



PhonepayPlus 

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PHONEPAYPLUS LIMITED

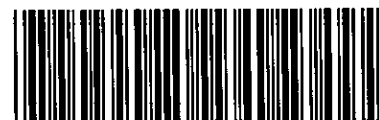
(Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2008

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INVESTOR IN PEOPLE

020 7940 7474 

020 7940 7456 

www.phonepayplus.org.uk 

Clove Building, 4 Maguire Street, London SE1 2NQ 

PHONEPAYPLUS LIMITED IS A NON-PROFIT MAKING COMPANY LIMITED BY GUARANTEE.
REGISTERED OFFICE: 4 MAGUIRE STREET, LONDON SE1 2NQ REGISTRATION NO. 2398515 ENGLAND

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Directors

Sir J A Graham
E Boddington
A Bud
R Chilton
D Clarke
N Higham
S Locke
S Nathan
M Short
M Tully

Company Secretary

B Lund

Registered Office

1st Floor
Clove Building
4 Maguire Street
London SE1 2NQ

Bankers

HSBC
20 Eastcheap
London EC3M 1ED

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

Solicitors

Bates, Wells & Braithwaite
Cheapside House
138 Cheapside
London EC2V 6BB

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 March 2008.

Principal Activity

The principal activity of the Company during the period was to supervise the code of practice relating to premium rate telephone services.

Results

The Company is non-profit making.

Review of the Business

PhonepayPlus Limited ("PhonepayPlus") is not subject to the reporting requirement to include a Business Review with our Director's Report. We believe, however, that it would be consistent with our commitment to transparency to summarise our plans, strategies, relationships, performance measures and the accounting implications of our funding model.

Our activities and market

We are a consumer protection body, formally designated by Ofcom to be the body responsible for regulating premium rate services in the UK. Ofcom defines the scope of regulation for "Controlled Premium Rate Services" and is responsible for approving our Code and annual budget.

The services we regulate are those paid for by a premium charge for content to a telephone account in some form. These services include television voting and competitions, mobile content services, charitable giving, directory enquiry and other help-line services. Our regulation is comprehensive and deals with marketing and issues of privacy as well as the content and operation of the services.

The UK market for premium rate services is estimated to be £1.0 billion annually. Since 2000 the market had grown four-fold, but as the result of consumer problems with participation television services, and a decline in the directory services area, the market has experienced a downturn over the last two years. However, figures for the second half of 2007/8 showed market growth after problems in the first half of the year.

Our philosophy and challenges and risks going forward

With the unveiling of our Three-year Strategic Plan on 15 October 2007, in conjunction with the launch of our new brand name, PhonepayPlus, we have committed to a programme of Pre-empt, Prevent, Protect. Our focus is based on anticipating new products, services and the issues around them, helping businesses understand and comply with our Code and educating and informing the public so they can make informed choices before using these services.

There are risks and consequences associated with the whole premium rate service market and its need for regulation. These risks include: the public losing trust in such 'paid for' services as a result of misconduct, adverse media coverage and that alternative payment mechanisms might develop which instead would be more attractive to the public and businesses.

From a regulatory perspective, new legislation or major technological developments could challenge the effectiveness of the current regime.

These issues are reviewed regularly. We have no reason to believe there will be huge changes in the use of the services regulated in the short term. By strengthening our Code (11th edition) we have reduced the risk of serious systemic difficulties. While we have continuing compliance issues to address, particularly in the mobile sector we believe the regulatory arrangements are on a sound footing. We are working closely with Government and Ofcom to ensure legislative change is informed by and reinforced by our principles of better regulation. This is the case with implementation of The Unfair Commercial Practices Directive and the EU Consumer Protection Co-operation Enforcement Regulations.

The future scope of our regulation is currently the subject of an Ofcom review that is likely to report its findings in 2008. We believe there is scope for further improving the effectiveness of regulation and for tuning its scope to ensure arrangements are coherent in a world of "convergence" in the communications sector. But we firmly believe regulation is still necessary and that the PhonepayPlus model has very considerable strengths.

