

# **Phone-paid Services Authority Limited**

Company number 02398515

## **Annual Report and Accounts 2018-19**

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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 15<sup>th</sup> July 2019



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ISBN 978-1-5286-1495-5

CCS0719554252 7/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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

#### COMPANY INFORMATION

<b>Directors</b>	D Edmonds CBE M Munn S Ricketts J Porter K Brown A Cook
<b>Registered number</b>	02398515
<b>Registered Office</b>	25th Floor 40 Bank Street Canary Wharf London E14 5NR
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Phone-paid Services Authority Limited  
(A Company Limited by Guarantee)

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2019**

The directors present their Strategic Report for the year ended 31 March 2019.

**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 are a non-profit making company limited by guarantee. We are appointed by the Office of Communications (Ofcom) to carry out the day to day regulation of phone-paid services. Ofcom approves our Code of Practice and annual Business Plan and Budget.

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.

Phone-paid services are the goods and services that you can buy by charging the cost to your phone bill or pre-pay account. They include charity donations by text, 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 help to look after consumer interests by setting and enforcing rules for providers of phone-paid services. We check every issue that is reported to us and take action when we need to. The information we receive can help us to identify problems in the phone-paid services market, but our role is not to take up individual cases or pursue refunds unless they have been ordered by our independent Code Adjudication Tribunal.

We apply our Code of Practice in a fair and proportionate manner. When enforcing our Code, we seek to resolve concerns with providers where we are able to. Where services are found to breach our Code of Practice we have the power to issue fines, bar services and prohibit companies and individuals from operating in the market, and order refunds.

**Our strategic approach**

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 in the phone-paid services market is twofold:

- to protect consumers from harm in the market
- to further consumers' interests through encouraging competition, innovation and growth.

We will seek to do this through:

- improving the consumer experience of phone-paid services
- applying and enforcing 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 of 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 2018/19

In pursuing our mission in 2018/19, our broad areas of delivery included a focus on:

- expanding our consumer engagement, while at the same time repositioning our role with them
- developing our investigations and enforcement systems
- policy interventions in higher risk areas
- increasing our market understanding
- developing a digital transformation framework.

#### **Improving the consumer experience of phone-paid services**

In 2018/19 we undertook a range of different activities aimed at supporting the improvement in consumer confidence in the phone-paid services market:

- we continued to embed existing market and consumer knowledge into all our policy work and informal engagement with service providers
- we added to our body of consumer knowledge through:
  - publication of our Annual Market Review for 2017/18
  - research carried out with the University of Nottingham into consumer interaction with Information, Connection and/or Signposting Services (ICSS). This research subsequently informed our detailed monitoring of the ICSS market and resulting programme of enforcement, and the PSA's contribution to Ofcom's review of the scope of the Premium Rate Services Condition.
  - as part of our policy work into phone-paid services charged for on a subscription basis, we commissioned Jigsaw to carry out research into consumer interaction with these services. This work included drawing on the experiences of consumers who had previously reported issues to us

- recruitment of a cost-effective consumer panel to give us further insight into consumer expectations of their interaction with PRS
- engaging with a range of consumer bodies, including Ofcom's Communications Consumer Panel, Essential Services Access Network and Consumer Forum for Communications.
- we continued to use the Industry Liaison Panel (ILP) as a forum to discuss and share best practice on consumer satisfaction and trust issues
- we ensured that where there are areas of regulatory overlap, we used our good working relationships with other consumer protection regulators to minimise the potential for confusion among both consumers and service providers e.g. we worked with Ofcom, DCMS and industry partners to provide clarity and consistency of messaging to consumers on spending caps and service bars
- we carried out detailed work into refund mechanics, with a view to improving customer care and consumer redress and building trust in the market. In doing so, we paid due regard to the wide range of consumer feedback we received during the year and developed the requirements we have of service providers. We supported the development of Alternative Dispute Resolution (ADR) provision in the market and also sought to manage consumer expectations of us both in the process of seeking redress and in providing greater clarity around claiming refunds ordered as part of a Tribunal adjudication.

