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Xero Announces Initiatives to Drive Accounting Partner Efficiency in the UK

Including Instafile acquisition - first since USD\$300 million convertible notes issue

WELLINGTON, 15 November 2018 - Xero Limited (ASX: XRO) today announces strategic initiatives that will support accounting and bookkeeping partners in the UK to adopt cloud accounting tools and to increase their efficiency.

A key element of this strategy is Xero's acquisition of Instafile, a cloud-based accounts preparation and tax filing solution that connects UK accountants, bookkeepers and small businesses to UK compliance bodies (including HMRC). Instafile links directly to underlying Xero data to allow preparation and filing of Corporation Tax returns together with statutory accounts. The acquisition is Xero's first since it secured US\$300 million capital in October via a convertible notes issue.

The acquisition price is a maximum of GBP £5.25 million paid over three years, based in part on the achievement of certain performance targets. The acquisition is expected to be completed in December 2018.

This acquisition, coupled with Xero's market-ready Making Tax Digital for VAT offering, recently announced at Xerocon London, will provide valuable direct tax filing functionality to accountants and small businesses in the UK.

In addition, Xero is now registered with the UK Financial Conduct Authority as an Account Information Services Provider, enabling it to take advantage of the UK open banking regime. Together with the Xero bank feeds API, this development positions Xero to round out its bank feed coverage with the UK's 'CMA 9' big banks.

Xero CEO Steve Vamos commented: "The headroom for Xero's growth in the UK is very exciting and the initiatives we've announced will enable Xero's accounting and bookkeeping partners to efficiently file tax returns and free up time to focus on providing advisory services to their small business customers."

Xero Managing Director, UK & EMEA Gary Turner commented: "The acquisition of Instafile will connect the 'last mile' between the Xero platform in the UK and HMRC for accountants and bookkeepers. Tax filing functionality has driven significant Xero partner market penetration in Australia and New Zealand, and we anticipate a similar boost in the UK given our sizeable addressable market."

These initiatives were announced this week at Xero's annual UK and Europe Xerocon event, attended by more than 3,000 accountants, bookkeepers and ecosystem partners. For full details of product developments announced at Xerocon see [here](#).

About Instafile

Founded in 2016, Instafile is a London based startup that provides cloud-based accounts and tax production for Xero. Instafile has created a remarkably easy and fast experience for accountants for

filing statutory accounts and tax returns with Companies House and HMRC. Instafire delivers an end-to-end single ledger experience in Xero using the Xero API.

About Xero

Born in the cloud, Xero is a beautiful, easy-to-use platform for small businesses and their advisors. The company has 1.6 million subscribers in over 180 countries and a thriving ecosystem seamlessly integrating with 700+ apps. On the inaugural 2018 Financial Times FT1000 High-Growth Companies Asia Pacific list, Xero was the fastest growing tech company in the \$200 million+ segment. Xero won the Small Business Accounting, Practitioners' Choice Award at 2018 Accounting Excellence Software Awards in the UK and was rated by Canstar Blue as Australia's best accounting software in four consecutive years, 2015-2018.

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