

**PHONEPAYPLUS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

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**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**COMPANY INFORMATION**

<b>Directors</b>	A Pinder CBE (resigned 31 August 2015) H Griffiths (resigned 31 December 2015) H Webber (resigned 31 December 2015) P Hinchliffe R Sawtell S Ricketts J Porter K Brown A Cook (appointed 1 January 2016) D Edmonds CBE (appointed 1 September 2015)
<b>Registered number</b>	02398515
<b>Registered office</b>	25th Floor 40 Bank Street Canary Wharf London E14 5NR
<b>Independent auditors</b>	Price Bailey LLP Chartered Accountants & Statutory Auditors Dashwood House 69 Old Broad Street London EC2M 1QS
<b>Bankers</b>	HSBC 1 Bishopsgate London EC2N 4BQ  Barclays PO Box 23966 Edinburgh EH3 1BF
<b>Solicitors</b>	Fieldfisher LLP 2 Swan Lane London EC4R 3TT
<b>Country of incorporation</b>	United Kingdom

**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

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**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Introduction**

The directors present their Strategic Report for the year ended 31 March 2016.

The principal activity of the Company during the year was to apply and enforce the Company's Code of Practice relating to premium rate telephone services (the Code). The Code is approved by Ofcom under the Communications Act 2003 (the Act).

**Business review**

**Our activities and market**

We are a consumer protection and enforcement body, formally designated by Ofcom (in accordance with the Act), to be the body responsible for regulating (Controlled) Premium Rate Services (PRS) in the UK. Ofcom is responsible for approving our Code, and we work with them under a Memorandum of Understanding drawn up and agreed on a voluntary basis. We consult with Ofcom and other stakeholders about our annual business plan and budget needed to support our regulatory activities.

The PRS we regulate are services that provide content or a facility paid for through a charge made to a telephone account in some form. These include charitable giving, directory enquiries, television voting and competitions, games, apps, online competition services, helpline services and a range of other digital content. Our regulation is comprehensive and deals with the pricing, promotion, content and operation of these services, together with issues of privacy.

**Our strategic approach and key achievements**

Our vision is for anyone to be able to use PRS with absolute confidence in a healthy and innovative market.

Our mission is to achieve our vision and be a world-class regulator by:

- Putting the consumer at the heart of everything we do through providing effective regulation, information and assistance;
- Understanding the market in which we operate and how it is evolving, so that we can take early, proportionate and targeted action where needed to prevent consumer harm;
- Working with providers to build a healthy market with high standards of compliance;
- Having a Code of Practice, approved by Ofcom, that is cutting edge in protecting consumers while also supporting innovation in a fast-changing digital landscape;
- Applying our Code in a way that is impartial, fair, transparent, effective and proportionate;
- Working with Government, other regulators, industry, consumer bodies and international partners on matters within our remit and expertise.

**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**STRATEGIC REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

We have a current three year Strategic Plan to deliver this mission, which runs from 2014-17. Headline achievements in 2015-16 include:

- Launching and implementing a 13th Code of Practice, in time to meet Ofcom's changes to non-geographic call services in July 2015;
- Reviewing Part 4 of this Code, leading to a complete overhaul of our investigations, adjudication and sanctions procedures and a revision of the Code to be implemented in 2016/17;
- Significantly developing a collaborative approach to regulation, through increased engagement and partnership with industry stakeholders;
- Increasing our market insight, through initiatives such as the Annual Market Review, a discussion paper on vulnerable consumers, and commissioned research into consumer interaction with PRS;
- Enhancing our market intelligence capabilities alongside development of collaborative approaches to sharing information and resolving identified issues;
- Improving consumer education, both in terms of using PRS and how to resolve complaints;
- Developing permanent exemptions from certain requirements of the Code made available as part of our app store pilot, through which major platforms have implemented policies and controls to provide high levels of consumer protection;
- Making permanent exemptions from certain requirements of the Code made available as part of our app store pilot, through which major platforms have implemented policies and controls to provide high levels of consumer protection;
- Enhancing our leadership, management and staff capabilities through a comprehensive organisational development programme;
- Identifying and negotiating significant operating efficiencies, including relocation to new offices saving £0.5m over 8 years.