During the year we invested significantly in the development of our communications with consumers:

- we launched a new website, aimed at providing a much greater consumer focus
- we refined our core consumer messaging to provide much greater clarity about our role as a regulator and their role in reporting issues to us. We applied this messaging consistently through our new website, the Interactive Voice Response (IVR) on our telephone system, our service information and assessment team's communication with consumers, social media and in our published Annual Report.
- we began to build good working relationships with the PR teams of each of the Mobile Network Operators (MNOs) to ensure consistency of public messages
- we established our digital transformation framework, which allows us to consider in detail proposed investments in technology to deliver a significant step change in our consumer service offering. Initial projects considered included:
  - replacing our online consumer enquiry service, Number Checker, with an enhanced Service Checker tool that utilises our enhanced Registration data to enable consumers to be better informed about services and the organisations providing them
  - developing chatbot improvements on our Facebook page, to support the ability of consumers to self-serve resolution of queries and problems via social media platforms.

We continued to respond to consumer contacts with efficiency during 2018/19. Total contacts were 297,000 for the year and 94% of these have been handled quickly and effectively through automation. We enhanced this approach through the introduction of new requirements for service providers to register more detailed service information, and this ongoing commitment to support the ability of consumers to self-serve has meant that our service information and assessment team were able to:

- work more closely with MNOs to identify where their customer support handling is resulting in consumers being directed to us in error
- best support the experience of consumers when they do contact us to report issues

with services. Complaint volumes were 20,300 in total for the year, and we were able to focus on assessing those complaints where the service provider has been identified.

- ensure the efficient and effective initial processing of complaint data and case creation, including more detailed information requests of service providers. We developed clear prioritisation criteria to enhance the process of allocating cases and make efficient use of the resources available.
- undertake more detailed and systematic monitoring of services, including testing of service providers customer services through mystery shopping
- continue to resolve a large proportion of cases through quick, fair and proportionate informal action, with around two-thirds of the cases worked on in 2018/19 being dealt with in this manner.

#### **Applying and enforcing an outcomes-based Code of Practice.**

We committed in 2018/19 to provide regulatory certainty to industry by retaining the current Code of Practice (Code 14) for at least the next three years.

During the year, however, we continued to review the scope and application of Code 14 to ensure its ongoing effectiveness. In doing so, we undertook a wide range of detailed policy work in conjunction with industry that has included making calls for inputs, undertaking pre and full consultation exercises, and commissioning supporting research. This led to developments of our regulatory approach, including changes in requirements under Code 14, in the following areas:

- Subscription services
- Society lottery services
- Specified Service Charges and Call Duration Caps
- Directory enquiry services
- Refunds
- Registration of services
- Due diligence risk assessment and control
- ICSS, following Ofcom's review of the definition of Controlled Premium Rate Services to include within our remit ICSS on any number range.

We further developed our industry engagement during the year, with the aim of making our regulatory remit as clear as possible. This work included:

- undertaking a review of how we communicate with industry, with a focus on clearly identifying which informal or formal part of the investigation and enforcement process the communication relates to
- publishing blogs by both our Chairman and CEO, setting out their clear aims for the year
- offering workshops on our investigations and enforcement processes, both to new entrants to the market and as a refresher to existing service providers.

We continued to support industry to comply with the Code in 2018/19, through:

- ongoing provision of compliance advice, with nearly 500 requests for advice handled during the year. We provided both general compliance advice and bespoke compliance advice for more complex issues or for proposed market innovation by service providers
- reviewing and issuing or consulting on new guidance, including on consent to charge and direct buy advertising.

With regard specifically to the General Data Protection Regulation (GDPR) that came in during 2018/19, we worked to achieve full compliance with the GDPR, issued industry notices setting out our legal position and consulted with industry on GDPR retention periods.

#### **Delivering a balanced approach to regulation**

In 2018/19 we continued to manage our resources to both maintain compliance across the large majority of the phone-paid services market and enforce against non-compliant behaviour where fair and proportionate to do so. To support this approach, we expanded our industry engagement programme to regularly meet with major networks, aggregators and service providers at a strategic level, with broad discussions focussing on:

- how to maintain and enhance a healthy phone-paid services market
- ensuring our regulatory approach does not unnecessarily hinder new product implementation and growth.

