

# **PHONE-PAID SERVICES AUTHORITY LIMITED**

Company number 02398515

## **ANNUAL REPORT AND ACCOUNTS 2021-22**

# **PHONE-PAID SERVICES AUTHORITY LIMITED**

Company number 02398515

## **ANNUAL REPORT AND ACCOUNTS 2021-22**

Presented to Parliament pursuant to Article 6(2)(b) of the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009 (SI 2009/476)

Ordered by the House of Commons to be printed on 12th December 2022



© Phone-paid Services Authority copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/official-documents](https://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at [enquiries@psauthority.org.uk](mailto:enquiries@psauthority.org.uk)

ISBN 978-1-5286-3745-9

E02810940 12/22

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

## COMPANY INFORMATION

<b>Directors</b>	D Edmonds CBE M Munn J Porter A Cook (resigned 31 December 2021) M Thomson W Palmer
<b>Registered number</b>	02398515
<b>Registered Office</b>	Ofcom Riverside House 2a Southwark Bridge Road London SE1 9HA
<b>Statutory Auditor</b>	Comptroller and Auditor General National Audit Office 157 - 197 Buckingham Palace Road Victoria London SW1W 9SP
<b>Bankers</b>	HSBC 1 Bishopsgate London EC2N 4BQ
<b>Solicitors</b>	Fieldfisher LLP 2 Swan Lane London EC4R 3TT

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

**CONTENTS**

	Page
Strategic Report	7 - 17
Directors Report	18 - 20
The Certificate and Report of the Comptroller and Auditor General	21 - 25
Statement of Income and Retained Earnings	26
Statement of Financial Position	27
Statement of Cash Flows	28
Notes to the Financial Statements	29 - 41

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022**

The directors present their Strategic Report for the year ended 31 March 2022.

### **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 the UK regulator for content, goods and services charged to a phone bill. We act in the interests of consumers.

Phone-paid services are the goods and services that can be bought by charging the cost to the phone bill or pre-pay account. They include charity donations by text, music streaming, broadcast competitions, directory enquiries, voting on TV talent shows and in-app purchases. In law, phone-paid services are referred to as premium rate services (PRS).

We are a non-profit making company limited by guarantee. We carry out the day to day regulation of phone-paid services in the UK, primarily through our Code of Practice approved under the Communications Act 2003. Ofcom defines the scope of our regulatory remit and also approves our annual Business Plan and Budget to ensure we are sufficiently resourced to carry out our functions.

We are a designated public body and, as such, an arms-length body of the Department for Digital, Culture, Media and Sport (DCMS). We are audited by the National Audit Office.

#### **Our strategic approach**

We build consumer trust in phone-paid services and ensure they are well-served through supporting a healthy market that is innovative and competitive. We do this by:

#### **Establishing regulatory standards for the phone-paid services industry**

We set standards to ensure that consumers who charge a purchase to their phone-bill do so knowingly and willingly and receive good customer service.

These standards are designed to ensure all consumers have a similar positive experience of phone-paid services, including consumers who may be considered vulnerable.

Our standards are clearly set out in our Code of Practice. They deliver the necessary technical and operational protections in the market and are aligned with consumer expectations, including those based on experiences with other payment mechanisms. We evolve these standards in response to industry best practice, advances in technology, risk, and consumer behaviour and expectations.

The Code standards are supported by guidance, free compliance advice, and examples of best practice.

### **Verifying and supervising organisations and services operating in the market**

Consumers should be able to trust that they are dealing with genuine service providers. We require all organisations operating in the phone-paid services market to register comprehensive details about themselves and the services they provide.

We support consumers to access this information easily, helping them to have sufficient details to be able to resolve any individual issues.

We require all parties in the phone-paid services industry to check the credentials and behaviour of who they work with, and to have systems in place to identify and deal quickly with issues affecting consumers.

We work with networks and intermediaries to ensure they meet our requirements around due diligence, risk assessment and control. We do this by actively monitoring and regularly auditing for compliance with the Code.

### **Gathering intelligence about consumers, the market and individual services**

We invest in research and our expert monitoring capabilities to improve our understanding of market trends, consumer behaviour, experience and expectations, and use this to inform and enforce the standards we set.

We continually receive and assess information about individual services, including complaints. We engage directly with consumers to understand the issues they are raising, we undertake detailed monitoring of individual services, and we ask service providers for further information when necessary.

We actively monitor the wider market to identify potential consumer harm, address issues early and share information.

### **Engaging closely with all stakeholders**

We engage with all stakeholders – consumers, industry, government and other regulators, and the media – to inform and facilitate our regulatory approach.

We support industry to understand what our regulatory approach means for them in practice. This support is driven by our desire for consumers to be able to access services that they want, in a market that competes on price, product innovation, quality and customer service.

We work to identify and remedy any instances where our approach may unnecessarily hinder consumers who knowingly and willingly want to charge a purchase to their phone bill from doing so.

We promote consumer choice by enabling credible organisations to enter the market with ease and by creating the conditions where providers can innovate safely and invest with confidence.

We communicate with consumers to improve understanding and awareness of phone payment, and the various ways consumers can charge content, goods, or services to their phone bill.

We work with Ofcom, DCMS and other regulators to ensure that consumer interests are best served through a co-ordinated approach to regulation.