**Our funding arrangements**

We are a not for profit organisation, with a current funding model based around a levy imposed on the providers of PRS. The size of this levy is determined following an extensive consultation with all industry stakeholders, and for each forthcoming financial year ahead has three key components:

1. The Company operating budget, after netting off Registration Scheme fee income and bank account interest. Our budget is subject to approval by Ofcom, and must be deemed sufficient by them for us to be able to deliver the required statutory obligations. It is not based upon any assumption as to the level of fines to be recovered (see 3. Below), with all fine levels determined by independent Tribunals;
2. The estimated size of the market, as measured by payments by networks to service providers in respect of the provision of PRS;
3. The estimated amount of fines and administrative charges collected in the current year. We have the power to impose fines for non-compliance with the Code and also to charge administrative costs associated with investigating non-compliance. Our imposition of fines and administrative charges is evidence of our ongoing commitment to provide effective and proportionate regulation to the industry based on the 'polluter pays' principle. This income is used to offset the amount of levy required to be collected in the following year.

The levy is collected either monthly or annually from individual networks depending on the size of their share of the PRS market. The levy rate for the 2015/16 financial year was 0.6%, and has been set at 0.63% for 2016/17.

**Reserves**

We operate a detailed risk register to ensure we are able to clearly identify and, where possible, mitigate against potential risks. By definition the costs associated with these risks constitute extraordinary expenditure (including the unlikely circumstance in which a decision is taken to wind up our operation), and we hold accumulated reserves (retained surplus) of £2.4m to cover these risks.

**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**STRATEGIC REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**2015/16 accounts**

Our turnover for 2015/16 was £4.6m (2014/15 £5.0m), comprising mainly of the industry levy, registration scheme fees, fines and administrative charges (Note 3 to the financial statements).

The main reason for the turnover difference is due to a reduction in the amount of fines issued, which fell in 2015/16 to £1.2m (2014/15 £1.6m). For clarity:

- All fines imposed by the Tribunal are based solely on the merits of the case involved, and are determined wholly independently of the finances of the company;
- Fines are added to our turnover immediately they are imposed and without regard to the creditworthiness of the debtor. Where fines are successfully reduced on appeal, turnover is reduced accordingly;
- Appeals on going at the year-end are fully provided against (and are therefore not included within turnover). For 2015/16 a provision for £1.2m has been made (Note 17 to the financial statements);
- Where the provider is, or becomes, insolvent, or the fine is otherwise unable to be recovered, a bad debt expense is created. Bad debts written off and provided for in 2015/16 amounted to £0.4m in total (2014/15 £0.6m).

Expenses, excluding bad debts, in 2015/16 were £4.3m (2014/15 £4.5m) and are in line with the budget agreed with Ofcom.

The surplus for the year, after taxation, amounted to £NIL (2014/15 - £NIL).

**Principal risks and uncertainties**

We continue to monitor closely risks across all areas of the organisation, and to take mitigating action where necessary and possible. At the end of 2015/16, the areas of highest priority are to ensure:

- Our Code of Practice (and associated interventions) is able to deliver effective regulation of the PRS market and to increase compliance;
- We keep pace with a fast changing PRS market and regulatory landscape;
- We have a sustainable funding model, relevant and appropriate to the PRS market;
- Our internal operating processes allow for effective and efficient regulation.

We recognise that there is a degree of uncertainty around how the PRS market will develop in the future, but we remain optimistic that expected growth in the digital economy will generate significant opportunities for consumers as new premium rate services are introduced.

This report was approved by the board and signed on its behalf.

  
**D Edmonds CBE**  
Chair

Date: 17 August 2016

**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

The directors present their report and the financial statements for the year ended 31 March 2016.

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**Results and dividends**

The profit for the year, after taxation, amounted to £NIL (2015 - £NIL).

**Directors**

The directors who served during the year were:

A Pinder CBE (resigned 31 August 2015)  
H Griffiths (resigned 31 December 2015)  
H Webber (resigned 31 December 2015)  
P Hinchliffe  
R Sawtell  
S Ricketts  
J Porter  
K Brown  
A Cook (appointed 1 January 2016)  
D Edmonds CBE (appointed 1 September 2015)

**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

The auditors, Price Bailey LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. However the directors note that, as a classified Central Government body, the Company may be subject in 2016/17 to an order by HM Treasury under the Government Resources and Accounts Act. Should this occur, the Company will be required to be audited by the National Audit Office.

This report was approved by the board and signed on its behalf.



