

Registered number: 02398515

PHONE-PAID SERVICES AUTHORITY LIMITED
(FORMERLY PHONEPAYPLUS LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

COMPANY INFORMATION

Directors	D Edmonds CBE P Hinchliffe (resigned 31 December 2016) M Munn (appointed 1 January 2017) R Sawtell S Ricketts J Porter K Brown A Cook
Registered number	02398515
Registered Office	25th Floor 40 Bank Street Canary Wharf London E14 5NR
Independent Auditors	National Audit Office 157 - 197 Buckingham Palace Road Victoria London SW1W 9SP
Bankers	HSBC 1 Bishopsgate London EC2N 4BQ Aldermore 50 St Mary Axe London EC3A 8FR
Solicitors	Fieldfisher LLP 2 Swan Lane London EC4R 3TT

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

	Page
Strategic Report	1 - 7
Directors' Report	8 - 9
Independent Auditors' Report	10 - 11
Statement of Income and Retained Earnings	12
Statement of Financial Position	13
Statement of Cash Flows	14
Notes to the Financial Statements	15 - 30

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

The directors present their Strategic Report for the year ended 31 March 2017.

INTRODUCTION

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

During 2016/17 we refreshed our vision and mission, and confirmed our new strategic priorities.

Our vision is a healthy and innovative market in which consumers can charge content, goods and services to their phone bill with confidence.

Our mission is twofold:

- To protect consumers from harm in this market, including where necessary through robust enforcement of our Code of Practice;
- To further their interests through encouraging competition, innovation and growth in the market.

We seek to do this through:

- Providing clarity about the market for content, goods and services charged to a phone bill;
- Applying an outcomes-based Code of Practice;
- Delivering a balanced approach to regulation;
- Working in partnership with Government and other regulators;
- Delivering high standards of organisational support.

Our mission describes *what* we do as an organisation. Our agreed strategic priorities provide the emphasis as to *how* we want to deliver our mission:

- To deliver strong consumer protection through securing and maintaining high levels of compliance, in all areas of the market and for all consumer groups.
- To ensure our regulatory approach supports growth, stimulates competition and encourages market entry.
- To identify and procure appropriate resources to deliver all statutory responsibilities, and to do so with due regard for the financial impact on industry funders.
- To encourage and support two-way engagement with all stakeholders regularly and at all key moments.
- To develop all our staff so that they are highly motivated and fully aligned with our regulatory approach.
- To apply clear and robust processes and systems, and use these to demonstrate the validity of our decision making.

Review of 2016/17

During 2016/17 we significantly increased our day-to-day operational efficiency, and, under our Project 30 umbrella, focussed on a number of key strategic developments. Overall, we made strong progress in delivering our strategic priorities through each of our mission statement areas.

Providing clarity about the market for content, goods and services charged to a phone bill.

We handled around 471,000 contacts from consumers during the year, up 32% from 358,000 in 2015/16. We developed our communications at each point of contact consumers have with us, to help them better understand phone-paid services and be better equipped to use these services with confidence and seek redress when they encounter problems:

- We launched our new name (from PhonepayPlus) and accompanying strapline, and used this to realign how we communicate with consumers to emphasise the nature of our role as a regulator;
- We increased the automation of our contact handling, with around 92% of all contacts dealt with by an improved online experience (including the web complaint form and front-end development of Number Checker) or by our refreshed interactive voice response (IVR);
- We continued to record complaints as consumer dissatisfaction with a service, however expressed, and the volume of complaints increased to 34,000 in 2016/17 (up 13% from 30,000 in 2015/16). We focused on assessing those complaints received only after the consumer had engaged (or tried to engage) with the relevant service providers. This was both to ensure that providers were given an opportunity to provide customer care and redress where required to consumers before consumers engaged with the regulator, and to ensure that our limited resources were directed where they were most needed;
- Our consumer education work saw the development of new information videos, increased social media engagement and greater clarity provided through our website. Much of this work was informed by the consumer behaviour research we undertook at the end of 2015/16 and published in June 2016.