### **Enforcing our Code of Practice**

Where apparent breaches of the Code are committed, we investigate and enforce where appropriate in the most efficient and effective way possible. We aim to eliminate sharp practices, negligent behaviour and the deliberate use of phone payment as a mechanic to exploit consumers.

We ensure we are fair and proportionate, with enforcement delivered through the appropriate means. We will always be transparent in our decision-making, and our approach to investigations and sanctioning, including fines and ordering consumer redress, is detailed in the Supporting Procedures to the Code of Practice.

Where our remit and sanctions are unable to wholly or partially hold to account those providers causing consumer harm, we will refer them to the relevant enforcement authorities.

### **Delivering organisational excellence**

As a regulator, we are committed to acting in a transparent, accountable, proportionate, consistent, and targeted manner in everything we do. We uphold high standards in our governance, legal, finance, human resources, information systems, and customer service functions.

### **Review of 2021/2022**

As we set out to achieve in our Business Plan for 2021/22, we delivered on two main fronts during the year:

- we developed a new Code of Practice, designed to best serve consumer interests in a mature market
- we continued to enhance our existing regulatory effectiveness, through applying Code 14 in ways that successfully reduced the levels of consumer harm.

We continued to work productively throughout the pandemic, successfully adapting to changes in working practices for our staff and utilising technology – particularly with regard to engagement activity – to best effect.

In terms of context for our activities in 2021/22, the assumptions that we made at the start of the year have proven to be broadly accurate. Drawing on our Annual Market Review, financial returns from Network Operators, and our own consumer data, we know:

- the market has been predominantly digital services consumed via mobile phones (whether charged for through Operator Billing or PSMS), which in turn has been heavily dominated (around 90%) by major brands providing high-quality services with clear consumer demand – Apple, Google, Microsoft, Sony, Spotify, Global, Bauer, ITV, BBC Children In Need, Comic Relief.
- no major new phone-paid products emerged during the year
- voice services continued to decline (to around 14% of consumer revenues), although this decline has not been as steep as expected during the year and the anticipated residual consumer demand for some voice services has remained

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

- the levels of consumer engagement have been high, with over half the UK adult population estimated to use a phone-paid service at least once during a year. This engagement remained consistently driven by the “fit” of the service with use of a mobile device, convenience, impulse purchasing, and price.
- the market has become healthier and more compliant, with complaint volumes driven down and non-compliant behaviour increasingly deterred. However, as expected, we also needed to deal with providers during the year who either continued to try to deliberately exploit consumers or inadvertently acted non-compliantly.
- despite falling complaints, around 25% of consumers still claimed to continue to experience issues in the market (whether the service was compliant with the Code or otherwise).

Outlined below is an overview of the work we delivered, against each of our strategic purpose areas:

### **Establishing regulatory standards for the phone-paid services industry**

We issued the consultation document and draft of Code 15 in April as per our stated timetable and provided a three-month consultation window to enable comprehensive responses from all interested parties. A total of 45 responses were received.

The consultation document and draft Code set out the clear expectations we have for all parties in the phone-paid services market, and the new standards and supporting requirements that we wish to put in place to ensure these expectations are met.

As intended, the key elements of the new Code that we consulted on were:

- setting standards in place of outcomes – providing industry with greater clarity, easier implementation, and retained space to innovate to the benefit of consumers
- significantly increasing our capability to prevent harm in the first place through:
  - enhanced verification – introducing the right barriers to market entry that allow for legitimate innovation and builds confidence by deterring ‘fly by night’ providers who have no interest in the sustainability of the market
  - supervision – working with networks and aggregators to build in compliance and best practice to stop harm developing in the first place
- streamlining enforcement – building in new efficient processes to resolve issues as quickly and easily as possible
- enhancing information gathering powers and industry conduct and co-operation – delivering a step change in provider behaviour.

We considered all responses received, and as a consequence made changes, including in respect of:

- providing greater clarification around some of the requirements set out under individual Standards
- the ‘SKIP’ function for charity donations (omitted in error)
- our approach to subscription services, removing the requirement for an annual re-opt-in process.

The Statement in response to the consultation was published on 20 October 2021. Formal approval of the Code was given by Ofcom at the same time and the Code will come into effect as planned on 5 April 2022.

With specific regard to regulatory standards, the Code 15 implementation work included:

- developing and consulting on our revised guidance on aspects of Code 15
- confirming the practical steps needed to keep the high-level standards and their underlying requirements up to date
- identifying the processes by which we can reach agreement with providers on bespoke regulatory approaches, such that they are able to clearly demonstrate that their alternative means of meeting standards and requirements offers equivalent levels of consumer protection.

During the year we also continued to work in the consumer interest through delivering Code 14 as efficiently and effectively as possible. Work in this area included:

- exploring the potential for a new Code exemption to foster innovation in the provision of local authority services to consumers
- continuing to provide a wide range of compliance advice both on general Code enquiries as well as on areas of complexity or innovation.

### **Verifying and supervising organisations and services operating in the market**

The implementation of enhanced verification and supervision under Code 15 focussed on achieving the desired shift towards preventing consumer harm from happening in the first place, rather than trying to deal with harm after it has happened, including:

- giving clarity to all providers as to the additional Registration information required
- updating and developing our Registration system in line with the new Code
- working with networks and aggregators to help them understand clearly their due diligence, risk assessment and control responsibilities, the checks we expect them to undertake and the process of notification we will require
- working with all industry stakeholders to develop an open and co-operative approach to supervision, with a focus on
  - designing compliance monitoring and audit processes, and how they will be applied in practice
  - how supervisory relationships with providers will be developed to jointly identify and mitigate potential risks and issues
  - determining what data needs to be regularly reported and with what frequency.