During the year we sought to maintain compliance in the market through a combination of broad industry engagement, intelligence gathering and policy development. As well as that set out in sections above, this work included:

- an industry forum, held in October 2018, with the theme of building consumer confidence in the phone-paid services market
- close collaboration with MNOs on research into Level 1 aggregator payment platform standards
- detailed industry-wide engagement on Android malware issues
- offering workshops for industry partners, e.g. as part of the consultation exercise on Registration and briefings on our work for industry and government stakeholders
- improving communications overall with industry, through reviewing all written templates and website content for clarity, tone and use of language
- ensuring the exemption process is open and transparent to service providers, highlighted through making operational the exemption from Registration for Level 2 service providers operating exclusively through a single Level 1 aggregator
- developing our market intelligence (more timely, accurate and granular data) through enhanced network return information, data flowing from our new registration requirements, and the implementation of a new Annual Market Review (AMR) service type taxonomy
- utilising this market intelligence to review our overall approach to monitoring, allowing for:
  - better targeted monitoring to support policy development
  - the creation of more opportunities for the identification of issues, including pinpoint analysis as evidence of non-compliance
  - the ability to better support industry initiatives through proactive monitoring work.
- implementing increased intelligence gathered from research, an enhanced AMR delivering greater insight into revenues and users, and our horizon scanning initiative.

We continued to ensure our formal investigative activities are both fair and proportionate, and effective in deterring non-compliant behaviour in the market. We worked on 133 enforcement cases during the year, combining Track 1, Track 2 and post-adjudicatory work. While we aimed to process cases as fast as we could, our greater emphasis was on ensuring we investigated each individual case robustly and comprehensively. We supported this approach in 2018/19

through:

- continuing to build the industry knowledge of our investigators, allowing them to proceed with confidence and with industry trust in their capabilities e.g. development of their skills as part of the Track 1 investigations into direct buy advertising through Google
- beginning to build a specific understanding of cyber fraud and how that may relate to our investigative work
- using feedback from the Code Adjudication Panel (CAP) and Investigations Oversight Panel (IOP) to continuously refine and develop our investigative processes
- developing an enforcement priority framework, to ensure resources are utilised as efficiently as possible
- increasing our overall case management effectiveness, through reviewing the process of allocating cases to individual investigators.

### Working in partnership with Government and other regulators

In 2018/19 we continued to invest in and build on our strong working relationships with partners to ensure we are able to act with regulatory clarity. Work in this area included:

- agreeing Memorandums of Understanding with the Gambling Commission, Information Commissioners Office, Advertising Standards Authority and the Competition and Markets Authority
- liaising with the Gambling Commission regarding Society lottery services consultation and Special conditions
- working in tandem with Ofcom to manage our respective consultations into directory enquiry services
- aligning spending caps on phone-paid services with those regulated by the Financial Conduct Authority under Payment Services Regulations
- collaborating with the Advertising Standards Authority to identify and address common GDPR implementation issues
- participating in Operation Linden, the multi-agency initiative aimed at combatting unsolicited messages and calls
- regularly engaging with DCMS and Ofcom on a range of policy issues.

### Delivering high standards of organisational support

We continued to deliver our governance, legal, finance, business systems, human resource and communications functions to the high standards we have set ourselves, ensuring the whole organisation is best placed to deliver our regulatory approach. Key areas of work delivered in 2018/19 included:

- reviewing Board and CAP membership to ensure we have the optimum number of members necessary to fulfil their responsibilities
- undertaking Board, Audit Committee and Resources Committee annual evaluations, including having due regard for the principles of good regulation
- planning and implementing new policies and processes to ensure full compliance with GDPR
- strengthening our internal investigations and enforcement processes, through implementing recommended changes and confirming with a follow-up external audit
- ensuring we undertake effective treasury management in response to changes in interest rates and PSA cash flow requirements

