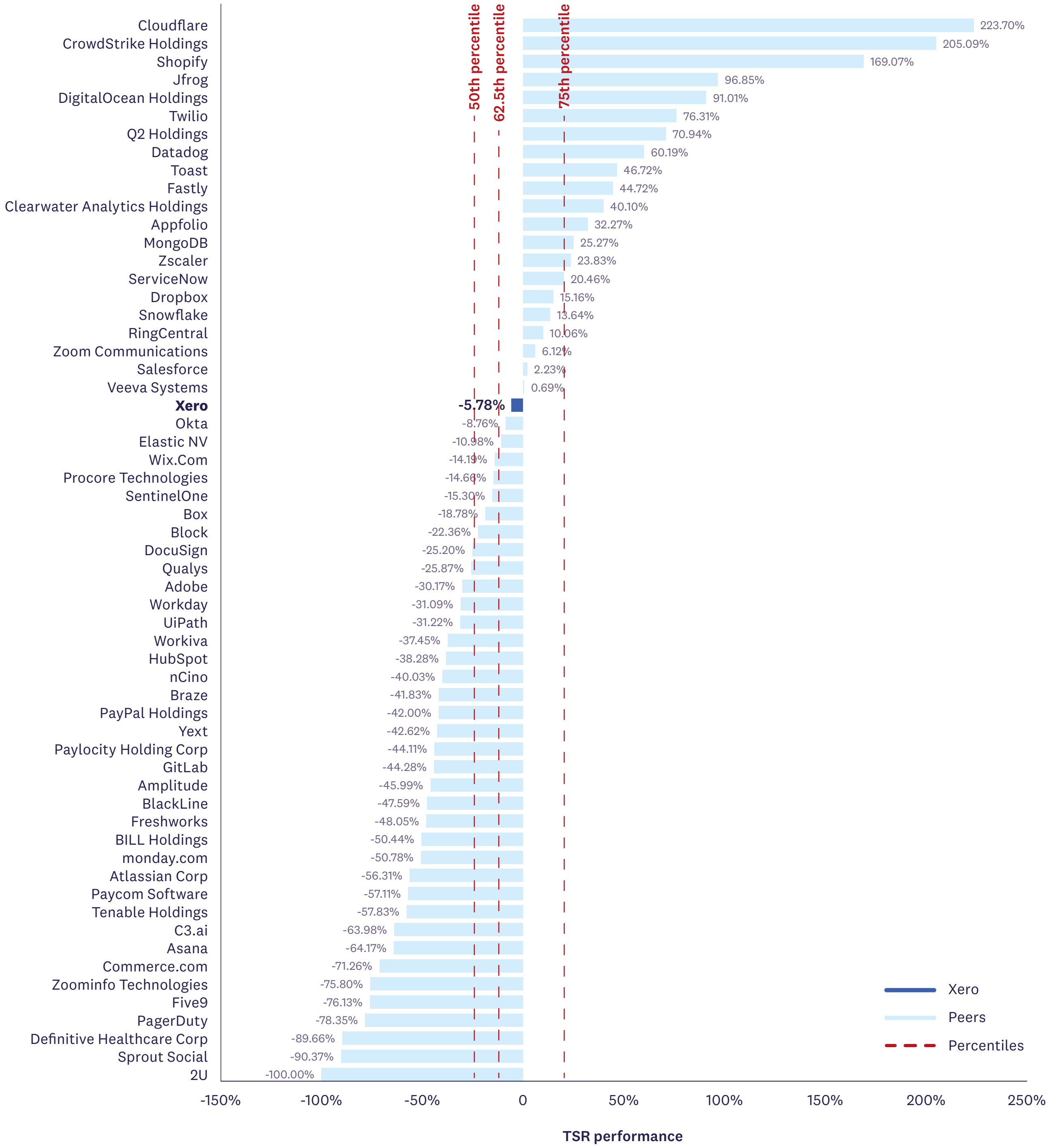
To assess Operating Revenue and FCF margin performance measures, the Board reviews Xero's financial performance and results, including the financial statements which are audited by our external auditor. The rTSR outcome for the FY24 LTI plan is calculated and verified by an independent third party. Any peer group company that delists during the performance period for reasons other than insolvency are excluded from the rTSR test. During the performance period, Avidxchange Holdings, Everbridge, Momentive Global, New Relic, Olo, Smartsheet, Squarespace, Sumo Logic, Vimeo, Qualtrics International and Zuora were delisted and removed from the peer group. The FY24 LTI peer group (excluding Xero) is provided below for reference.