During the year under Code 14, verification through the existing Registration process included:

- continuing to offer resources to support organisations to provide complete and accurate information
- reviewing and dealing with incomplete registration information on a prioritised exception basis
- engaging with industry through working groups and workshops.

### **Gathering intelligence about the market and individual services**

During 2021/22 we continued to build and maintain an accurate understanding of the phone-paid services market and the consumer experience within it through:

- engaging closely with our Consumer Panel, and harnessing the valuable consumer insights they provide
- commissioning our Annual Market Review, and using it to analyse changes both in market size and consumer engagement with phone-paid services
- harnessing intelligence available from other sources, e.g. mobile network operators (MNOs) and the compliance houses they work with.

At the same time, we further developed our approach for gathering intelligence about individual services through:

- enhanced and targeted monitoring, based on risk assessment and initial intelligence provided primarily through consumers reporting issues to us
- maximising the use of automated channels, enabling resources to be prioritised for monitoring as above. During the year, 99% of contacts were handled through either the Service checker, our website, or information on our telephone Interactive Voice Response (IVR)
- incorporating intelligence from consumer interest groups.

Under Code 15 we will have the capability to direct providers to comply with thematic reviews (based on evidence and proportionality), but in the meantime we continued to enhance our market-wide monitoring processes to deliver greater intelligence on broader systemic issues. During the year, work in this area included:

- developing automated monitoring of emerging channels such as TikTok
- augmenting our automated monitoring capabilities with greater monitoring of the consumer service experience in particular areas of the market, such as Facebook and Instagram
- further investment in the technical capabilities of our staff and the technological resources available for their use
- identifying and considering the potential impacts of longer-term changes in service types and service delivery in the market.

### **Engaging closely with all stakeholders**

During the consultation stage of Code 15 we communicated extensively with all stakeholders to help them to understand the proposals as best as possible:

- for consumers this included easy to digest summaries, webinars, Consumer Panel input, digital campaigns to inform consumers better, and other targeted communications
- for industry this included additional explanatory content behind Code detail, formal set pieces (webinars, forum, Industry Liaison Panel meetings), individual stakeholder meetings, targeted communications to solicit engagement, and other broader communications.

The outcome of this level of engagement included:

- 45 stakeholder responses
- overall support for the strategic shift underpinning the new Code
- over 100 specific and detailed comments in relation to our proposed Code.

Subsequent to the consultation stage and ahead of Code 15 coming into force in April 2022, we used this implementation period to ensure stakeholders are clear on how their regulatory requirements may change and when:

- for consumers this included preparing for communications post the launch of the Code, including summaries of the published Code, development of the PSA website content, and other targeted communications outlining what they can expect from this new regulatory approach
- for industry this included tailored content to support specific changes in requirements and/or processes, implementation meetings and webinars, development of the PSA website content, and other broader media communications.

In addition to engagement specifically around Code 15, during the year we continued to build consumer confidence in phone-paid services through:

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

- exploring all opportunities to manage expectations and understanding around our role as a regulator, providing greater clarity as to the processes available to individuals that will allow them to get their complaints resolved
- reviewing the impact of our refreshed consumer education programme and making adjustments to improve this programme within the resources available
- engaging constructively with media opportunities to support and inform consumers around their positive use of phone-paid services and how to deal with issues in the market
- reviewing the broader impact of our work around the protection of vulnerable consumers, and ensuring the action plan has been effectively delivered including through Code 15
- building insights not just from our own Consumer Panel but also with those consumer representative bodies we have established effective working relationships with.

We continued to work closely with industry stakeholders in 2021/22 to also ensure that under Code 14 we were still able to address issues of non-compliance quickly and effectively and tackle market-wide issues as they arose. Engagement with industry during the year included:

- ensuring that all our messaging is clear and consistent, and that we proactively address any instances where this is not being achieved
- consistently applying our approach to making the data we hold available to industry, including
  - the publication of aggregated data
  - sharing non-personal data with individual providers
  - ensuring clarity about the legal basis under which any personal data is shared with individual providers
- embedding further the stakeholder engagement approach we put in place during 2020/21, ensuring that relationships are deepened to fully support our current and proposed regulatory approaches, and that we have a better understanding of stakeholder plans for the phone-paid services market and the challenges they face
- managing regular informal contact with individual organisations outside of any stakeholder management processes
- delivering structured industry-wide set pieces online:
  - industry forum
  - workshops in support of wider industry understanding of our regulatory remit, investigations and enforcement processes, and any specific policy developments
  - Industry Liaison Panel, with ongoing review of its Terms of Reference and membership to ensure its effectiveness as the body to discuss and promote positive market-wide actions.

Our work with government and regulatory partners continued to be collaborative and effective during the year, and included:

- working very closely with Ofcom on the development, approval and implementation of Code 15
- drawing on the experience of other regulators to develop Code 15, including the Financial Conduct Authority, the Payment Services Regulator, the Advertising Standards Authority, the Information Commissioner's Office, the Fundraising Regulator and the Gambling Commission
- ensuring that the best overall regulatory outcome for consumers is achieved, e.g., through making referrals to other enforcement bodies, such as the Insolvency Service and Information Commissioners Office, where it is clear their regulatory remit is likely to be more effective

- ongoing liaison with Ofcom and DCMS on a range of policy issues, including exploring options around the regulation of information connection & signposting services (ICSS) and assessing the impact of the eCommerce Directive Statutory Instrument. Work with Ofcom and DCMS also continued to consider the longer-term regulation of phone-paid services
- engaging with the Department for Business, Energy and Industrial Strategy on their work on reforming competition and consumer policy
- working specifically with DCMS on meeting our obligations as a governmental arms-length body.