Our Project 30 focus in this area was to develop and begin implementing a clearly articulated consumer strategy, aimed squarely at delivering strong consumer protection. The intended outcomes were: prevention of harm in the first place; stopping harm from continuing once detected; and repairing harm when it has happened. The consumer facing elements we

developed or identified included:

- Engaging with leading consumer bodies to further understand how to create better informed consumers;
- Engaging directly with consumers primarily through the large-scale survey conducted as part of the Annual Market Review;
- Achieving a more detailed understanding of the perceived harm experienced by the consumer and the effectiveness of consumer care and redress, through new research into what happens to consumers after they complain;
- Work into refund mechanics, and how we can ensure consumers with valid claims are properly recompensed.

Applying an outcomes-based Code of Practice.

In July 2016 we launched Code 14 and its accompanying Supporting Procedures, following informal pre-consultation with industry and a full formal consultation and subsequent Ofcom approval of the Code.

The new Code strengthens our investigations and adjudicatory processes, and we held industry workshops to ensure the impact of this was fully understood.

We completed the recruitment of our new Code Adjudicatory Panel (CAP), adding market, operational, consumer and technical experience to the extensive scope of legal and adjudicatory expertise across panel members. Training for the CAP and the new Investigation Oversight Panel (IOP) was completed in time to allow the Code to be implemented ahead of schedule.

The implementation of Code 14 generated learning points coming from the Executive, the IOP and the CAP, and a full review was commissioned (for reporting in 2017/18) to ensure that implementation is meeting the objectives of the original Code Review.

During the year we supported industry to comply with the Code:

- We provided over 1,500 pieces of compliance advice;
- We issued new guidance on Vulnerable Consumers, Advice Services, Enabling Consumer Spend, and Digital Marketing and Promotion. In addition, as part of our ongoing review of all guidance, we started the process of reviewing Consent to Charge guidance.

Delivering a balanced approach to regulation.

The Project 30 work in this area was the development of our regulatory framework, with the aim of ensuring it supports growth, stimulates competition and encourages market entry. To this end we worked very closely with industry, including informal and formal consultation, to:

- Extend the use of special conditions and exemptions within the remit of the existing Code. We developed a risk assessment framework and special conditions for online competitions and online adult services, and sought to do so collaboratively alongside related industry initiatives, such as the MNO's Project Slimline;
- Develop greater clarity around the regulatory environment;
- Scope the possibility of achieving economies of scale and operating efficiencies through shared compliance monitoring.

The development of our regulatory framework is a key industry facing element of our consumer strategy, supporting both high levels of compliance and helping to create greater opportunities to prevent harm. Additional industry facing work that supports our consumer strategy included:

- Initiating a formal project to develop our ability to undertake horizon scanning of technological and market developments, with a view to identify potential harm or potential impacts on our regulatory framework earlier;
- Enhancing our own compliance monitoring capabilities, including deploying Sentinel (our cutting-edge tool for monitoring web advertisements), leading the way on detecting malware in apps, and knowledge sharing with commercial audit houses;
- Providing ongoing compliance support to operators through sharing relevant and authorised consumer complaint data;
- Consulting with MNOs on the possible options for a shared compliance monitoring function.

More broadly, all our ongoing policy work in 2016/17 was informed by:

- Our programme of formal and informal industry engagement, including the Industry Liaison Panel, Spring and Autumn industry forums, as well as regular meetings with trade bodies and individual service providers;
- Our research programme. During this year we disseminated and explored in more detail the consumer behaviour research undertaken for us by Craft, and commissioned follow-on research into the consumer complaint journey. We also once again commissioned our Annual Market Review, with an increased focus on consumer perceptions;
- Our continued analysis of a wide range of market issues, underpinned by the detailed intelligence we received from compliance monitoring;
- Information and patterns arising from complaint data, including valuable insights into consumer protection from all cases worked on, irrespective of whether they progress down an enforcement path or not.

In terms of enforcing compliance with our Code, we initially considered 605 substantive cases in 2016/17 (up 36% from 445 in 2015/16). Of these, 99 were subject to the enforcement procedures set out in the Code.

