

## Fractal Labs (t/a tomato pay) (E) – £5m Award

### Public Commitments Update – Q2 2023

#### Key Achievements to Date

- untied is live with Barclays supporting sole traders for the UK January 2023 tax season.
- tomato pay secured a partnership with Spire Technologies in the middle east to address SMEs in the Kingdom of Bahrain and the Kingdom of Saudi Arabia which will benefit UK SMEs.
- tomato pay reconfigured its infrastructure to be cloud partner agnostic thereby opening up new opportunities to configure the platform with a wider set of go-to-market partners, and in turn, market to more UK SMEs.
- untied has deployed SA800 partnership return filing capability over API for third parties to use to file to HMRC.
- untied has deployed a web-based and API-accessible TIN checker, allowing digital platforms to verify the national insurance number, date of birth and name of those earning on them; this is also useful for financial institutions.
- untied has deployed API-driven and secure bulk registration for HMRC agent services.

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

- **Develop and scale the SMART proposition 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**
- **Aiming to initiate £70m of Open Banking (PIS) payments by December 2024**

We are not on track with this commitment and have now revised our expectations for the remainder of this business case. Whilst most elements have been delivered successfully, the value of PIS payments is below target (see further details below).

The Tax impact integration module was launched in Q1 2022. Collection, invoicing tools and cash management tools were delivered successfully in June 2021. In Q4 2021, the dynamic discounting feature was launched successfully as per plan.

Economic headwinds coupled with limited marketing spend has seen a slowdown in total gross transaction value initiated via Open Banking (PIS) payments, which currently stands at just over £2.6m. Forecasts have been reduced for 2023 (£3m) and 2024 (£17m).

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

##### **Develop and scale 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**
- **Aiming to submit 25,000 tax returns by December 2024**

We have met this commitment save for the number of tax returns filed which will be missed due to HMRC's challenges around MTD outside our control.

SMART was launched in December 2020 including Open Banking driven personal tax management for sole traders, the integration with HMRC and built-in submission of personal income tax filings. The third-party tax calculator APIs were also launched in December 2020.

SMART has met its commitment in terms of integration. We have a partner using our APIs to file personal tax returns. We have also worked with accounting firm Armstrong Watson to launch tax4doctors.co.uk, a vertical-focused implementation of untied with particular focus on the needs of doctors. This went live at the end of December 2022 and has been approved by the MDU (Medical Defence Union) and Medics Money.

HMRC's Making Tax Digital programme was a major factor in the SMART tax capability. HMRC's challenges in this and other initiatives have led to high levels of uncertainty and delays of at least five years for the core audience we were building for. This means that SMART's tax return targets will be missed. There is now a much smaller commercial opportunity and much higher risk for developers.

**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% of these positions outside London, by December 2022**
- **At least 10 paid internships will also be available by December 2024 to support mentoring and training young talent to succeed in the tech world**

tomato pay and untied have created 23 jobs with 50% located outside of London, thereby meeting part of the commitment. Thus far, across the two businesses, 5 paid internships have been created, and therefore this part of commitment is on track.

**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 by December 2024.**

In period 11, £64k or 57% of total spend was co-investment. The remaining co-investment commitment of £815k is being sourced from revenue, strategic partnerships and external fundraising.