**J Porter**  
Director

Date: 11 August 2016



**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONEPAYPLUS LIMITED**

We have audited the financial statements of PhonepayPlus Limited for the year ended 31 March 2016, set out on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONEPAYPLUS LIMITED**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Vass (Senior Statutory Auditor)

for and on behalf of  
**Price Bailey LLP**

Chartered Accountants  
Statutory Auditors

Dashwood House  
69 Old Broad Street  
London  
EC2M 1QS

Date: 23rd September 2016

**PHONEPAYPLUS LIMITED**  
(A Company Limited by Guarantee)

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 £	2015 £
Turnover		4,602,947	5,044,505
Administration expenses		(4,279,334)	(4,514,102)
Bad debts		(356,463)	(563,476)
<b>Operating loss</b>		<b>(32,850)</b>	<b>(33,073)</b>
Interest receivable and similar income	8	41,063	44,140
Interest payable and similar charges	9	-	(2,239)
<b>Profit before tax</b>		<b>8,213</b>	<b>8,828</b>
Taxation on interest	10	(8,213)	(8,828)
<b>Profit after tax</b>		<b>-</b>	<b>-</b>
Retained surplus at the beginning of the year - as restated		2,375,038	2,375,038
		2,375,038	2,375,038
Profit for the year		-	-
<b>Retained surplus at the end of the year</b>		<b>2,375,038</b>	<b>2,375,038</b>

The notes on pages 11 to 23 form part of these financial statements.

**PHONEPAYPLUS LIMITED**  
(A Company Limited by Guarantee)  
REGISTERED NUMBER: 02398515

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	Note	2016 £	As restated 2015 £
<b>Fixed assets</b>			
Tangible assets	11	409,480	289,228
Investments	12	1	1
		<u>409,481</u>	<u>289,229</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	1,919,415	1,215,795
Cash at bank and in hand	14	4,377,391	3,900,307
		<u>6,296,806</u>	<u>5,116,102</u>
Creditors: amounts falling due within one year	15	(2,937,095)	(2,802,817)
<b>Net current assets</b>		<u>3,359,711</u>	<u>2,313,285</u>
<b>Total assets less current liabilities</b>		<u>3,769,192</u>	<u>2,602,514</u>
<b>Provisions for liabilities</b>			
Other provisions	17	(1,394,154)	(227,476)
		<u>(1,394,154)</u>	<u>(227,476)</u>
<b>Net assets</b>		<u><u>2,375,038</u></u>	<u><u>2,375,038</u></u>
<b>Capital and reserves</b>			
Retained surplus		<u>2,375,038</u>	<u>2,375,038</u>
		<u><u>2,375,038</u></u>	<u><u>2,375,038</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**J Porter**  
Director

Date: 11 August 2016

  
**D Edmonds CBE**  
Director

17 August 2016

The notes on pages 11 to 23 form part of these financial statements.

**PHONEPAYPLUS LIMITED**  
(A Company Limited by Guarantee)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	2016 £	2015 £
Profit for the financial year	-	-
<b>Adjustments for:</b>		
Depreciation of tangible assets	219,724	210,030
Loss on disposal of tangible assets	(1,290)	(1,633)
Interest paid	-	2,239
Interest received	(41,063)	(44,140)
Taxation	8,213	8,828
Increase in debtors	(703,621)	(176,285)
Increase in creditors	134,893	(1,512,513)
Increase in provisions	1,166,678	(78,082)
Corporation tax	(8,828)	(8,759)
<b>Net cash generated from operating activities</b>	<u>774,706</u>	<u>(1,600,315)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(341,108)	(68,207)
Sale of tangible fixed assets	2,423	2,724
Interest received	41,063	44,140
<b>Net cash from investing activities</b>	<u>(297,622)</u>	<u>(21,343)</u>
<b>Cash flows from financing activities</b>		
Interest paid	-	(2,239)
<b>Net cash used in financing activities</b>	<u>-</u>	<u>(2,239)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	477,084	(1,623,897)
Cash and cash equivalents at beginning of year	3,900,307	5,524,204
<b>Cash and cash equivalents at the end of year</b>	<u><u>4,377,391</u></u>	<u><u>3,900,307</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u>4,377,391</u>	<u>3,900,307</u>
	<u><u>4,377,391</u></u>	<u><u>3,900,307</u></u>

**PHONEPAYPLUS LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

PhonepayPlus Limited is a private company limited by guarantee incorporated in England. The address of the registered office is 40 Bank Street, London, E14 5NR. The nature of the company's operations are to apply and enforce the Company's Code of Practice relating to premium rate telephone services (the Code). The Code is approved by Ofcom under the Communications Act 2003 (the Act).