### **Enforcing our Code of Practice**

With Code 15 not entering into force until April 2022, we continued to enforce Code 14 through maximising the impact of the limited resources we have available, including:

- continuously reviewing our enforcement strategy, ensuring that our approach is fully aligned with our regulatory priorities and is able to address key issues as they arise in the market
- ensuring our published enforcement prioritisation criteria enable us to remain as flexible as possible in being able to target our resources towards those allocated cases that will deliver the most effective impacts for consumers. Our resource capacity enabled us to work on around the 100 most serious cases, whether Track 1, Track 2 or post-adjudicatory procedures
- reviewing the efficiency and timeliness of each investigation, recognising the differing case by case circumstances and the ongoing need to ensure we remain fair and proportionate in our approach
- developing the efficacy of the Code Adjudication Panel through holding training forums and moving Tribunal hearings online
- managing Oral hearings and legal challenges professionally through a balance of in-house expertise and external counsel
- investing in the further development of our investigations and enforcement staff and empowering them to be able to operate with confidence in an established legal framework
- implementing our commitment to a legally exhaustive debt recovery process of unpaid fines and admin charges, so that those adjudicated against fully understand that we will always chase down all outstanding debts over a significant period of time.

Code 15 streamlines our enforcement processes and provides for greater opportunities to fix problems of non-compliance earlier and without resorting to sanctions. Our implementation work during the year included:

- identifying and articulating all relevant processes, and setting them out in the Procedures to the Code
- delivering industry webinars to support the understanding of these processes
- improving the practical application of interim processes, so that where consumer harm does happen it is addressed as early as possible.

### **Delivering organisational excellence**

As anticipated, the implementation of Code 15 identified a degree of organisational change necessary to deliver a strategic shift in regulation, both in existing approaches and new requirements – most notably in the areas of supervision and enhanced verification. Following a rigorous assessment in Q4 of staffing resources needed to deliver Code 15 we identified an overall reduced headcount going into 2022/23.

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

We successfully delivered our strategic purpose, business plans and operations for 2021/22 while continuously adapting to the impact of the Covid-19 pandemic. In doing so we learned significantly from our own experiences and those of other organisations, and arrived at a carefully considered model of working that is driven by business needs and the optimisation of staff engagement, productivity, and effectiveness.

We continued during the year to assess the impact of changes to our overall ways of working, including with regard to office requirements.

We continued to ensure our regulatory work is fully supported through high quality governance, legal, finance, business systems, human resource and communications functions. In 2021/22 this included:

- developing our operating frameworks to ensure documented processes are in place for all of our key functions, and that all staff have a clear understanding of how to define the risks involved and how to mitigate them
- refining our core governance structure and administration, and managing Board and Code Adjudication Panel succession planning
- further developing our balanced scorecard approach to considering overall organisational effectiveness, including a review of underlying qualitative and quantitative measures to ensure operating efficiencies continue to be identified and pursued
- delivering robust and professional legal oversight of commercial, HR, policy and enforcement decision making and providing clear internal guidance on the interpretation of the law (including data protection), public sector and other regulatory rules, Code and Supporting Procedures
- maximising the security of our processes around the storage, management, retention and dissemination of legal and investigative intelligence
- investing in further digital transformation, and enhancing the collation and dissemination of timely and accurate management information
- continuing to prioritise cyber security, including ensuring our system penetration testing now includes home networks and the technological impacts of remote working
- ensuring our core systems – including Registration, website and CRM – maximise their usability, accessibility, security and value for money. During the year we successfully brought the software development of our website and its programmatic interfaces in-house for greater efficiency and effectiveness
- investing in our staff to continue to achieve a high level of performance, through:
  - developing new ways to best understand levels of staff engagement
  - improving further our approach to equality, diversity and inclusion
  - reviewing our organisational values and behaviours framework in line with Code 15.

### **Our funding arrangements**

We are a not-for-profit company, funded primarily through a levy imposed on the providers of PRS.

Our budget is subject to an annual consultation exercise with industry, and is subject to approval by Ofcom. In considering their approval, Ofcom satisfies itself that the PSA budget is sufficient for us to be able to deliver the required statutory obligations.

The industry levy is set so as to recover this budget, after netting off Registration Scheme fee income and bank account interest. The recovery model is set so as Network Operators collect on our behalf a fair proportion of the levy, based on their financial share of the market, as measured by the outpayments each Network Operator makes to service providers.

Income is also received through the collection of fines and administrative charges, which may be imposed by independent Tribunals for non-compliance with the Code. This imposition of fines and administrative charges is evidence of our ongoing commitment to provide effective and proportionate regulation to the industry.

In the first instance any collected fines are allocated to PSA's retained surplus (see below), but in exceptional circumstances may be utilised in different ways, including redistribution back to Network Operators.

### 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 at the end of 2021/22 we hold accumulated reserves (retained surplus) of £2.4m to cover these risks.