Other areas in which we enhanced our ability to deliver a balanced approach to regulation included:

- Initiating a stakeholder engagement survey, to create opportunities for constructive feedback from different stakeholders and setting a benchmark against which we are able to measure the impact of future actions;
- Scoping the development of the Registration system to ensure more accurate and comprehensive market data at service provider level, and to better support industry due diligence and risk control;
- Improving our data reporting, allowing for a greater demonstration of evidence behind our analysis of issues, and providing greater clarity of the market and our operating context. Alongside this we began to develop appropriate outcome measures, and continued to explore how we can link our data to that available from industry;
- Building our market understanding through developing our technological capabilities. We provided core telecoms and market training for all staff, improved our knowledge management systems, and clarified the use of expert witnesses within case investigations and presentation.

Working in partnership with Government and other regulators.

As part of our Project 30 work we aimed to identify where greater regulatory clarity may be possible and to build relationships to bring this about. In addition to our strong day-to-day stakeholder relationships with Ofcom and the Department for Culture, Media and Sport (DCMS), our work during the year in this area has included:

- Working closely with Ofcom to explore the definition of controlled premium rate services (CPRS), and therefore provide greater clarity on the extent of our remit;
- Supporting Ofcom's engagement with Trading Standards around the Primary Assured Advice they have given to industry regarding Consumer Contract Regulations;
- Providing legal clarity regarding e-money and how that relates to our regulatory remit.

In 2016/17 we have also worked on a range of other issues affecting our regulatory environment, including:

- Working with DCMS on the EU Regulatory Framework for electronic communications;
- Supporting DCMS in understanding how we approach Age Verification as part of their development of provisions which are now part of the Digital Economy Bill;
- Facilitating meetings on the revised EU Payment Services Directive (PSD2) with industry to help them coordinate a position to feed into HM Treasury's consultation and subsequent implementation by the Financial Conduct Authority (FCA). This followed our facilitation of HMT's presentation at the Industry Liaison Panel in May;
- Working with Ofcom and DCMS to ensure that the Investigatory Powers Bill did not impact adversely on our ability to investigate consumer harm;
- Clarifying our classification as a Central Government body through the development of a framework agreement with DCMS.

Delivering high standards of organisational support.

We initiated a Balanced Scorecard approach to evaluate our organisational performance, to ensure we remain focused on internal factors such as how we allocate resources, the processes we follow, and how we support our people. During 2016/17 key activity included:

- Implementing detailed financial controls, to ensure the real-term £500k savings identified in the 2016/17 budget were delivered;
- Developing our analysis of organisational risk, and ensuring we clearly identify sufficient reserves to underpin any mitigation;
- Investing in development at all levels within the organisation (including Board, Leadership Team, Management), and specifically as part of Project 30, completing our Cultural Shift programme for all staff. This investment enabled us to achieve a step-change in our overall efficiency, and, through identifying and embedding new values, realign our behaviour in line with our priorities. Our work in this area enabled us to achieve Investors in People Silver accreditation;
- Enhancing our approach to data capture and reporting, with increased CRM functionality allowing for clear audit trails to be established and maintained.

Our funding arrangements

We are a not for profit company, 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 its collection is based on the principle that each provider pays a fair proportion of the total levy required.

During the year we reviewed this funding model, to see if the collection principle could be better applied through a different model. Following consultation with each of our major funders, we agreed to maintain the current model, but remain open to exploring alternatives in the future.

The key elements in the calculation of the required levy are:

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 below), with all fine levels determined by independent Tribunals;
2. The estimated amount of **finances and administrative charges**, collected in the current year and unallocated from previous years. 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. This income is held as retained funds, and is currently used to offset the amount of levy required to be collected in subsequent years. For the period 2018/19 to 2020/21, we have indicated our intention to use accumulated fines and administrative charges to hold the amount of levy funding required to 2017/18 levels or lower.
3. The estimated **size of the market**, as measured by payments from networks to service providers in respect of the provision of PRS.

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 2016/17 financial year was 0.63%, and has been set at 0.44% for 2017/18.

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.

2016/17 accounts

Our turnover for 2016/17 was £5.7m (2015/16 £4.6m), comprising mainly of the industry levy, Registration scheme fees, fines and administrative charges (note 3 to the financial statements). This is after an adjustment at the year end to reflect any differences between income received and costs incurred during the year, with the resulting balance reflected in trade debtors or income received in advance as appropriate.