TICKER	COMPANY NAME	TICKER	COMPANY NAME	TICKER	COMPANY NAME	TICKER	COMPANY NAME
ADBE.OQ	Adobe	CRWD.OQ	CrowdStrike Holdings	NCNO.OQ	nCino	SPT.OQ	Sprout Social
AMPL.OQ	Amplitude	DDOG.OQ	Datadog	OKTA.OQ	Okta	TENB.OQ	Tenable Holdings
APPF.OQ	Appfolio	DH.OQ	Definitive Healthcare	PD.N	PagerDuty	TOST.N	Toast
ASAN.N	Asana	DOCN.N	DigitalOcean Holdings	PAYC.N	Paycom Software	TWLO.N	Twilio
TEAM.OQ	Atlassian Corp	DOCU	DocuSign	PCTY.OQ	Paylocity Holding	PATH.N	UiPath
BILL.N	BILL Holdings	DBX	Dropbox	PYPL.OQ	PayPal Holdings	VEEV.N	Veeva Systems
BL.OQ	BlackLine	ESTC.N	Elastic NV	PCOR.N	Procore Technologies	WIX.OQ	Wix.Com
SQ.N	Block	FSLY.OQ	Fastly	QTWO.N	Q2 Holdings	WDAY.OQ	Workday
BOX.N	Box	FIVN.OQ	Five9	QLYS.OQ	Qualys	WK.N	Workiva
BRZE.OQ	Braze	FRSH.OQ	Freshworks	RNG.N	RingCentral	YEXT.N	Yext
AI.N	C3.ai	GTLB.OQ	GitLab	CRM.N	Salesforce	ZM.OQ	Zoom Communications
CWAN.N	Clearwater Analytics	HUBS.N	HubSpot	S.N	SentinelOne	GTM.OQ	Zoominfo Technologies
NET.N	Cloudflare	FROG.OQ	Jfrog	NOW.N	ServiceNow	ZS.OQ	Zscaler
BIGC.OQ	Commerce.com	MNDY.OQ	monday.com	SHOP.OQ	Shopify	TWOU.OQ	2U
CFLT.OQ	Confluent	MDB.OQ	MongoDB	SNOW.N	Snowflake		

13. The Board set the FY24 LTI targets above the prevailing market consensus at that time

The following chart demonstrates Xero's performance against the above peer group over the LTI performance period 1 April 2023 through to 31 March 2026. With an absolute TSR of -5.78% over the performance period, Xero is positioned at the 63.7th percentile of the peer group.

FY24 LTI Peer Group TSR Outcomes



10. CEO AND CFO REMUNERATION

10.1 Realised remuneration (based on accounting values)

The following table provides details of the remuneration received by the CEO and CFO during FY26 and FY25 based on the accounting value of options and RSU grants that vested during the year, recognised in accordance with applicable accounting standards. The CEO and CFO received no monetary benefits other than those stated below.

The remuneration received by the CEO and CFO disclosed in the table below for FY26 is based on the following:

- Fixed annual remuneration earned between 1 April 2025 and 31 March 2026
- For FY26, the values are based on the following:
  - Cash STI: relates to the FY25 STI cash component that was paid in June 2025
  - Other: for the CFO, relates to the first tranche of the cash component of the CFO's sign-on award[14]
  - Option grants: For the CEO, this value relates to Tranche 3 of the CEO's Initial Equity Option Grant vested in November 2025 and Tranche 1 of the CEO's Top-Up Equity Grant vested in December 2025. **The table below shows the accounting value for the CEO's options that vested during FY26. Because Xero's share price was lower than the exercise prices as of 31 March 2026, these options were "underwater" (out-of-the-money) and held no intrinsic value at the reporting date. The CEO has not exercised any of these options as of the date of this report**
  - RSU / PSU grants: For the CEO, this value comprises the deferred RSU component of the FY24 STI, Tranche 2 of the FY24 LTE, Tranche 1 of the FY25 LTE and the FY23 LTI, all of which vested in May 2025. It also includes Tranche 3 of the CEO's Initial Equity remediation grant, which vested in November 2024. For the CFO, this value includes the RSUs relating to the first tranche of her sign-on award that vested in March 2026[14]

FIXED REMUNERATION					VARIABLE REMUNERATION[15]			
					Accounting value of grants vested during the year, in the form of:			
Name	Financial Year	Base Salary ($000s)	Pension ($000s)	Other ($000s)	Cash STI ($000s)[16]	Options grants ($000s)	RSU grants ($000s)	Total remuneration received[17] ($000s)
Sukhinder Singh Cassidy	**FY26**	**923**	**20**	**-**	**614**	**20,371**	**7,018**	**28,946**
	FY25	1,237	23	-	652	5,111	2,039	9,062
Claire Bramley	**FY26**	**889**	**34**	**5,498**	**-**	**-**	**4,208**	**10,629**
	FY25	-	-	-	-	-	-	-

10.2 FY26 Actual take-home pay

To help our stakeholders better understand what was actually paid to the CEO and CFO during FY26, we have included a table this year that presents the actual take-home pay that was realised. The values for options and RSU grants are only included where equity has vested and was exercised or released during FY26, valued at the 31 March 2026 share price rather than the accounting value provided above. This predominantly impacts the value of the option grants which are currently "out-of-the-money" and are yet to be exercised. For FY26, the actual take-home pay realised by the CEO and CFO was NZD7.535 million and NZD8.493 million, respectively.

FIXED REMUNERATION					VARIABLE REMUNERATION[15]			
					Face value of grants that vested during the year, in the form of:			
Name	Financial Year	Base Salary ($000s)	Pension ($000s)	Other ($000s)	Cash STI ($000s)[16]	Options grants ($000s)	RSU grants ($000s)	Total take-home pay ($000s)
Sukhinder Singh Cassidy	**FY26**	**923**	**20**	**-**	**614**	**-**	**5,978**	**7,535**
Claire Bramley	**FY26**	**889**	**34**	**5,498**	**-**	**-**	**2,072**	**8,493**

14. As part of the CFO's appointment, a sign-on award was provided to compensate for equity and other compensation foregone with her previous employer and smooth out annual realisable pay during her first two years of employment. The sign-on award is split between USD4,250,000 in cash (paid over four years) and USD10,070,000 in RSUs (vesting over three years). Please refer to the 2025 Remuneration Report for further information

15. Includes the value of options and RSUs / PSUs granted in prior years that vested in the year

16. Relates to the FY25 STI cash component paid during FY26. Further details on FY26 STI outcomes for the CEO and CFO are outlined in section 9.2. Further details on other FY26 remuneration elements and outcomes for the CEO and CFO are outlined in section 7

17. For FY26, the actual take-home pay realised by the CEO and CFO was NZD7.535 million and NZD8.493 million, respectively. See section 10.2

11. CEO AND CFO EQUITY HOLDINGS

The following table presents current at-risk equity and share holdings for the CEO and CFO as at 31 March 2026.

	OPENING BALANCE	GRANTED / ISSUED DURING THE YEAR	VESTED	EXERCISED[18]	LAPSED / FORFEITED	TAXATION SELL TO COVER[19]	SHARES SOLD[20]	CLOSING BALANCE[21]
Options								
CEO	1,038,308	-	(346,102)	-	-	-	-	1,038,308
CFO	-	-	-	-	-	-	-	-
RSUs / PSUs								
CEO	171,151	153,049	(32,304)	-	(8,525)	(34,119)	-	249,252
CFO	-	145,216	(13,253)	-	-	(9,773)	-	122,190
Ordinary Shares								
CEO	12,815	32,304	-	-	-	-	(10,073)	35,046
CFO	-	23,026	-	-	-	-	-	23,026

Calculated as of 31 March 2026, and excluding options and RSUs subject to performance hurdles, the CEO and CFO held Xero shares and RSUs valued at 11.6 times and 10.2 times their respective base salaries.

12. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

The total remuneration available to NEDs is fixed and approved by shareholders. The annual total aggregate NED remuneration is capped at NZD3.3 million, as approved by shareholders at Xero's Annual Meeting in August 2023.

The Board sets the fees for the NEDs at a level that provides Xero with the ability to attract and retain directors of a high calibre from the markets in which Xero operates. The fees paid to NEDs are structured to reflect time commitment, responsibilities, and workloads.

Historically, NED benchmarking was conducted separately across the US, Australia, and the UK. For FY26, we have refined this methodology to better reflect the increasing scale, operational complexity, heightened governance requirements and increasing workload. We now benchmark NED fees across two primary talent pools: the US and the "Rest of World" (which comprises our ANZ benchmarking data). Consideration is also given to secondary benchmarks, such as the UK peer group, EMCLOUD and broader ASX market practice beyond the ANZ peer group.

The Board determined that outside of the highly differentiated and uniquely competitive US technology market, the significant scale of Xero's operations and the uniform governance expectations placed upon our directors necessitate a consolidated approach. By aligning ANZ and UK into a single "Rest of World" tier, we ensure our fee structure is globally competitive, equitable, and accurately reflects the unified, cross-border responsibilities borne by our non-US directors.

To preserve independence and impartiality, NEDs do not receive any performance-related or at-risk compensation. Xero does not provide any scheme for retirement benefits, other than statutory superannuation, for NEDs. Directors' fees are paid in New Zealand dollars in order to avoid exchange rate fluctuations impacting the annual fee cap.

The annual total aggregate NED remuneration cap is reviewed every two years. The Board and Committee fee structures are reviewed annually using the methodology outlined above having regard to the peer groups outlined in section 7.1. The last NED fee review conducted in the first half of FY26 resulted in changes to the fee structure, effective 1 October 2025, as outlined below. As stakeholders' expectations of boards and committees continue to increase, so does the associated workload, often resulting in additional meetings and time deliberating on matters and engaging with investors.

To accommodate these evolving demands and ensure Xero retains the capacity to attract and retain high-calibre talent, the Board intends to seek shareholder approval for an increase to the aggregate non-executive director fee cap at the upcoming Annual General Meeting. Although a fee cap increase will be sought, there is no current intention to increase individual director fees in 2026.

18. Since joining Xero, the CEO has not exercised any options that have vested

19. During the financial year, shares were sold upon vesting in a "sell to cover" transaction to satisfy mandatory tax withholding obligations

20. On 2 July 2025, the CEO sold 10,073 ordinary shares as part of her personal financial management

21. For options, includes all vested / unvested options that have not been exercised. For RSUs / PSUs, only includes those that remain unvested

Below are the annual fees payable to NEDs during FY26.

ROLE (AND COUNTRY OF RESIDENCE)	EFFECTIVE 1 OCT '24 ($000S)	EFFECTIVE 1 OCT '25 ($000S)	$ CHANGE ($000S)
ANZ & UK based Directors			
Board Chair (ANZ)[22]	492	563	+71
Board Chair (UK)[22]	650	650	-
Board Member (ANZ & UK)	195	230.5	+35.5
ARC / PRC Chair (ANZ & UK)	51.5	64.25	+12.75
ARC / PRC Member (ANZ & UK)	25.2	29.6	+4.4
NGC Member (ANZ & UK)	-	-	-
US based Directors			
Board Chair (US)[22]	500	550	+50
Board Member (US)	416	470	+54
ARC / PRC Chair (US)	51.5	42	-9.5
ARC / PRC Member (US)	25.2	17	-8.2
NGC Member (US)	-	-	-

The total remuneration of, and the value of other benefits received by, each NED for FY26 is as follows:

DIRECTOR (LOCATION)	YEAR	BASE FEES ($000S)	COMMITTEE FEES ($000S)	TOTAL FEES ($000S)[23]
David Thodey, AO (AU)	**FY26**	**528**	**-**	**528**
	FY25	479	-	479
Steven Aldrich (US)	**FY26**	**443**	**21**	**464**
	FY25	388	23	411
Mark Cross (NZ)	**FY26**	**213**	**85**	**298**
	FY25	193	68	261
Anjali Joshi (US)	**FY26**	**443**	**21**	**464**
	FY25	388	23	411
Brian McAndrews (US)	**FY26**	**443**	**21**	**464**
	FY25	388	23	411
Dale Murray, CBE (UK)	**FY26**	**213**	**27**	**240**
	FY25	193	23	216
Susan Peterson (NZ)	**FY26**	**213**	**58**	**271**
	FY25	193	46	239
Total[23]	**FY26**	**2,496**	**233**	**2,729**
	FY25	2,222	206	2,428

22. The Board Chair does not receive any additional fees for serving on committees

23. Total remuneration is presented based on accounting expense and may include amounts earned, but not yet received

13. OUR TEAM'S REMUNERATION

The following table shows the number of current and former employees of Xero whose remuneration and benefits for FY26 were within the specified bands above NZD100,000.

The remuneration covered in the table includes monetary payments received and share-based payments vested (i.e. RSUs / PSUs and options). The table above includes remuneration received by the CEO and CFO. The value of options and RSUs / PSUs vested during the year has been calculated using the accounting fair value of the equity instruments and is consistent with the approach taken within the CEO and CFO remuneration disclosures detailed in section 10.1 and does not represent the take-home pay for the year.

REMUNERATION INCLUDING SHARE-BASED REMUNERATION	NUMBER OF EMPLOYEES
100,000 to 109,999	229
110,000 to 119,999	234
120,000 to 129,999	242
130,000 to 139,999	307
140,000 to 149,999	261
150,000 to 159,999	259
160,000 to 169,999	258
170,000 to 179,999	234
180,000 to 189,999	230
190,000 to 199,999	190
200,000 to 209,999	168
210,000 to 219,999	169
220,000 to 229,999	146
230,000 to 239,999	162
240,000 to 249,999	135
250,000 to 259,999	114
260,000 to 269,999	103
270,000 to 279,999	105
280,000 to 289,999	89
290,000 to 299,999	65
300,000 to 309,999	67
310,000 to 319,999	60
320,000 to 329,999	54
330,000 to 339,999	39
340,000 to 349,999	40
350,000 to 359,999	32
360,000 to 369,999	29
370,000 to 379,999	30
380,000 to 389,999	23
390,000 to 399,999	31
400,000 to 409,999	25
410,000 to 419,999	25
420,000 to 429,999	21

REMUNERATION INCLUDING SHARE-BASED REMUNERATION	NUMBER OF EMPLOYEES
430,000 to 439,999	14
440,000 to 449,999	9
450,000 to 459,999	15
460,000 to 469,999	11
470,000 to 479,999	7
480,000 to 489,999	12
490,000 to 499,999	13
500,000 to 509,999	11
510,000 to 519,999	14
530,000 to 539,999	5
540,000 to 549,999	5
550,000 to 559,999	4
560,000 to 569,999	4
570,000 to 579,999	2
580,000 to 589,999	9
590,000 to 599,999	5
600,000 to 609,999	3
610,000 to 619,999	2
620,000 to 629,999	3
630,000 to 639,999	7
640,000 to 649,999	4
650,000 to 659,999	1
660,000 to 669,999	5
670,000 to 679,999	3
680,000 to 689,999	3
690,000 to 699,999	2
700,000 to 709,999	6
710,000 to 719,999	2
720,000 to 729,999	2
740,000 to 749,999	1
750,000 to 759,999	4
770,000 to 779,999	3
780,000 to 789,999	2