### 2021/22 accounts

Our turnover for 2021/22 was £8.4m (2020/21 £7.1m), comprising mainly of the industry levy, Registration fees, fines and administrative charges (note 3 to the financial statements).

Of this turnover, fines and administrative charges in 2021/22 were £4.4m (2020/21 £3.7m).  
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 recognised as 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;
- 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 2021/22 amounted to £3.6m in total (2020/21 £3.7m).

Expenses, excluding bad debts, in 2021/22 were £4.1m (2020/21 £4.2m) and are in line with the budget agreed with Ofcom.

The surplus for the year, after taxation, amounted to £0.8m (2020/21 – £0.8m loss).

## **PRINCIPAL RISKS AND UNCERTAINTIES**

We have publicly announced that we are in the process of transferring regulatory responsibility to Ofcom. This work is expected to take most, if not all, of the 2023/24 year, and is subject to further DCMS approval. From the point of transfer, the PSA would cease to operate as an independent body.

We continue to use a detailed Risk Register to monitor closely risks across all areas of the Company, and this includes the risks associated with the above transfer. We identify and take mitigating action where necessary and possible, and our approach is supported through the use of a Balanced Scorecard, with relevant measurement indicators, to assess overall Company performance. This

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

allows us to consider not just the financial performance of the Company, and the associated risks, but also performance and risks in terms of our staff, our stakeholders, our processes and our regulatory effectiveness.

Arising from this overall approach to risk management, our priority risk areas for the 2022/23 year are identified as:

- We do not deal with operational issues in phone-paid services market
- The sanctions we have at our disposal are not effective enough to deter bad actors in the market
- The Code is unable to address consumer harm (i.e. because behaviour causing harm is deemed compliant)
- Material failure in the working relationship with government stakeholders, most notably Ofcom and DCMS
- Our viability in the regulatory landscape is undermined if the proposed transfer of regulatory responsibility to Ofcom does not go ahead.

We have considered in detail the impact of the Covid-19 pandemic, and our assessment is that while there remain additional operational and market risks, we continue to be well placed to mitigate these risks:

- The impact on our operations in 2021/22 was low, with minimal disruption to the delivery of our business plan, and we expect this to continue into 2022/23. There was no requirement to access government funding, nor any additional expenditure arising due to the pandemic
- Our planning is well-advanced to manage future changes in our ways of working, including any changes to the provision of office space and how we accommodate changed staff expectations
- In terms of the phone-paid services market, the longer-term macro- economic effects remain difficult to discern, but indicators such as our Annual Market Review suggest that market revenues will remain broadly stable.

We remain optimistic that for the 2022/23 year ahead, our regulatory framework, particularly through the delivery of a new Code of Practice, will continue to allow the building of consumer trust in phone-paid services and ensure they are well-served through supporting a healthy market that is innovative and competitive. We also believe that the interests of consumers will be further enhanced in the longer-term through the proposed transfer of regulatory responsibility to Ofcom.

Our funding model, alongside our assessment of the market, means that the Company has minimal exposure to financial risks such as those arising around income, credit or cash flow.

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

**D Edmonds CBE**  
Chair

Date: 30th November 2022

## **DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2022**

The directors present their report and the financial statements for the year ended 31 March 2022.

### **Results and dividends**

The surplus for the year, after taxation, amounted to £0.8m (2021 – £0.8m loss).

### **Directors**

The directors who served during the year and up to the date of this report were:

A Cook (resigned 31 December 2021)  
D Edmonds CBE  
M Munn  
J Porter  
M Thomson  
W Palmer

### **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 and the date the accounts were authorised for issue.

### **Future developments**

The directors' responsibilities have always included being mindful of how the phone-paid services market could be best regulated in the long-term. Recent work on the introduction of a new Code of Practice has allowed the directors to:

- reflect upon the current state of the market
- consider where potential issues may arise in the future
- and consider the resources likely to be needed to deal with them.

In conjunction with Ofcom, the directors have concluded that future regulation of an industry increasingly dominated by larger players would be better served by an organisation with the capacity and breadth of Ofcom rather than a free-standing body. As a consequence, on the 24th of May 2022 PSA and Ofcom announced the intention for regulatory responsibility for phone-paid services to be transferred to Ofcom.

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

The transfer is not planned to happen until April 2024 and PSA will continue to deliver its regulatory remit in the meantime. The transfer remains subject to industry consultation and government approval.

### **Going concern**

Consequential to the announcement in May 2022, there is a material uncertainty that PSA will continue as a going concern in the future.

Notwithstanding this announcement, PSA has prepared accounts on a going concern basis for the year ended 31 March 2022 for the following reasons:

- the levy funding arrangements for PSA remains unchanged during the period up until transfer
- the retained surplus at the end of 2022 is £2.4m and financial projections for the year to March 2023 indicate this will be added to through the net collection of fines.

The directors view these funds as essential and sufficient to mitigate organisational risk, including any levy income downturn.

However it is the intention of the Directors that should the transfer be successfully completed, they will resolve to voluntarily wind up PSA Ltd at the point of transfer.

### **Auditors**

Phone-paid Services Authority Limited is included in the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2017, creating a statutory requirement for the Comptroller and Auditor General to be the external auditor.

### **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.

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

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.