Measuring performance

We measure performance regularly against five operational Key Performance Indicators agreed with Ofcom. These address the handling of traffic in our customer contact centre, complaint case management, general customer satisfaction and the administrative management of fines levies and sanctions imposed. We made additional commitments to openness and transparency in our Three-year Strategic Plan, in October 2007. We will report quarterly with actual market size data and PhonepayPlus data on expenditure and on fines imposed and recovered.

Our funding arrangements

We are a not-for-profit organisation. Our annual funding to provide regulatory services is pre-agreed with Ofcom every year.

Reserves

We do not generally accumulate reserves on any on-going basis. The two reserves we hold exist to:

- (a) deal with the circumstance in which a decision is taken to wind-up our operation: and
- (b) meet the cost of dealing with any exceptional market developments (spikes) that require us to gear-up operations on a temporary basis.

The winding up reserve has been reviewed to ensure that in the event of winding up, all costs will be covered. This review was then assessed by our auditors for appropriateness. The current level of financial reserves is deemed appropriate: there are no plans to supplement it in 2008/9. With Ofcom agreement we have made some use of these monies in 2007/8 to meet one-off preparation costs involved in assuming responsibility for regulation of services on 0871 numbers and the costs involved with PhonepayPlus rebranding in October 2007. PhonepayPlus reviews the ongoing need for this financial reserve and its appropriate required level.

Income

PhonepayPlus receives its main 'income' from a funding levy from industry. The balance of funding comes from fines and administrative charges and from interest accruing on monies we hold.

Funding levy

Our core funding source is the levy charged on premium rate service providers only. The levy is a charge on a percentage basis. The levy is collected (or withheld) by terminating networks from their out-payments to service providers.

The levy is a flat percentage charge on activity is currently 0.39% (2007/8 0.34%). The levy rate is set following consultation with Ofcom.

We seek each year to forecast the overall market based on confidential forecasts from each network on their expected business levels. Once we have a realistic market forecast we look at the other revenues available to us. The levy required is the percentage charge on the forecast market we calculate to be necessary to meet the difference between our funding requirement and the fine and other income we hold.

Levy is collected on a standing order/direct debit basis for established networks and paid quarterly in arrears based on actual turnover for a small number of new and small networks.

At the end of each year we review actual business compared with the original forecasts. If the overall market size exceeds forecasts PhonepayPlus will receive more levy than forecast - and more than should be necessary to meet forecast expenditure. If the overall market is below forecast and networks have paid more to us on-account than they should, based on actual activity, then PhonepayPlus has a duty to make any necessary refunds. This is because networks are acting in effect as a collection agency. They are not liable financially if their actual activity levels are below the level they forecast when the levy was originally set.

The extent to which we have a levy surplus or shortfall is one of the variables we must always address in planning activity and our levy requirements for the coming year. A serious shortfall could oblige us to revise our spending plans and/or increase the levy rate during the financial year. This has never happened. On the other hand an overly conservative approach to forecasting and levy-setting could result in excess income for re-distribution in the coming year or years.

We have the power to impose fines for non-compliance with our Code (11th edition) and also to charge administrative costs associated with handling complaint cases. We do not generally budget on the assumption fines and administrative charges will be required. All fines recovered are held and are used as a source of income in the year subsequent to the year of collection. The same approach is taken with the interest earned on all monies we hold. This income effectively reduces the amount of levy then required from industry to meet our funding requirement.

Our overall policy has been to maintain effective control on costs, maximise the recovery of fine and other monies and seek to avoid significant annual shift changes in the levy rate. The levy is obviously conditional on the size of the market to which it has to be applied. Our goal as stated in our Three-year Strategic Plan is to stabilise the funding levy rate and give those subject to our regulation certainty as to the level of deduction expected over the longer term. This also provides a broad measure of whether we are able to reduce the cost of regulation, year on year, in relation to the size of the market we regulate.