- achieving a clean audit report on our financial statements from the National Audit Office
- developing financial procedures to audit MNOs quarterly network returns, and to use this process to generate more accurate and timely market information
- making a significant investment in our cyber security, including annual security penetration testing. During 2018/19 we have achieved a Microsoft Secure Score (a measurement of the controls in place to prevent an attack) ten times higher than the average
- developing the management information capabilities of our new customer relationship management system, both in terms of regulatory decision-making and stakeholder relationships
- continuing to invest in our staff through a range of initiatives including:
  - launching an employee health and well-being programme
  - enhancing our commitment to diversity and inclusion, through e.g. changes in our recruitment practices
  - implementing findings from our bi-annual staff engagement survey
  - creating more opportunities for staff at all levels to contribute to our strategic delivery, through enhanced cross-team working and continued investment in our organisation culture
  - Investors In People re-accreditation.

### 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.

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 2018/19 financial year was 0.44%, and for 2019/20 will be 0.38%.

## 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.

## 2018/19 accounts

Our turnover for 2018/19 was £7.6m (2017/18 £6.6m), comprising mainly of the industry levy, Registration 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 income received in advance.

Of this turnover, fines and administrative charges in 2018/19 were £3.5m (2017/18 £3.9m). 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;
- Appeals on going at the year-end are fully provided against (and are therefore not included within turnover). For 2018/19 a provision of £NIL has been made (note 17 to the financial statements; 2017/18 £NIL);
- 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 2018/19 amounted to £3.3m in total (2017/18 £2.8m).

Expenses, excluding bad debts, in 2018/19 were £4.0m (2017/18 £3.8m) and are in line with the budget agreed with Ofcom.

The profit for the year, after taxation, amounted to £NIL (2017/18 - £NIL).

## **PRINCIPAL RISKS AND UNCERTAINTIES**

We continue to use a detailed Risk Register to monitor closely risks across all areas of the Company, and to identify and take mitigating action where necessary and possible. This is supported through the use of a Balanced Scorecard, with relevant measurement indicators, to assess overall Company performance. This 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, at the end of 2018/19 our priority risk areas are identified as:

- We do not deal with operational issues in phone-paid services market
- Our enforcement of the Code of Practice fails to act as sufficient deterrent
- 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
- We are no longer viable in the 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.

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.

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 remains the same as twelve months ago i.e. 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

Date: 17<sup>th</sup> June 2019



## **DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2019**

The directors present their report and the financial statements for the year ended 31 March 2019.

### **Results and dividends**

The profit for the year, after taxation, amounted to £NIL (2018- £NIL).

### **Directors**

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

K Brown  
A Cook  
D Edmonds CBE  
M Munn  
J Porter  
S Ricketts

### **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.

### **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 for a minimum of 12 months from the date of these accounts.

### **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 by HM Treasury as an order under the Government Resources and Accounts Act 2000 Order 2018.

### **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: 17<sup>th</sup> June 2019

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

### Opinion on financial statements

I certify that I have audited the financial statements of Phone-paid Services Authority for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise the company Statements of Income and Retained Earnings, Financial Position, Cash Flows, and the related notes, including the significant accounting policies. 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)

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the results for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I am independent of the Phone-paid Services Authority in accordance with the ethical requirements that are relevant to my audit and 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.

### Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Phone-paid Services Authority's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### 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 and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have 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 the Government Resources and Accounts Act 2000.

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. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Phone-paid Services Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

#### Other Information

Management is responsible for the other information. The other information comprises information included in the Strategic Report and Directors' Report. My opinion on the financial statements does not cover the other information and 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, 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:

- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and 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

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 Phone-paid Services Authority 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
- I have not received all of the information and explanations I require for my audit.

#### Report

I have no observations to make on these financial statements.