REMUNERATION INCLUDING SHARE-BASED REMUNERATION	NUMBER OF EMPLOYEES
790,000 to 799,999	1
800,000 to 809,999	2
810,000 to 819,999	2
820,000 to 829,999	3
830,000 to 839,999	2
840,000 to 849,999	1
850,000 to 859,999	3
860,000 to 869,999	3
880,000 to 889,999	2
910,000 to 919,999	1
930,000 to 939,999	4
940,000 to 949,999	1
950,000 to 959,999	1
960,000 to 969,999	2
970,000 to 979,999	2
980,000 to 989,999	3
990,000 to 999,999	1
1,000,000 to 1,009,999	1
1,010,000 to 1,019,999	2
1,020,000 to 1,029,999	1
1,030,000 to 1,039,999	2
1,050,000 to 1,059,999	1
1,060,000 to 1,069,999	1
1,090,000 to 1,099,999	1
1,120,000 to 1,129,999	3
1,170,000 to 1,179,999	1
1,210,000 to 1,219,999	1
1,230,000 to 1,239,999	3
1,260,000 to 1,269,999	1
1,270,000 to 1,279,999	1
1,290,000 to 1,299,999	1
1,300,000 to 1,309,999	3
1,340,000 to 1,349,999	3
1,350,000 to 1,359,999	1
1,440,000 to 1,449,999	1
1,490,000 to 1,499,999	1
1,520,000 to 1,529,999	1
1,540,000 to 1,549,999	1
1,600,000 to 1,609,999	1

REMUNERATION INCLUDING SHARE-BASED REMUNERATION	NUMBER OF EMPLOYEES
1,630,000 to 1,639,999	1
1,650,000 to 1,659,999	1
1,660,000 to 1,669,999	1
1,730,000 to 1,739,999	1
1,800,000 to 1,809,999	1
1,810,000 to 1,819,999	1
1,850,000 to 1,859,999	1
1,880,000 to 1,889,999	2
2,000,000 to 2,009,999	1
2,100,000 to 2,109,999	1
2,130,000 to 2,139,999	1
2,170,000 to 2,179,999	1
2,210,000 to 2,219,999	1
2,270,000 to 2,279,999	1
2,460,000 to 2,469,999	2
2,490,000 to 2,499,999	1
2,650,000 to 2,659,999	1
2,690,000 to 2,699,999	1
2,740,000 to 2,749,999	1
2,780,000 to 2,789,999	1
3,110,000 to 3,119,999	1
3,320,000 to 3,329,999	1
3,630,000 to 3,639,999	1
3,720,000 to 3,729,999	1
3,970,000 to 3,979,999	1
4,160,000 to 4,169,999	2
4,620,000 to 4,629,999	1
4,770,000 to 4,779,999	1
4,830,000 to 4,839,999	1
5,280,000 to 5,289,999	1
5,620,000 to 5,629,999	1
6,090,000 to 6,099,999	1
7,510,000 to 7,519,999	1
10,620,000 to 10,629,999	1
14,010,000 to 14,019,999	1
28,940,000 to 28,949,999	1

Corporate Directory

Registered offices

New Zealand
19-23 Taranaki Street
Te Aro, Wellington 6011
New Zealand

Australia
Level 3, 260 Burwood Road
Hawthorn, Vic 3122
Australia

Contact:
www.xero.com/about/contact

Directors

David Thodey, AO (Chair)
Steven Aldrich
Mark Cross
Anjali Joshi
Brian McAndrews
Dale Murray, CBE
Susan Peterson

Leadership team

Sukhinder Singh Cassidy
Chief Executive Officer

Damien Coleman
Chief Legal Officer & Company Secretary

Claire Bramley
Chief Financial Officer

Diya Jolly
Chief Product & Technology Officer

Jeff Ryan
Chief People Officer

Angad Soin
Managing Director, Australia & New Zealand and Global Chief Strategy Officer

Michael Strickman
Chief Marketing Officer

Company Secretary

Damien Coleman

Other company information

Company numbers
183 0488 (New Zealand)
ARBN 160 661 183 (Australia)

Web address
www.xero.com

Auditor
Ernst & Young

Stock exchange
Xero's ordinary shares are listed on the ASX

Share registrar
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