Administrative Charges

During the period, PhonepayPlus also received income from administrative charges levied on service providers found to be in breach of the code. These were the recovery of costs associated with handling the relevant complaint, on service providers found to be in breach of the code.

Our annual accounts

In 2007/8 we would point to:

Turnover, administrative expenses and the treatment of fine income – applying accounting standards we present fines levied as income in each year. The increase in 'turnover' for 2007/8 reflects the exceptional volume of fines imposed. These uncollected debts are classified as doubtful but we are pursuing significant sums with one party through the insolvency court.

As turnover can be read as a measure of activity and expenditure it is important to recognise this policy of accounting for fines levied. Our 2007/8 administrative overheads were approximately £4.5 m (including £0.385m bad debt provision) and are in line with the precise budget agreed with Ofcom and a reduction in spending in real terms. The inclusion of variable and potentially very significant fines in turnover should be seen in this context.

Levy rate in 2007/8 – the levy rate set, following consultation with Ofcom, was 0.34%.

The net position on short-term creditors in 2007/8 accounts reflects the shifts seen in levy and/or refunds of levy owed.

Fines and administrative charge income – is up from 2006/7 levels. The total value of fines imposed was £2.0m. The fine recovery rate was exceptional at over 88% (2006/7 76%).

Long-term creditors – reflects the monies held in the repayable and contingency funds.

Future Developments

The Company will continue to operate in the above capacity during 2008-2009.

Directors

The Directors, who served during the period, all of whom are members of the PhonepayPlus Committee are as follows:

Sir J Graham	
S Amson	(resigned 30 April 2007)
E Boddington	
A Bud	
R Chilton	
D Clarke	
N Higham	
S Locke	
S Nathan	
E Stallibrass	(resigned 30 April 2007)
M Short	
M Tully	

Each current Director has undertaken to guarantee the liabilities of PhonepayPlus Limited to the extent of £1.

Company Secretary

P Whiteing resigned as Company Secretary on 13 June 2007 and B Lund was appointed as Company Secretary on that date.

Statement as to Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all the Company's directors.

Auditors

A resolution for the reappointment of Mazars LLP as auditors of the company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.



B Lund
Secretary

19 June 2008

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those Financial Statements the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Directors' Report is prepared in accordance with company law.

Independent auditors' report to the members of PhonepayPlus Limited

We have audited the financial statements of PhonepayPlus Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP

Chartered Accountants and Registered Auditors

Tower Bridge House

St Katharine's Way London E1W 1DD

19 June 2008

	Note	Year ended 31.3.2008 £	Year ended 31.3.2007 £
Turnover	1	4,304,130	3,789,133
Administrative expenses		(4,505,523)	(3,963,436)
Operating Loss	2	(201,393)	(174,303)
Interest receivable	5	247,121	228,517
Profit on Ordinary Activities before Taxation		45,728	54,214
Tax on profit on ordinary activities	6	(45,728)	(54,214)
Profit on Ordinary Activities after Taxation		-	-

All turnover is derived from continued operations.

The Company had no recognised gains or losses other than the result on ordinary activities after taxation stated above.

There is no material difference between the reported result for 2008 and 2007 and the result for those periods as restated on an historical cost basis.

The Accounting Policies and Notes on pages 12 to 18 form part of these Financial Statements.