Gareth Davies

Date: 28<sup>th</sup> June 2019

Comptroller and Auditor General

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 2019

		2019 £	2018 £
	Note		
Turnover	3	7,257,650	6,645,110
Administrative expenses	Schedule to detailed P&L	(4,008,275)	(3,843,822)
Bad debts		<u>(3,276,565)</u>	<u>(2,827,505)</u>
<b>Operating loss</b>		<u>(27,190)</u>	<u>(26,217)</u>
Interest receivable	8	34,377	32,772
Interest payable	9	(1,027)	-
		<u>                    </u>	<u>                    </u>
<b>Profit on ordinary activity before taxation</b>		6,160	6,555
Taxation on interest	10	(6,160)	(6,555)
<b>Profit on ordinary activity after taxation</b>		<u>                    </u>	<u>                    </u>
		<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		-	-
<b>Retained surplus at the end of the year</b>		<u>2,375,038</u>	<u>2,375,038</u>

The notes on pages 19 to 33 form part of these financial statements

Phone-paid Services Authority Limited  
(A Company Limited by Guarantee)  
Registered number: 02398515

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019

		2019 £	2018 £
	Note		
<b>Fixed assets</b>			
Tangible assets	11	289,074	334,483
Investments	12	<u>-</u>	<u>1</u>
		<u>289,074</u>	<u>334,484</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	969,714	772,929
Cash at bank and in hand	14	<u>5,399,343</u>	<u>6,878,552</u>
		<u>6,369,057</u>	<u>7,651,481</u>
Creditors: amounts falling due within one year	15	<u>(4,098,449)</u>	<u>(5,426,283)</u>
<b>Net current assets</b>		<u>2,270,608</u>	<u>2,225,198</u>
<b>Total assets less current liabilities</b>		<u>2,559,682</u>	<u>2,559,682</u>
<b>Provisions for Liabilities</b>			
Other provisions	17	<u>(184,644)</u>	<u>(184,644)</u>
		<u>(184,644)</u>	<u>(184,644)</u>
<b>Net assets</b>		<u>2,375,038</u>	<u>2,375,038</u>
<b>Capital and reserves</b>			
Retained surplus		<u>2,375,038</u>	<u>2,375,038</u>
		<u>2,375,038</u>	<u>2,375,038</u>

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

**J Porter**  
Director

Date: 17th June 2019

The notes on pages 19 to 33 form part of these financial statements

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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Profit for the financial year		-	-
<b>Adjustments for:</b>			
Depreciation of tangible assets	11	80,891	100,146
Profit / (loss) on disposal of tangible assets		10	-
Interest received	8	(34,377)	(32,772)
Interest paid	9	1,027	-
Taxation	10	6,160	6,555
Decrease in debtors	13	(196,785)	1,072,217
Decrease in creditors	15	(1,327,811)	(717,702)
Corporation tax		(6,184)	(5,950)
<b>Net cash generated from operating activities</b>		<u>(1,477,069)</u>	<u>422,494</u>
<b>Cash flows from investing activities</b>			
Purchase and sale of tangible fixed assets	11	(35,490)	(16,014)
Interest received	8	34,377	32,772
<b>Net cash from investing activities</b>		<u>(1,113)</u>	<u>16,758</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(1,027)	-
<b>Net cash used in financing activities</b>		<u>(1,027)</u>	<u>-</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(1,479,209)</u>	<u>439,252</u>
Cash and cash equivalents at beginning of year		<u>6,878,552</u>	<u>6,439,300</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>5,399,343</u></u>	<u><u>6,878,552</u></u>
<b>Cash and cash equivalents at end of year comprise:</b>			
Cash at bank and in hand		<u>5,399,343</u>	<u>6,878,552</u>
		<u><u>5,399,343</u></u>	<u><u>6,878,552</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

Phone-paid Services Authority Limited (the Company) is a private 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 40 Bank Street, London, E14 5NR. The nature of the company's operations are to apply and enforce the Company's Code of Practice relating to premium rate telephone services (the Code). The Code is approved by Ofcom under the Communications Act 2003 (the Act).

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in December 2017 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 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 accumulated fines and administrative charges (retained funds).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

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.

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 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:

Leasehold improvements	5 - 7 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

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.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

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 / 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.