Of this turnover, **finances and administrative charges** increased in 2016/17 to £5.5m (2015/16 £1.4m). 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 as 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 2016/17 a provision of £NIL has been made (note 16 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 2016/17 amounted to £1.8m in total (2015/16 £0.4m).

Expenses, excluding bad debts, in 2016/17 were £4.0m (2015/16 £4.3m) and are in line with the budget agreed with Ofcom.

The surplus for the year, after taxation, amounted to £NIL (2015/16 - £NIL).

PRINCIPAL RISKS AND UNCERTAINTIES

We continue to monitor closely risks across all areas of the Company, and to take mitigating action where necessary and possible. At the end of 2016/17, our priority risk areas are identified as:


- Failure to identify current and future risks in the market and develop effective strategies to deal with them;
- Failure of the Code and associated interventions to deliver effective regulation of the market and increasing compliance, both in relation to providers based in the UK and providers based in EU member states other than the UK;
- Companies comply with the Code but this fails to address harm in the market;
- Material failure in the working relationship with regulatory stakeholders;
- Viability in an ever-changing market and regulatory landscape.

We recognise that there is a degree of uncertainty around how the PRS market will develop in the future, but we remain optimistic that our regulatory framework will continue to allow the development of a healthy and innovative market in which consumers can charge content, goods and services to their phone bill with confidence.

With specific reference to the potential impact of the UK leaving the EU, our view is that there are no specific measures or proposals currently planned that are likely to have a significant impact on the phone-paid services market. Our working hypothesis is that any changes are most likely to arise over time after the UK has left the EU.

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

D Edmonds CBE
Chair


10 October 2017

Date:

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Results and dividends

The profit for the year, after taxation, amounted to £NIL (2016- £NIL).

Directors

The directors who served during the year were:

P Hinchliffe (resigned 31 December 2016)
M Munn (appointed 1 January 2017)
R Sawtell
S Ricketts
J Porter
K Brown
A Cook
D Edmonds CBE

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.

Going concern

The directors consider the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Future developments

The directors expect the Company to continue in its role as the UK regulator for content, goods and services charged to a phone bill. To do so will include annual approval by Ofcom for its business plan and budget, as well as Ofcom approval for any new PSA Code of Practice (as and when such a new Code may be developed).

Auditors

The Comptroller and Auditor General was appointed auditor in 2016/17 by agreement.

For 2017/18 the directors expect that, as a classified Central Government body, the Company will be audited by the Comptroller and Auditor General arising from an order by HM Treasury under the Government Resources and Accounts Act.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

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



K Brown
Director

Date: **10.10.17**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHONE-PAID SERVICES AUTHORITY LIMITED

I have audited the financial statements of Phone-paid Services Authority Limited for the year ended 31 March 2017 which comprise the Statements of Income and Retained Earnings, Financial Position, Cash Flows and the related notes. 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'.

Respective responsibilities of the directors and the auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My 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 me and my staff to comply with the Auditing Practices Board'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 I read all the financial and non-financial information in the Strategic Report and 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its results for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the information given in the Strategic Report and 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 the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; 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
- I have not received all of the information and explanations I require for my audit.

Hilary Lower



Date:

16 October 2017

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2017

		2017 £	2016 £
	Note		
Turnover	3	5,713,796	4,602,946
Administrative expenses	Schedule to detailed P&L	(3,977,769)	(4,279,333)
Bad debts		<u>(1,759,828)</u>	<u>(356,463)</u>
Operating loss		(23,801)	(32,850)
Interest receivable and similar income	8	29,751	41,063
		<u> </u>	<u> </u>
Profit on ordinary activity before taxation		5,950	8,213
Taxation on interest	9	(5,950)	(8,213)
Profit on ordinary activity after taxation		<u> </u>	<u> </u>
Retained surplus at the beginning of the year		<u>2,375,038</u>	<u>2,375,038</u>
Profit for the year		<u> </u>	<u> </u>
Retained surplus at the end of the year		<u>2,375,038</u>	<u>2,375,038</u>