PHONEPAYPLUS LIMITED

BALANCE SHEET
At 31 March 2008

	Note	2008	2007
		£	£
Tangible Fixed Assets	7	278,225	329,672
Investments	8	1	1
Current Assets			
Debtors	9	451,296	816,509
Cash at bank and in hand	10	4,666,272	4,718,617
		<u>5,117,568</u>	<u>5,535,126</u>
Creditors: due within one year	11	<u>(3,177,683)</u>	<u>(3,484,478)</u>
Net Current Assets		<u>1,939,885</u>	<u>2,050,648</u>
Total Assets less Current Liabilities		<u>2,218,111</u>	<u>2,380,321</u>
Creditors: amounts falling due after more than one year	12	<u>(2,218,111)</u>	<u>(2,380,321)</u>
		<u>-</u>	<u>-</u>
Reserves		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

Approved by the Board on 19 June 2008

R. Chilton



S Nathan

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) Directors
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The Accounting Policies and Notes on pages 12 to 18 form part of these Financial Statements.

PHONEPAYPLUS LIMITED**CASH FLOW STATEMENT**
Year ended 31 March 2008

	Note	Year ended 31.3.2008 £	Year ended 31.3.2007 £
Net Cash Inflow from Operating Activities	14	50,691	8,276
Returns on Investments and Servicing of Finance	15	247,121	228,517
Taxation		(45,728)	(45,973)
Capital Expenditure	15	(142,220)	(226,482)
Net Cash Inflow/(Outflow) before Financing		109,864	(35,662)
Financing	15	(162,209)	305,321
Increase/(Decrease) in Cash in the Year	16	(52,345)	269,659

The Accounting Policies and Notes on pages 12 to 18 form part of these Financial Statements.

Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

Turnover

Turnover represents amounts invoiced to third parties excluding VAT, as adjusted for "income received in advance" as described below.

Recognition of Income

Income received in respect of services provided to the Live Conversation Services Compensation Fund is on the basis of costs incurred so that PhonepayPlus Limited will recover full costs with no profit.

Income received from the Network Operators is on the basis of a levy on income from Premium Rate services. The levy is set at the beginning of each year, based on budgeted expenditure so as to reimburse PhonepayPlus Limited for costs incurred. Although the levy is collected from Network Operators, in most cases this will be charged onwards by them to the relevant service provider.

An adjustment is made at the year-end to reflect any difference between the income received and costs incurred during the year and the resulting balance is reflected in trade debtors or income received in advance, as appropriate.

Where a difference does arise between the level of income received from Network Operators and the costs incurred by PhonepayPlus Limited in any year, this is taken into account in setting the levy for the ensuing year so as to ensure that PhonepayPlus Limited continues to recover its costs.

Income received from fines and administrative charges levied is on the basis of invoices issued in the period.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Fixtures and fittings	- 7-5 years
Furniture	- 5 years
Office equipment	- 3-5 years
Computer equipment	- 3-5 years

Investments

The investment in the subsidiary company, IMCB Limited, is recorded at cost.

Taxation

Corporation tax is assessed on interest received at the current rate.

Pension Contributions

The Company operates a defined contribution pension scheme for some of its employees. The funds of the scheme are administered by Trustees and are separate from the Company. Contributions are paid by the Company and employees. The pension charge represents contributions payable by the Company for the period. The Company's liability is limited to the amounts of the contribution.

Leasing Commitments

Rentals paid under operating leases are charged to the Profit and Loss Account as incurred.

Group Financial Statements

The Company is exempt from the requirement to prepare group financial statements by virtue of Section 248 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not of its group.

1. Turnover

All of the turnover arose within the United Kingdom and was attributable to the following activities:

	2008	2007 (restated)
	£	£
Levy on premium rate telephone services	2,141,574	2,429,582
Administration of the live conversation services compensation fund	-	1,347
Administrative charges	106,457	165,445
Fines	1,987,250	1,101,250
IMCB – costs recharged	37,145	33,306
Credit charges to networks	-	4,813
Other	31,704	53,390
	<hr/>	<hr/>
	4,304,130	3,789,133
	<hr/>	<hr/>

2. Operating Loss

This loss (which is covered by interest receivable) is stated after charging:

Directors' remuneration	224,786	207,994
Auditors' remuneration	6,200	6,000
- audit services - current year	14,041	-
- other services	-	-
Depreciation	194,565	211,044
Profit on disposal of fixed assets	(898)	(2,553)
Operating lease rentals on - land and buildings	200,360	200,360
- other	-	-
	<hr/>	<hr/>