**1.10 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.

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

**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.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

3. Analysis of turnover

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

	2019	2018
	£	£
Levy	2,043,636	1,852,903
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	1,550,991	628,948
Administrative charges	91,868	149,845
Fines	3,380,000	3,800,000
Registration fees	190,605	212,964
Other	550	450
	<u>7,257,650</u>	<u>6,645,110</u>

Turnover is received only from within the UK

4. Operating loss

The operating loss is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	80,891	100,146
Operating lease payments	196,119	196,119
Defined contribution pension cost	140,677	119,776
	<u>417,687</u>	<u>416,041</u>

5. Auditors remuneration

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	12,000	10,000
	<u>12,000</u>	<u>10,000</u>

Analysis of audit fees:

	2019	2018
	£	£
National Audit Office	12,000	10,000
	<u>12,000</u>	<u>10,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

6. Employees

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

	2019	2018
	£	£
Wages and salaries	2,175,310	2,097,661
Social security costs	204,811	198,264
Costs of defined contribution scheme	140,677	119,776
	<u>2,520,798</u>	<u>2,415,701</u>

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

	2019 No.	2018 No.
Board	6	7
Staff	43	44
Independent Complaints Assessor - part time	1	1
* Code Adjudication Panel - part time	11	11
Consumer Panel	6	-
	<u>67</u>	<u>63</u>

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 67 (2018: 63) is made up of FTE employees and part-time office-holders (which includes Board members). A Consumer panel was established for the first time in 2018 with 6 office-holders including the Chair.



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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

7. Directors remuneration

	2019	2018
	£	£
Directors emoluments	245,644	254,029
Company contributions to defined contribution pension schemes	18,078	17,724
	<u>263,722</u>	<u>271,753</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £129,384 (2018 - £126,889).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,078 (2018 - £17,724).

The total accrued pension provision of the highest paid director at 31 March 2019 amounted to £1,507 (2018 - £1,477).

8. Interest receivable

	2019	2018
	£	£
Other interest receivable	34,377	32,772
	<u>34,377</u>	<u>32,772</u>

9. Interest payable and similar charges

	2019	2018
	£	£
Other interest payable	1,027	-
	<u>1,027</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

10. 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.

	2019	2018
	£	£
<b>Corporation tax</b>		
Taxation on interest	6,160	6,555
<b>Taxation on interest</b>	<u>6,160</u>	<u>6,555</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19%). The differences are explained below:

	2019	2018
	£	£
Profit on ordinary activities before tax	<u>6,160</u>	<u>6,555</u>
	2018	2018
	£	£
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	1,170	1,311
<b>Effects of:</b>		
Prior year adjustment	(371)	0
Other differences leading to an increase / (decrease) in the tax charge	5,361	5,244
<b>Total tax charge for the year</b>	<u>6,160</u>	<u>6,555</u>

Factors that may affect future tax charges

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

11. Tangible fixed assets

	Registration database £	Fixtures & Fittings £	Furniture & office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 April 2018	693,195	318,707	125,989	314,689	1,452,580
Additions	-	4,339	4,962	26,180	35,481
Disposals	-	-	(7,613)	(814)	(8,427)
At 31 March 2019	<u>693,195</u>	<u>323,046</u>	<u>123,338</u>	<u>340,055</u>	<u>1,479,634</u>
<b>Depreciation</b>					
At 1 April 2018	630,528	95,857	102,247	289,465	1,118,097
Charge owned for the period	16,000	40,381	8,445	16,065	80,891
Disposals	-	-	(7,613)	(814)	(8,427)
At 31 March 2019	<u>646,528</u>	<u>136,238</u>	<u>103,079</u>	<u>304,716</u>	<u>1,190,561</u>
<b>Net book value</b>					
At 31 March 2019	<u>46,667</u>	<u>186,808</u>	<u>20,259</u>	<u>35,339</u>	<u>289,074</u>
At 31 March 2018	<u>62,667</u>	<u>222,850</u>	<u>23,742</u>	<u>25,224</u>	<u>334,483</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

12. Fixed asset investments

The subsidiary IMCB Limited was previously held at a nominal value of £1. The subsidiary is now dissolved and the value written off.

