

## Fractal Labs Ltd – £2.5m Award

### Key Achievements to Date

- Fractal's Open Banking payment APIs powered the first payment to HMRC. This was executed by an untied customer (sole trader) in the untied app ([Link](#)).
- Fractal launched an instant payments app with QR-code based revenue collection and released an MVP of the smart invoice functionality helping SMEs stay on top of their cashflow.
- Fractal's Open Banking payment APIs powers payment requests with built-in reporting ready for Making Tax Digital.
- Fractal rebranded to tomato pay thus launching an SME-first brand focussed around community.
- untied's first end-to-end app recognised by HMRC for MTD for Income Tax and first tax returns for 2020/21 were submitted using untied.
- untied launched COVID support tax hub to help ensure users report this compliantly.
- Strengthened leadership teams within both Fractal and untied with strong, recognisable names from the SME banking and payments industries.

### Assessment Period 3 (March 1<sup>st</sup>, 2021 – May 31<sup>st</sup>, 2021)

**COMMITMENT 1 – Continue to strengthen the wider SME-focused financial ecosystem and the economy.**

**To focus impact on 4.4m sole traders which have been among the most vulnerable during the covid-19 pandemic by giving them access to easy-to-use tools and opportunities that have previously only been available to larger businesses, by December 2020**

**To integrate SMART services with partners for distribution and support including giving accountants and advisors access to data in order to better serve their clients by July 2021**

We are broadly on track to deliver this commitment. We will be launching with a tier one financial institution by July 2021 and have either signed agreements or gone live with other SME focused platforms to start seeding the SMART solution in the market.

**COMMITMENT 2 – Substantially improve the financial health and viability of SMEs in the UK.**

**Deploy new revenue, cost and cash management tools in the market:**

- **Launch the core SMART proposition by December 2020 including 1) invoicing, 2) tax calculation and filing, and 3) data aggregation and cashflow forecasting**
- **Scale availability and usage via partners to 250,000 SMEs and 18,720 SMEs respectively by December 2022**

We are on track to deliver this commitment. Significant progress has been made on phase 1 of the SMART proposition, alongside user interviews and feedback gathering in preparation for our launch of the solution with a tier one financial institution. Commercialisation efforts are taking longer than expected to plan but we believe that we will still be able to achieve the targeted numbers by Dec 2022.

**COMMITMENT 3 – Help SMEs to take control of their customer payment terms by providing them with powerful tools to help incentivise payment.**

**Develop and scale the SMART Revenue management proposition to include:**

- **Tax impact integration by May 2021**
- **Collection, invoicing tools and cash management tools by June 2021**
- **Dynamic discounting by September 2021**
- **Initiate £70m of Open Banking (PIS) payments by December 2022**

We are broadly on track to deliver this commitment. Good progress has been made on invoicing and cash management tools. Delivery of the tax impact integration (planned for May 2021) has been deprioritised and delayed to Q1 2022 based on customer feedback. Customer feedback has indicated that other

features, such as for instance an accountant dashboard (which has just been launched), are more valuable in the short term than the tax impact integration feature.

**COMMITMENT 4 – Distribute a simple, scalable and affordable method for SMEs to anticipate, prepare and submit tax.**

**Develop and scale the SMART Cost (tax) management proposition to include:**

- **Open Banking-driven personal income tax management and optimisation with a focus on sole traders and with support for other income sources. Integration with HMRC via self-assessment and Making Tax Digital. Built-in submission of personal income tax filings at launch by December 2020**
- **Third party tax calculator APIs allowing banks and others to integrate tax by December 2020**
- **Submit 25,000 tax returns by December 2022**

We are on track to deliver this commitment and untied continues to work closely with HMRC's Making Tax Digital for Income Tax Self Assessment programme.

**COMMITMENT 5 – Deliver best-in-class SME financial forecasts.**

**To develop and scale the SMART cash management proposition to include:**

- **Advanced cashflow tools offering data aggregation, tax and insights by March 2021**
- **Support 18,720 SMEs in aggregating accounts by December 2022**

We are on track to deliver this commitment. There has been good progress on our data aggregation and data models. Advanced cashflow tools offering data aggregation, tax and insights was delivered in March 2021 as planned.

**COMMITMENT 6 – Commit to promoting diversity and jobs nationally**

- **This initiative commits to creating 22 jobs across software development, product management, data science, partnerships and sales by December 2022**
- **Empower underrepresented groups with exceptional employment opportunities targeting 50% diversity with 50% of these positions outside London, by December 2022**
- **At least 10 paid internships will also be available to support mentoring and training young talent to succeed in the tech world**

We are on track to deliver this commitment. Over the past period, Fractal and untied have hired 5 new staff across areas like engineering, marketing and customer success, taking the total number of jobs created to 17 (40% of which are outside London) since the beginning of the project. Across both teams, 32% are women and 9 nationalities are represented. Due to Covid restrictions, all staff are currently working remotely.

**COMMITMENT 7 – Co-investment**

**Fractal and untied will boost the delivery of SMART (created using C&I funding) by adding £1 from our own finances to every £1 received from BCR**

We are on track to deliver this commitment and will be increasing co-investment in the second half of the year. In this period, the combined team contributed 33% of the total spend, and Fractal contributed to 46% of its spend.