**M Thomson**  
Director

Date: 30th November 2022

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF PHONE-PAID SERVICES AUTHORITY LIMITED AND HOUSES OF PARLIAMENT

### OPINION ON FINANCIAL STATEMENTS

I certify that I have audited the financial statements of Phone-paid Services Authority Limited (PSA) for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements which comprise the Phone-paid Services Authority Limited's:

- Statements of Financial Position as at 31 March 2022;
- Statement of Income and Retained Earnings, and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the Phone-paid Services Authority Limited's affairs as at 31 March 2022 and its surplus 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 of the Companies Act 2006.

### OPINION ON REGULARITY

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### BASIS FOR OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and *Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Phone-paid Services Authority Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **MATERIAL UNCERTAINTY RELATING TO GOING CONCERN**

I draw attention to Note 2 in the financial statements, which indicates that Phone-paid Services Authority Limited and Ofcom have announced the intention for regulatory responsibility for phone-paid services to be transferred to Ofcom. This transfer is not planned to happen until April 2024 and is subject to industry consultation and approval. Should the transfer go ahead, the Directors' intention is to voluntarily wind up the company. The funding arrangements for Phone-paid Services Authority Limited remain unchanged during the period up to transfer. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern in the future. I have not modified my opinion in respect of this matter.

In auditing the financial statements, I have concluded that the Phone-paid Services Authority Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

## **OTHER INFORMATION**

The other information comprises information included in the Strategic & Directors' Report, but does not include the financial statements and my auditor's certificate and report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **OPINION ON OTHER MATTERS**

In my opinion, based on the work undertaken in the course of the audit:

- the Strategic Report and the Directors' Report been prepared in accordance with applicable legal requirements; and
- 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.

## **MATTERS ON WHICH I REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the Phone-paid Services Authority Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters which I 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 and the parts of the Directors' Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Phone-paid Services Authority Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

My responsibility is to audit, certify and report on the financial statements in accordance with Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

## **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Phone-paid Services Authority Limited's accounting policies.
- Inquiring of management, the Phone-paid Services Authority Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Phone-paid Services Authority Limited's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Phone-paid Services Authority Limited's controls relating to the Phone-paid Services Authority Limited's compliance with the Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Phone-paid Services Authority Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Phone-paid Services Authority Limited's framework of authority as well as other legal and regulatory frameworks in which the Phone-paid Services Authority Limited operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Phone-paid Services Authority Limited. The key laws and regulations I considered in this context included Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax Legislation.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit, Risk & Corporate Governance Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### **Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **REPORT**

I have no observations to make on these financial statements

**Gareth Davies**

**7th December 2022**

**Comptroller and Auditor General (Statutory Auditor)**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

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

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £	2021 £
Turnover	3	8,413,885	7,107,667
Administrative expenses		(4,065,448)	(4,222,402)
Bad debts		<u>(3,580,753)</u>	<u>(3,667,942)</u>
<b>Operating surplus/(loss)</b>		767,684	(782,677)
Interest receivable	8	<u>1,149</u>	<u>14,681</u>
<b>Surplus/(deficit) on ordinary activity before taxation</b>		768,833	(767,996)
Taxation on interest	9	(218)	(2,789)
<b>Surplus/(deficit) on ordinary activity after taxation</b>		<u>768,614</u>	<u>(770,785)</u>
Retained surplus at the beginning of the year		<u>1,604,253</u>	<u>2,375,038</u>
Surplus/(deficit) for the year		768,614	(770,785)
<b>Retained surplus at the end of the year</b>		<u>2,372,867</u>	<u>1,604,253</u>

The notes on pages 29 to 41 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	10	127,184	192,347
		<u>127,184</u>	<u>192,347</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	1,108,874	813,291
Cash at bank and in hand	12	2,118,924	1,978,567
		<u>3,227,798</u>	<u>2,791,858</u>
Creditors: amounts falling due within one year	13	<u>(797,472)</u>	<u>(1,195,308)</u>
<b>Net current assets</b>		<u>2,430,326</u>	<u>1,596,550</u>
<b>Total assets less current liabilities</b>		<u>2,557,511</u>	<u>1,788,897</u>
<b>Provisions for Liabilities</b>			
Other provisions	15	<u>(184,644)</u>	<u>(184,644)</u>
		<u>(184,644)</u>	<u>(184,644)</u>
<b>Net assets</b>		<u><u>2,372,867</u></u>	<u><u>1,604,253</u></u>
<b>Capital and reserves</b>			
Retained surplus		<u>2,372,867</u>	<u>1,604,253</u>
		<u><u>2,372,867</u></u>	<u><u>1,604,253</u></u>

Phone-paid Services Authority Limited is exempt from the requirements of Part 16 of the Companies Act 2006 under section 482 (non-profit-making companies subject to public sector audit) of that Act. The financial statements are subject to audit by the Comptroller and Auditor General under The Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009.