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 22.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

**PHONEPAYPLUS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. Accounting policies (continued)**

**1.2 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

**Recognition of income**

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.

An adjustment is made at the year end to reflect any differences 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 following year so as to ensure the PhonepayPlus Limited continues to recover its costs.

Income from fines and administrative charges is recognised as soon as the Tribunal orders them to be paid.

A provision is made in full where fines are in dispute.

**1.3 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**PHONEPAYPLUS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. Accounting policies (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Income and Retained Earnings.

**1.4 Operating leases: Lessee**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

**1.5 Valuation of investments**

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

**1.6 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**1.7 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**1.8 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.



**PHONEPAYPLUS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. Accounting policies (continued)**

**1.9 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**1.10 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

*The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.*

**1.11 Retained surplus / Contingency reserve**

The Company has allocated amounts collected from Network Operators to provide working capital funding for the Company and in particular to provide funding in the event of a sudden change in the nature and volume of activity of the Company. These amounts are included in the profit and loss reserve.

**1.12 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**1.13 Taxation**

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

**2. Judgements in applying accounting policies and key sources of estimation uncertainty**

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

PhonepayPlus Limited calculated the dilapidations provision on a basis of £30 per square foot. This is considered a reasonable accounting estimate.

**PHONEPAYPLUS LIMITED**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**3. Analysis of turnover**

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Levy	2,930,684	2,982,717
Administrative charges	188,064	193,379
Fines	1,243,000	1,593,000
Registration fees	240,699	261,079
Other	500	14,330
	<u>4,602,947</u>	<u>5,044,505</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	4,602,947	5,044,505
	<u>4,602,947</u>	<u>5,044,505</u>

**4. Operating loss**

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	219,724	210,029
Defined contribution pension cost	110,237	95,880
	<u>110,237</u>	<u>95,880</u>

**5. Auditors' remuneration**

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	8,160	6,800
	<u>8,160</u>	<u>6,800</u>

**PHONEPAYPLUS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**6. Employees**

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	2,064,516	1,995,740
Social security costs	199,774	189,246
Cost of defined contribution scheme	110,237	95,880
	<u>2,374,527</u>	<u>2,280,866</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Committee - part time	7	7
Executive	45	47
Appeals body - part time	4	4
Adjudicator - part time	1	1
Code Compliance Panel - part time	6	6
	<u>63</u>	<u>65</u>

Staff costs and staff numbers information include amounts relating to the Code Compliance Panels (CCP) and the Independent Appeals Body (IAB). All members of the CCP who are not also directors of the Company, and all of the IAB, are employed by the Company for administrative purposes only, and are otherwise independent of the Company.

The total of 63 (2015: 65) is made up of FTE employees and part-time office-holders (which includes board members).

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**7. Directors' remuneration**

	2016 £	As restated 2015 £
Directors' emoluments	276,284	254,406
Company contributions to defined contribution pension schemes	17,225	15,599
	<u>293,509</u>	<u>270,005</u>

During the year retirement benefits were accruing to 1 director (2015 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £125,144 (2015 - £103,802).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,225 (2015 - £13,792), and is included in the figure above.

The total accrued pension provision of the highest paid director at 31 March 2016 amounted to £1,423 (2015 - £NIL).

**8. Interest receivable**

	2016 £	2015 £
Other interest receivable	41,063	44,140
	<u>41,063</u>	<u>44,140</u>

**9. Interest payable and similar charges**

	2016 £	2015 £
Other interest payable	-	2,239
	<u>-</u>	<u>2,239</u>

**10. Taxation**

The tax payable is due on the bank interest received. PhonepayPlus Limited is a not-for-profit organisation therefore no tax arises on its other activities as any in year surplus, if it arises, is treated as deferred income.