The notes on pages 15 to 30 form part of these financial statements

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

		2017 £	2016 £
	Note		
Fixed assets			
Tangible assets	10	418,615	409,480
Investments	11	<u>1</u>	<u>1</u>
		418,616	409,481
Current assets			
Debtors: amounts falling due within one year	12	1,845,146	1,919,414
Cash at bank and in hand	13	<u>6,439,300</u>	<u>4,377,391</u>
		8,284,446	6,296,805
Creditors: amounts falling due within one year	14	<u>(6,143,380)</u>	<u>(2,937,095)</u>
Net current assets		<u>2,141,066</u>	<u>3,359,710</u>
Total assets less current liabilities		<u>2,559,682</u>	<u>3,769,192</u>
Provisions for Liabilities			
Other provisions	16	<u>(184,644)</u>	<u>(1,394,154)</u>
		(184,644)	(1,394,154)
Net assets		<u><u>2,375,038</u></u>	<u><u>2,375,038</u></u>
Capital and reserves			
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:

K Brown
Director

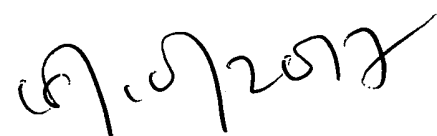


Date: 10.10.17

D Edmonds CBE
Director



Date:



The notes on pages 15 to 30 form part of these financial statements

Phone-paid Services Authority (formerly PhonepayPlus)
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

		2017 £	2016 £
	Note		
Profit for the financial year		-	-
Adjustments for:			
Depreciation of tangible assets	10	110,053	219,727
Profit / (loss) on disposal of tangible assets		264	(1,290)
Interest received	8	(29,751)	(41,063)
Taxation	9	5,950	8,213
(Increase) / decrease in debtors	12	74,268	(703,620)
Increase in creditors	14	3,208,548	134,895
Movement in provisions	16	(1,209,510)	1,166,678
Corporation tax	9	(8,213)	(8,828)
Net cash generated from operating activities		<u>2,151,609</u>	<u>774,711</u>
Cash flows from investing activities			
Purchase of tangible fixed assets	10	(119,187)	(341,112)
Sale of tangible fixed assets		(264)	2,423
Interest received	8	29,751	41,063
Net cash from investing activities		<u>(89,700)</u>	<u>(297,626)</u>
Cash flows from financing activities			
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		2,061,909	477,084
Cash and cash equivalents at beginning of year		4,377,391	3,900,307
Cash and cash equivalents at end of year		<u>6,439,300</u>	<u>4,377,391</u>
Cash and cash equivalents at end of year comprise:			
Cash at bank and in hand		<u>6,439,300</u>	<u>4,377,391</u>
		<u>6,439,300</u>	<u>4,377,391</u>

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

Phone-paid Services Authority 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 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

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. The following criteria must also be met before revenue is recognised:

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 Phone-paid Services Authority 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 accumulated fines and administrative charges (retained funds), as appropriate.

Where a difference does arise between the level of income received from network operators and the costs incurred by Phone-paid Services Authority Limited in any year, this is taken into account in setting the levy for the following year and taking into considering its reserves balance, so as to ensure Phone-Paid Services Authority Limited continues to recover its costs.

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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.

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.

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.

Depreciation is charged so as to allocate the costs 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.

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 six 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.

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 contract.

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 costs using the effective interest method.

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1.9 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.

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 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:

Phone-paid Services Authority Limited calculated the dilapidations provision on a basis of £30 per square foot. This is considered a reasonable accounting estimate.