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

**J Porter**  
Director

Date: 7th December 2022

The notes on pages 29 to 41 form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £	2021 £
Surplus/(deficit) for the financial year		768,614	(770,785)
<b>Adjustments for:</b>			
Depreciation of tangible assets	10	93,744	92,169
(Profit)/loss on disposal of tangible assets	10	204	(350)
Interest received	8	(1,149)	(14,681)
Taxation	9	218	2,789
(Increase) decrease in debtors	11	(295,584)	130,317
Decrease in creditors	13	(395,265)	(881,630)
Corporation tax		(2,789)	(11,254)
<b>Net cash generated from/(used in) operating activities</b>		<u>167,993</u>	<u>(1,453,425)</u>
<b>Cash flows from investing activities</b>			
Purchase and sale of tangible fixed assets	10	(28,785)	(38,763)
Interest received	8	1,149	14,681
<b>Net cash from/(used in) investing activities</b>		<u>(27,636)</u>	<u>(24,082)</u>
<b>Cash flows from financing activities</b>			
Interest paid		-	-
<b>Net cash used in financing activities</b>		<u>-</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		140,357	(1,477,507)
Cash and cash equivalents at beginning of year		1,978,567	3,456,074
<b>Cash and cash equivalents at end of year</b>		<u>2,118,924</u>	<u>1,978,567</u>
<b>Cash and cash equivalents at end of year comprise:</b>			
Cash at bank and in hand		2,118,924	1,978,567
		<u>2,118,924</u>	<u>1,978,567</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

Phone-paid Services Authority Limited (the Company) is a private not-for-profit Company limited by guarantee incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Ofcom, Riverside House, 2a Southwark Bridge Road, London SE1 9HA. 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 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 published by the FRC in March 2018 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019.

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 financial statements have been prepared on a going concern basis (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.

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

### 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:

Leasehold improvements	5 – 8 years
Furniture	5 years
Office equipment	3 – 5 years
Computer equipment	3 – 5 years
Registration database	5 years

Purchases over £500 are capitalised. 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 Debtors

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

### 1.6 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.

### 1.7 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.

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.

### 1.8 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 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.

### 1.9 Retained surplus

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.

### 1.10 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 Statement of Income and Retained Earnings 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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

No discounting is applied for the time value of money as the effect would be negligible.

### 1.11 Taxation

Corporation tax is assessed on interest received at the current date. Any surplus arising during the year is not subject to Corporation Tax.

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

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Phone-paid Services Authority Limited calculated the dilapidations provision on a basis of £36 per square foot. This is considered a reasonable accounting estimate. The market was reviewed at the time of taking out the provision in 2016, and the upper end of cost estimates at that time was taken.

Bad debt provision is made on an individual basis, against specific debts. This is based on the evidence relating to that debt, as the collection process proceeds. No general provision is made for doubtful debts against the debtors balance as a whole.

On the 24th of May 2022 PSA and Ofcom announced the intention for regulatory responsibility for phone-paid services to be transferred to Ofcom.

The transfer is not planned to happen until April 2024 and PSA will continue to deliver its regulatory remit in the meantime. The transfer remains subject to industry consultation and government approval. As such there is a material uncertainty that PSA will continue as a going concern in the future.

Notwithstanding this announcement, PSA has prepared accounts on a going concern basis for the following reasons:

- the levy funding arrangements for PSA remains unchanged during the period up until transfer

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

- the retained surplus at the end of 2022 is £2.4m and financial projections for the year to March 2023 indicate this will be added to through the net collection of fines.

The directors view these funds as essential and sufficient to mitigate organisational risk, including any levy income downturn.

However it is the intention of the Directors that should the transfer be successfully completed, they will resolve to voluntarily wind up PSA Ltd at the point of transfer.

**3. Analysis of turnover**

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

	2022	2021
	£	£
Levy	3,877,290	1,729,183
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	-	1,484,977
Administrative charges	107,325	112,208
Fines	4,280,000	3,635,000
Registration fees	149,071	146,049
Other	199	250
	<u>8,413,885</u>	<u>7,107,667</u>

Turnover is received predominantly from within the UK.

**4. Operating surplus/(loss)**

The operating surplus/(loss) is stated after charging:

	2022	2021
	£	£
Depreciation of tangible fixed assets	93,744	92,169
Operating lease payments	196,119	196,119
Defined contribution pension cost	139,045	149,858
	<u>428,908</u>	<u>438,146</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**5. Auditors remuneration**

	2022	2021
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	26,000	25,500
	<u>26,000</u>	<u>25,500</u>
Analysis of audit fees:		
National Audit Office	26,000	25,500
	<u>26,000</u>	<u>25,500</u>

**6. Employees**

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

	2022	2021
	£	£
Wages and salaries	2,234,240	2,380,314
Social security costs	212,187	230,828
Costs of defined contribution scheme	139,045	149,858
	<u>2,585,472</u>	<u>2,761,000</u>

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

	2022	2021
	No.	No.
Board	5	6
Staff	41	42
Independent Complaints Assessor – part time	1	1
Code Adjudication Panel – part time	10	11
Consumer Panel	6	6
	<u>63</u>	<u>66</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

Staff costs and staff numbers information include amounts relating to the Code Adjudication Panel (CAP), the Independent Appeals Body (IAB) and the Consumer Panel. 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 (2021: 66) is made up of FTE employees and part-time office-holders (which includes Board members).

**7. Directors remuneration**

	2022	2021
	£	£
Directors emoluments	259,637	263,339
Company contributions to defined contribution pension schemes	19,703	19,508
	<u>279,340</u>	<u>282,847</u>

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £144,357 (2021 - £141,526).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,703 (2021 - £19,508).

The total accrued pension provision of the highest paid director at 31 March 2022 amounted to £nil (2021 - £1,626).

**8. Interest receivable**

	2022	2021
	£	£
Other interest receivable	1,149	14,681
	<u>1,149</u>	<u>14,681</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**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.