	2016 £	2015 £
<b>Corporation tax</b>		
Taxation on interest	8,213	8,828
	<u>8,213</u>	<u>8,828</u>

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**10. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	8,213	8,828
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	1,643	1,766
<b>Effects of:</b>		
Other differences leading to an increase (decrease) in the tax charge	6,570	7,062
<b>Total tax charge for the year</b>	<b>8,213</b>	<b>8,828</b>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

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**11. Tangible fixed assets**

	Registration database £	Fixtures & Fittings £	Furniture & office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 April 2015	613,195	49,025	123,758	406,426	1,192,404
Additions	-	318,707	12,667	9,734	341,108
Disposals	-	(49,025)	(18,441)	(102,048)	(169,514)
At 31 March 2016	613,195	318,707	117,984	314,112	1,363,998
<b>Depreciation</b>					
At 1 April 2015	483,358	39,970	101,144	278,704	903,176
Charge owned for the period	122,640	25,169	17,180	54,735	219,724
Disposals	-	(48,958)	(17,375)	(102,048)	(168,381)
At 31 March 2016	605,998	16,181	100,949	231,391	954,519
<b>Net book value</b>					
At 31 March 2016	7,197	302,526	17,035	82,721	409,479
At 31 March 2015	129,837	9,055	22,614	127,722	289,228

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**12. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 April 2015 and 31 March 2016	1
<b>Net book value</b>	
At 31 March 2016	1
At 31 March 2015	1

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
IMCB Limited	United Kingdom	Ordinary	100 %	Dormant subsidiary

The aggregate of the share capital and reserves as at 31 March 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £
IMCB Limited	1
	1

**13. Debtors**

	2016 £	2015 £
Trade debtors	1,354,244	362,629
Other debtors	140,791	14,441
Prepayments and accrued income	424,380	838,725
	1,919,415	1,215,795

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**14. Cash and cash equivalents**

	2016 £	2015 £
Cash at bank and in hand	4,377,391	3,900,307
	<u>4,377,391</u>	<u>3,900,307</u>

**15. Creditors: Amounts falling due within one year**

	2016 £	2015 £
Trade creditors	143,273	281,943
Corporation tax	8,213	8,828
Taxation and social security	55,466	-
Other creditors	21,710	16,956
Accruals and deferred income	2,708,433	2,495,090
	<u>2,937,095</u>	<u>2,802,817</u>

**16. Financial instruments**

	2016 £	2015 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	1,495,035	377,070
	<u>1,495,035</u>	<u>377,070</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(732,681)	(621,031)
	<u>(732,681)</u>	<u>(621,031)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors. The company has net income attributable from financial assets that are debt instruments measured at amortised cost is £1,117,965 (2015: net expense of £259,824).

Financial liabilities measured at amortised cost comprise trade and other creditors and accruals. The company has net expense attributable from financial liabilities measured at amortised cost is £111,650 (2015: £55,510).



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**17. Provisions**

	Dilapidations provision £	Fine provision £	Total £
At 1 April 2015	191,941	35,535	227,476
Additions	199,344	1,209,510	1,408,854
Amount used	(206,641)	(35,535)	(242,176)
<b>At 31 March 2016</b>	<b>184,644</b>	<b>1,209,510</b>	<b>1,394,154</b>

**Dilapidations provision:**

The dilapidations provision reflects the expected cost of reinstating the premises occupied by the company, in line with relevant contractual terms.

**Fine provision:**

Our policy is to provide fully for fines that are under appeal.

**18. Prior year adjustments**

**Contingency reserve:**

The contingency reserve, as detailed in note 1.11, has been reclassified as reserves (retained surplus) from long term creditors to more accurately reflect the nature of the accumulated funds.

**Directors' emoluments:**

The emoluments of the acting CEO in 2015 have been reclassified to directors remuneration, as detailed in note 7, to reflect their position as a de facto director during the year.

**19. Pension commitments**

The company operates a defined contribution pension scheme. The funds of the scheme are administered by Trustees and are separate from the Company.

The pension cost charge represents contributions payable by the company to the fund and amounted to £110,237 (2015 - £92,745). At the year end the company owed £14,205 (2015 - £14,490).

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**20. Commitments under operating leases**

At 31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
<b>Land and Buildings</b>		
Not later than 1 year	123,096	90,411
Later than 1 year and not later than 5 years	878,197	-
Later than 5 years	431,679	-
<b>Total</b>	<u>1,432,972</u>	<u>90,411</u>
	2016 £	2015 £
<b>Other</b>		
Not later than 1 year	8,008	56,994
<b>Total</b>	<u>8,008</u>	<u>56,994</u>

Total operating lease payments made by PhonepayPlus Limited in 2016 were £210,389 (2015: £167,640).

**21. Related party transactions**

The companies of which certain directors are employees paid levies to the Company on the same basis as other members.

The directors of the company are considered key management personnel of PhonepayPlus Limited. See note 7 for remuneration details.

**22. First time adoption of FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.