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. Analysis of turnover

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

	2017	2016
	£	£
Levy	3,111,147	2,908,212
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	(3,169,876)	22,470
Administrative charges	290,602	188,064
Fines	5,240,000	1,243,000
Registration fees	241,073	240,699
Other	850	500
	<u>5,713,796</u>	<u>4,602,946</u>

Turnover is received only from within the UK

4. Operating loss

The operating loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	110,053	219,727
Operating lease payments	206,171	210,389
Defined contribution pension cost	116,021	110,236
	<u>432,245</u>	<u>540,353</u>

5. Auditors remuneration

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	16,380	8,160
	<u>16,380</u>	<u>8,160</u>

Analysis of audit fees:

	2017	2016
	£	£
National Audit Office	13,000	-
Price Bailey	3,275	7,922
Other	105	238
	<u>16,380</u>	<u>8,160</u>

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

6. Employees

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

	2017	2016
	£	£
Wages and salaries	2,125,785	2,064,514
Social security costs	204,092	199,776
Costs of defined contribution scheme	116,021	110,236
	<u>2,445,898</u>	<u>2,374,527</u>

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

	2017	2016
	No.	No.
Board	7	7
Staff	44	45
* Appeals body - part time	0	4
Adjudicator - part time	1	1
** Code Application Panel - part time	11	6
	<u>63</u>	<u>63</u>

* Discontinued under Code 14

**Code Compliance Panel, prior to Code 14 introduction on 12th July 2016

Staff costs and staff numbers information include amounts relating to the Code Application Panel (CAP) and the Independent Appeals Body (IAB). All members of the CAP are employed by the Company for administrative purposes only, and are otherwise independent of the Company.

The total of 63 (2016: 63) is made up of FTE employees and part-time office-holders (which includes Board members).

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

7. Directors remuneration

	2017	2016
	£	£
Directors emoluments	261,990	276,284
Company contributions to defined contribution pension schemes	<u>17,366</u>	<u>17,225</u>
	<u><u>279,356</u></u>	<u><u>293,509</u></u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £124,310 (2016 - £125,144).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,366 (2016 - £17,225).

The total accrued pension provision of the highest paid director at 31 March 17 amounted to £1,455 (2016 - £1,423).

8. Interest receivable

	2017	2016
	£	£
Other interest receivable	<u>29,751</u>	<u>41,063</u>
	<u><u>29,751</u></u>	<u><u>41,063</u></u>

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

9. Taxation

The tax payable is due on the bank interest received. Phone-paid Services Authority 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.

	2017 £	2016 £
Corporation tax		
Taxation on interest	5,950	8,213
Taxation on interest	<u>5,950</u>	<u>8,213</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>5,950</u>	<u>8,213</u>

	2017 £	2016 £
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	1,190	1,643

Effects of:

Other differences leading to an increase (decrease) in the tax charge	4,760	6,570
Total tax charge for the year	<u>5,950</u>	<u>8,213</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

10. Tangible fixed assets

	Registration database £	Fixtures & Fittings £	Furniture & office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2016	613,195	318,707	117,985	314,112	1,364,000
Additions	80,000	-	15,179	24,008	119,187
Disposals	-	-	(9,619)	-	(9,619)
At 31 March 2017	<u>693,195</u>	<u>318,707</u>	<u>123,545</u>	<u>338,121</u>	<u>1,473,568</u>
Depreciation					
At 1 April 2016	605,998	16,181	100,948	231,393	954,519
Charge owned for the period	8,531	39,838	6,908	54,776	110,053
Disposals	-	-	(9,619)	-	(9,619)
At 31 March 2017	<u>614,528</u>	<u>56,019</u>	<u>98,237</u>	<u>286,169</u>	<u>1,054,953</u>
Net book value					
At 31 March 2017	<u>78,666</u>	<u>262,688</u>	<u>25,308</u>	<u>51,952</u>	<u>418,615</u>
At 31 March 2016	<u>7,197</u>	<u>302,526</u>	<u>17,037</u>	<u>82,720</u>	<u>409,480</u>

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2016 and 31 March 2017	1
Net book value	
At 31 March 2017	<u>1</u>
At 31 March 2016	<u>1</u>

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 at 31 March 2017 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	<u>1</u>

12. Debtors

	2017 £	2016 £
Trade debtors	1,566,403	1,354,245
Other debtors	140,382	140,790
Prepayments and accrued income	<u>138,361</u>	<u>424,380</u>
	<u>1,845,146</u>	<u>1,919,414</u>

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

13. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	6,439,300	4,377,391
	<u>6,439,300</u>	<u>4,377,391</u>

14. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Trade creditors	152,047	143,273
Corporation tax	5,950	8,213
Taxation and social security	60,221	55,465
Other creditors	13,981	21,709
Accumulated fines & administrative charges (retained funds)	5,223,310	2,053,434
Accruals and deferred income	687,872	655,002
	<u>6,143,380</u>	<u>2,937,095</u>

	2017	2016
	£	£
Accumulated fines & administrative charges (retained funds)		
Opening balance	2,053,434	2,075,904
Fines and administrative charges collected	3,681,948	1,031,437
Amount utilised during year to offset levy	(512,072)	(1,053,907)
Balance available to offset future levy requirements	<u>5,223,310</u>	<u>2,053,434</u>

15. Financial instruments

	2017	2016
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,706,785	1,495,035
	<u>1,706,785</u>	<u>1,495,035</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(763,965)	(732,680)
	<u>(763,965)</u>	<u>(732,680)</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 £211,750 (2016: £1,117,964).

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 £31,286 (2016: £111,649).

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

16. Provisions

	Dilapidations provision £	Fine provision £	Total £
At 1 April 2016	184,644	1,209,510	1,394,154
Additions	-	-	-
Amounts used	-	(1,209,510)	(1,209,510)
At 31 March 2017	<u><u>184,644</u></u>	<u><u>-</u></u>	<u><u>184,644</u></u>

Dilapidations provision:

The dilapidations provision reflects the expected cost of reinstating the premises occupied by the company, in line with relevant contractual terms. The lease expires in December 2022 and a provision has been made at £36 per square foot. The need for a provision is ongoing until the end of the lease.

Fines provision:

Our policy is to provide fully for fines that are expected to be reviewed in the subsequent financial year.

17. Prior year adjustments

There are no prior year adjustments

18. 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 £116,021 (2016: £110,236). At the year end the Company owed £13,326 (2016: £14,205).

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

19. Commitments under operating leases

At 31 March 2017 the Company had future minimum lease payments under non-cancelling operating leases as follows:

	2017 £	2016 £
Land and Buildings		
Not later than 1 year	138,947	123,096
Later than 1 year and not later than 5 years	985,442	878,197
Later than 5 years	185,487	431,679
Total	<u>1,309,876</u>	<u>1,432,972</u>

The sole lease held is for business premises at 25th Floor, 40 Bank Street E14 5NR

	2017 £	2016 £
Other		
Not later than 1 year	-	8,008
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
Total	<u>-</u>	<u>8,008</u>

Total operating lease payments made by the Company in 2016 were £153,870 (2016: £210,389).

20. 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 the Company. See note 7 for remuneration details.

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	2016 £
Turnover	<u>5,713,796</u>	<u>4,602,946</u>
Less: overheads		
Administration expenses	<u>(5,737,597)</u>	<u>(4,635,796)</u>
Operating loss	(23,801)	(32,850)
Interest receivable	29,751	41,063
Taxation on profit on ordinary activities	(5,950)	(8,213)
Profit for the year	<u>-</u>	<u>-</u>

Phone-paid Services Authority (formerly PhonepayPlus)
(A Company Limited by Guarantee)

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2017

Turnover

	2017	2016
	£	£
Levy	3,111,147	2,908,212
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	(3,169,876)	22,470
Fines	5,240,000	1,243,000
Registration fees	241,073	240,699
Administrative charges	290,602	188,064
Other	850	500
	<u>5,713,796</u>	<u>4,602,946</u>

Administrative expenses

	2017	2016
	£	£
Staff costs (excl. CAP fee recovery)	2,637,061	2,634,539
Policy, external relations and communications	165,236	199,819
Legal fees	81,545	90,625
IT system costs	371,040	340,754
Telecoms charges	70,985	79,208
Premises costs	419,706	603,824
Finance and governance	44,181	27,151
Overheads	77,699	84,975
Depreciation	110,317	218,437
	<u>3,977,769</u>	<u>4,279,333</u>

Bad debts

	2017	2016
	£	£
Bad debts	1,759,828	356,463
	<u>1,759,828</u>	<u>356,463</u>

Interest receivable

	2017	2016
	£	£
Bank interest receivable	29,751	41,063
	<u>29,751</u>	<u>41,063</u>