3. Staff Costs (including Directors)

Wages and salaries	1,933,436	2,007,200
Social security costs	204,411	186,047
Pension contributions	111,885	105,454
	<hr/>	<hr/>
	2,249,732	2,298,701
	<hr/>	<hr/>

PhonepayPlus operates a defined contribution pension scheme for its employees. The assets are held independently from those of the company. The total pension costs for the year amount to £111,885 (2007 - £105,454)

3. **Staff Costs** (including Directors)(continued)

Average number of employees during the period

		No.	No.
Committee	- part-time	10	12
Executive		58	58
Appeals body	- part-time	5	5
Adjudicator	- part-time	1	1
		—	—
		74	76
		—	—

Staff costs and staff numbers information include amounts relating to the Independent Appeals Body, members of which are employed by PhonepayPlus for administrative purposes only. This body acts entirely independently of the company. PhonepayPlus cannot exercise any influence over the decisions reached by that body.

4. **Directors' Remuneration**

	2008 £	2007 £
Aggregate emoluments	218,036	202,369
Company pension contributions	6,750	5,625
	<hr/>	<hr/>
	224,786	207,994
	<hr/>	<hr/>

Retirement benefits are accruing for one Director under a defined contribution arrangement (year ended 31 March 2007 – one).

Highest paid director		
Aggregate emoluments	48,485	38,823
Company pension contributions	6,750	5,625
	<hr/>	<hr/>
	55,235	44,448
	<hr/>	<hr/>

5. **Interest Receivable**

Bank interest	247,027	228,491
Other interest	94	26
	<hr/>	<hr/>
	247,121	228,517
	<hr/>	<hr/>

6. Taxation

	2008 £	2007 £
Analysis of Charge in Year		
Current tax:		
UK corporation tax on profits of the year	45,728	54,214
	<hr/>	<hr/>
Tax on profit on ordinary activities	45,728	54,214
	<hr/>	<hr/>
Factors affecting tax charge for year		
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%) (period ended 31 March 2007 – 30%). The differences are explained below:		
Profit on ordinary activities before tax	45,728	54,214
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (period ended 31 March 2007 – 30%)	13,718	16,264
Effects of:		
Permanent differences	35,190	41,352
Rate differences	(3,180)	(3,402)
	<hr/>	<hr/>
Current tax charge for the year	45,728	54,214
	<hr/>	<hr/>

7. Tangible Fixed Assets

	Fixtures & fittings £	Furniture & Office equipment £	Computer equipment £	Total £
Cost				
At 1 April 2007	259,360	235,235	493,590	988,185
Additions	-	44,528	98,590	143,118
Disposals	-	(311)	(99,988)	(100,299)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	259,360	279,452	492,192	1,031,003
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation				
At 1 April 2007	152,928	199,487	306,098	658,513
Charge for the period	38,690	27,052	128,822	194,564
Disposals	-	(311)	(99,988)	(100,299)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	191,618	226,228	334,932	752,778
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 March 2008	67,742	53,224	157,260	278,225
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 April 2007	106,432	35,748	187,492	329,672
	<hr/>	<hr/>	<hr/>	<hr/>

PHONEPAYPLUS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
8. Investments

	2008 £	2007 £
Investments in Group Companies	1	1

The Company owns 100% of the issued share capital of IMCB Limited, a Company registered in England and operating as a Mobile Content Regulator.