	2022	2021
	£	£
<b>Corporation tax</b>		
Taxation on interest	218	2,789
<b>Taxation on interest</b>	<u>218</u>	<u>2,789</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 – higher than) the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022	2021
	£	£
Surplus/(deficit) on ordinary activities before tax	<u>768,833</u>	<u>(767,996)</u>

	2022	2021
	£	£
Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 – 19%)	146,078	(145,919)

**Effects of:**

Other differences leading to an (increase)/decrease in the tax charge	<u>(145,860)</u>	<u>148,708</u>
<b>Total tax charge for the year</b>	<u>218</u>	<u>2,789</u>

**Factors that may affect future tax charges**

Corporation tax rates have been held at 19% for the years starting 1 April 2020 and 2021, and are to remain at 19% for the year starting 1 April 2022. The proposed rate is 25% for the year starting 1 April 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**10. Tangible fixed assets**

	Registration database	Fixtures & Fittings	Furniture & office equipment	Computer equipment	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 April 2021	693,195	334,818	116,935	409,227	1,554,175
Additions	-	-	11,310	17,271	28,581
Disposals	-	-	(2,011)	(127,521)	(129,532)
At 31 March 2022	<u>693,195</u>	<u>334,818</u>	<u>126,234</u>	<u>298,977</u>	<u>1,453,224</u>
<b>Depreciation</b>					
At 1 April 2021	678,528	224,624	111,960	346,718	1,361,830
Charge owned for the period	14,667	44,847	3,690	30,540	93,744
Disposals	-	-	(2,011)	(127,521)	(129,532)
At 31 March 2022	<u>693,195</u>	<u>269,471</u>	<u>113,639</u>	<u>249,737</u>	<u>1,326,042</u>
<b>Net book value</b>					
At 31 March 2022	<u>-</u>	<u>65,347</u>	<u>12,595</u>	<u>49,240</u>	<u>127,184</u>
At 31 March 2021	<u>14,667</u>	<u>110,194</u>	<u>4,975</u>	<u>62,509</u>	<u>192,347</u>

**11. Debtors**

	2022	2021
	£	£
Trade debtors	546,824	440,037
Other debtors	125,390	127,476
Prepayments and accrued income	436,660	245,778
	<u>1,108,874</u>	<u>813,291</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**12. Cash at bank and in hand**

	2022	2021
	£	£
Cash at bank and in hand	2,118,924	1,978,567
	<u>2,118,924</u>	<u>1,978,567</u>

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

	2022	2021
	£	£
Trade creditors	210,583	206,648
Corporation tax	218	2,789
Taxation and social security	-	-
Other creditors	-	394,927
Accruals and deferred income	586,671	590,944
	<u>797,472</u>	<u>1,195,308</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**14. Financial instruments**

	2022	2021
	£	£
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	672,214	567,513
	<u>672,214</u>	<u>567,513</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(734,480)	(1,138,139)
	<u>(734,480)</u>	<u>(1,138,139)</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 £104,701 (2021: (£99,452)).

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 £403,659 (2021: (£612,376)).

**15. Provisions**

	Dilapidations provision	Total
	£	£
At 1 April 2021	184,644	184,644
Additions	-	-
Amounts used	-	-
<b>At 31 March 2022</b>	<u>184,644</u>	<u>184,644</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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022**

**16. Prior year adjustments**

There are no prior year adjustments.

**17. 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 £139,045 (2021: £149,858). At the year end the Company owed £nil (2021: £20,686).

**18. Commitments under operating leases**

At 31 March 2022 the Company had future minimum lease payments under non-cancelling operating leases as follows:

	2022	2021
	£	£
<b>Land and Buildings</b>		
Not later than 1 year	186,162	246,192
Later than 1 year and not later than 5 years	-	186,162
Later than 5 years	-	-
<b>Total</b>	<u>186,162</u>	<u>432,354</u>

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

Total operating lease payments made by the Company in 2022 were £246,192 (2021: £246,192).

**19. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

### 20. Contingent asset

The contingent asset in existence as at 31st of March 2021 has now been realised in the current year's financial statements.

PSA has recognised the income in the 2021-22 accounts. PSA's regulatory process relating to the case have been completed and the matter has concluded.

The contingency related to a case brought under PSA's Code of Practice (TCS Combined Solutions Ltd), where litigation was pending in the courts. The case did not proceed in this manner.

There are no contingent assets as at 31st March 2022.

### 21. Events after the reporting period

There have been no adjusting events after the reporting period date.

The Annual Report and Accounts have been authorised for issue by the Phone-paid Service Authority's Chief Executive. The authorised to issue date is the date of the Comptroller and Auditor General's audit report.

On the 24th of May 2022 PSA and Ofcom announced the intention for regulatory responsibility for phone-paid services to be transferred to Ofcom, subject to government approval. At the point of transfer, PSA would cease to operate as an independent body.

This proposed transfer of regulatory responsibilities has been approved by the Ofcom board. The Department for Digital, Culture, Media and Sport (DCMS) have also agreed for in-depth discussions to continue, meaning a programme of work will begin to effect this change. This will include a statutory process and related consultation, and be subject to final approval from DCMS.

It is anticipated that when Ofcom assumes responsibility for regulation, PSA staff will transfer to Ofcom. Ofcom will look to retain the key components of Code 15 to continue effective regulation in the consumer interest.

PSA regulation and Code 15 will remain in place until the transfer, which is planned for April 2024.

E02810940  
978-1-5286-3745-9