13. Debtors

	2019 £	2018 £
Trade debtors	614,504	451,735
Other debtors	136,743	105,052
Prepayments and accrued income	<u>218,467</u>	<u>216,142</u>
	<u>969,714</u>	<u>772,929</u>

14. Cash at bank and in hand

	2019 £	2018 £
Cash at bank and in hand	<u>5,399,343</u>	<u>6,878,552</u>
	<u>5,399,343</u>	<u>6,878,552</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	358,204	108,114
Corporation tax	6,532	6,555
Taxation and social security	-	-
Other creditors	175,705	175,465
Accumulated fines & administrative charges (retained funds)	3,043,372	4,594,362
Accruals and deferred income	<u>514,636</u>	<u>541,786</u>
	<u>4,098,449</u>	<u>5,426,283</u>
<b>Accumulated fines &amp; administrative charges (retained funds)</b>		
	2019 £	2018 £
Opening balance	4,594,363	5,223,310
Net fines and administrative charges	131,059	1,058,248
Amount utilised during year to offset levy	<u>(1,682,050)</u>	<u>(1,687,195)</u>
Balance available to offset future levy requirements	<u>3,043,372</u>	<u>4,594,363</u>

Other creditors includes £159,747 banked monies that is held in respect of refunds to consumers.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

16. Financial instruments

	2019 £	2018 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>751,247</u>	<u>556,787</u>
	<u>751,247</u>	<u>556,787</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(976,875)</u>	<u>(750,002)</u>
	<u>(976,875)</u>	<u>(750,002)</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 £194,460 (2018: £1,149,998).

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 £226,874

17. Provisions

	Dilapidations provision £	Total £
At 1 April 2018	184,644	184,644
Additions	-	-
Amounts used	-	-
<b>At 31 March 2019</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.

**Fines provision:**

Our policy is to provide fully for fines that are expected to be reviewed in the subsequent financial year, should they arise. The provision for the current financial year is £Nil.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

18. Prior year adjustments

There are no prior year adjustments

19. Pension commitments

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

The pension cost charge represents contributions payable by the Company to the fund and amounted to £140,677 (2018: £119,766). At the year end the Company owed £15,470 (2018: £15,296).

20. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancelling operating leases as follows:

	2019 £	2018 £
<b>Land and Buildings</b>		
Not later than 1 year	246,192	246,192
Later than 1 year and not later than 5 years	678,546	924,738
Later than 5 years	-	-
<b>Total</b>	<u>924,738</u>	<u>1,170,930</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 2019 were £246,192 (2018: £169,636).

21. Related party transactions

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

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

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

DETAILED INCOME & EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Turnover	<u>7,257,650</u>	<u>6,645,110</u>
<b>Less: overheads</b>		
Administration expenses	<u>(7,284,840)</u>	<u>(6,671,327)</u>
<b>Operating loss</b>	(27,190)	(26,217)
Interest receivable	34,377	32,772
Interest payable	(1,027)	-
Taxation on profit on ordinary activities	(6,160)	(6,555)
<b>Profit for the year</b>	<u>-</u>	<u>-</u>

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

SCHEDULE TO THE DETAILED ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2019

Turnover

	2019 £	2018 £
Levy	2,043,636	1,852,903
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	1,550,991	628,948
Fines	3,380,000	3,800,000
Registration fees	190,605	212,964
Administrative charges	91,868	149,845
Other	550	450
	<u>7,257,650</u>	<u>6,645,110</u>

Administrative expenses

	2019 £	2018 £
Staff costs (excl. CAP fee recovery)	2,696,479	2,594,560
Policy, external relations and communications	145,872	144,336
Legal fees	101,803	64,856
IT system costs	375,784	296,662
Telecoms charges	62,676	59,008
Premises costs	426,387	437,474
Finance and governance	46,631	76,938
Overheads	71,762	69,843
Depreciation	80,881	100,146
	<u>4,008,275</u>	<u>3,843,822</u>

Bad debts

	2019 £	2018 £
Bad debts	<u>3,276,565</u>	<u>2,827,505</u>
	<u>3,276,565</u>	<u>2,827,505</u>

Interest receivable

	2019 £	2018 £
Bank interest receivable	<u>34,377</u>	<u>32,772</u>
	<u>34,377</u>	<u>32,772</u>

Interest payable

	2019 £	2018 £
Other interest - on prior year VAT adjustment	<u>1,027</u>	<u>-</u>
	<u>1,027</u>	<u>-</u>

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978-1-5286-1495-5