9. Debtors

	2008 £	2007 £
Trade debtors	289,856	613,955
Amounts due from group undertakings	10,926	516
Other debtors and prepayments	150,514	177,404
Other tax and social security costs	-	24,634
	<u>451,296</u>	<u>816,509</u>

10. Cash at Bank and in Hand

Current accounts	16,433	2,528
Deposit accounts	4,649,839	4,716,089
	<u>4,666,272</u>	<u>4,718,617</u>

11. Creditors: amounts falling due within one year

Trade creditors	148,573	608,876
Other tax and social security costs	125,150	-
Income received in advance	2,786,790	2,583,762
Corporation tax payable	45,729	54,214
Other creditors	3,943	1,903
Pension	13,487	9,882
Accruals and deferred income	54,011	225,841
	<u>3,177,683</u>	<u>3,484,478</u>

12. Creditors: amounts falling due after more than one year

Contingency Creditor	1,995,000	1,995,000
Repayable Reserve Fund	223,111	385,321
	<u>2,218,111</u>	<u>2,380,321</u>

13. Obligations under Operating Leases

The minimum lease payments to which the Company is committed under non-cancellable operating leases for the coming year are:

	2008	2007
Land and Buildings		
On leases expiring		
Between two and five years	200,360	200,360
	<hr/>	<hr/>
	200,360	200,360
	<hr/>	<hr/>

14. Reconciliation of Operating Loss to Operating Cash Flows

	2008	2007
	£	£
Operating Loss	(201,393)	(174,303)
Depreciation Charge	194,564	211,044
Decrease in Debtors	365,213	1,572,382
(Decrease) in Creditors	(306,795)	(1,598,294)
Profit on Disposal of Fixed Assets	(898)	(2,553)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	50,691	8,276
	<hr/>	<hr/>

15. Analysis of Cash Flow for headings netted in the Cash Flow Statement**Returns on Investments and Servicing of Finance**

Interest received	247,121	228,517
	<hr/>	<hr/>

Net cash inflow for returns on Investments and Servicing of Finance

247,121	228,517
<hr/>	<hr/>

Capital Expenditure

Payments to Acquire Tangible Fixed Assets	(143,118)	(229,035)
Sale Proceeds on Disposal of Tangible Fixed Assets	898	2,553
	<hr/>	<hr/>

Net Cash Outflow for Capital Expenditure

(142,220)	(226,482)
<hr/>	<hr/>

Financing

Contingency Fund	(162,209)	305,321
	<hr/>	<hr/>

Net Cash Inflow/(Outflow) from Financing

(162,209)	305,321
<hr/>	<hr/>

16. Analysis of Net Funds

	1 April 2007	Cash flows	31 March 2008
	£	£	£
Cash at Bank	4,718,617	(52,345)	4,666,272
	<hr/>	<hr/>	<hr/>

17. Related Party Transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 – Related Parties Disclosure available to subsidiaries which are more than 90% controlled by the parent company not to disclose transactions with other group companies.

A Bud, a director of the Company is also a Director of Mblox Limited.

During the year PhonepayPlus invoiced Mblox Limited, on its normal terms, for fines and administrative charges of £42,367 (2007: £62,375). The outstanding amount at 31 March 2008 was £2,670.

PHONEPAYPLUS LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2008

	Year ended 31 March 2008	Year ended 31 March 2007
	£	£
Turnover	4,304,130	3,789,133
Interest receivable	247,121	228,517
	<hr/>	<hr/>
	4,551,252	4,017,650
Administrative Expenses		
Staff and Related Costs	2,570,559	2,439,880
Events	61,438	74,358
External Professional Services	391,807	334,167
Research	84,512	80,511
Overheads	728,478	231,053
Premises	333,446	293,854
Printing	33,098	55,804
Telecoms	75,616	78,333
Website	32,904	166,984
Depreciation	194,564	211,044
Misc	(898)	(2,553)
	<hr/>	<hr/>
	4,505,524	3,963,436
	<hr/>	<hr/>
Profit before Taxation	45,728	54,214
Corporation Tax	(45,728)	(54,214)
	<hr/>	<hr/>
Profit after Taxation	-	-
	<hr/>	<hr/>

The Detailed Profit and Loss Account does not form part of the Financial Statements