

CREATING POSITIVE CHANGE

BUILDING THE BEST REGULATORY ENVIRONMENT FOR CONSUMERS AND INDUSTRY ALIKE

ICSTIS IS THE INDEPENDENT, NON-PROFIT ORGANISATION THAT REGULATES THE PREMIUM RATE INDUSTRY IN THE UK. THIS TERM IS THE CURRENT DESCRIPTION FOR CONTENT, PRODUCTS OR SERVICES – SUCH AS COMPETITIONS, TELEVISION VOTING, HELPLINES, ADULT ENTERTAINMENT, DOWNLOADS, NEWS ALERTS OR INTERACTIVE GAMES – THAT ARE CHARGED TO USERS' TELEPHONE BILLS OR MOBILE PRE-PAY ACCOUNTS. WE PROVIDE PROTECTION, INVESTIGATION, LICENSING, ADVICE, INFORMATION, SUPPORT AND ENFORCEMENT FOR CONSUMERS, SERVICE PROVIDERS AND TELEPHONE NETWORKS.

OUR VALUES

Accessible. We are the first port of call for consumers, content providers, networks, the media and government for advice, information or support. We are approachable.

Independent. We listen to both sides of the story, look at the facts and act decisively. We are proportionate.

Effective. Our awareness and understanding of the market and our adeptness at applying this insight is second-to-none. We are influential.

Collaborative. We work intently with all interested parties to encourage a safe and vibrant regulatory environment. We are enabling.

Principled. We ensure that real choice and genuine security are created by the standards we set. We build trust across the market.

Confident. We concentrate our expertise and our position of authority on transforming the market for the better. We are respected.

OUR BEHAVIOURS

- 1 Staying aware of, and responsive to, the ways in which consumers, or particular sets of consumers, may be vulnerable when using premium rate services and striving to ensure that they receive the necessary protection.
- 2 Being accessible to consumers and helping them understand how premium rate services work so that they can better protect themselves.
- 3 Independence at all times from the sector, companies or individuals that we regulate or that fund our work.
- 4 Openness, fairness, even-handedness and impartiality when dealing with any individual or company involved in the provision of premium rate services.
- 5 Consistency when making decisions and imposing sanctions relating to non-compliance with our Code of Practice and having in place mechanisms to ensure that consistency.
- 6 Co-operative engagement with the constantly developing premium rate industry as the best means of securing its support for our work.
- 7 Working with legislators and other regulators to ensure that those who influence the operation of premium rate services fully understand and support our work.
- 8 Maintaining our understanding of relevant technological developments so that our regulation remains targeted, proportionate and allows innovation and investment.
- 9 Acknowledging the important contribution made by all members of the organisation.

HOW WE'VE DELIVERED

Accessible. Reaching more consumers by launching the educational initiative www.phonebrain.org.uk

Independent. 11,128 complaints received (43% fewer than the previous year).

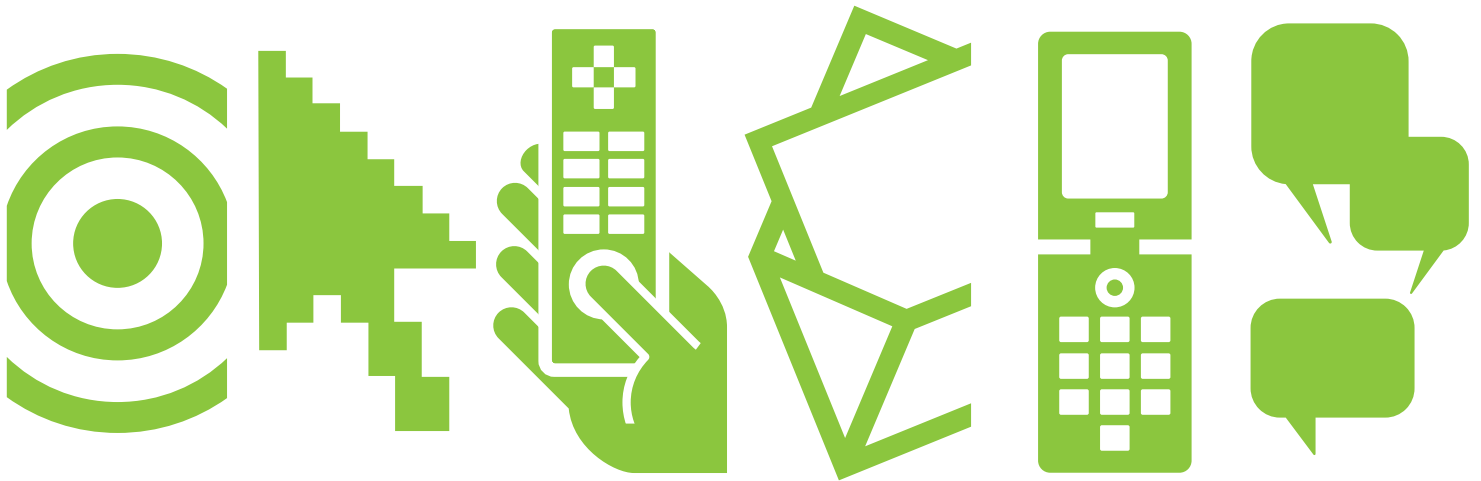
Effective. 1,759 new investigations opened (an increase of 58% on the 1,114 in the previous year).

Collaborative. Holding an emergency meeting with broadcasters, programme makers and service providers in the wake of the allegations in the Participation TV sector.

Principled. Launching the 11th Code of Practice with updated relevant regulation.

Confident. Celebrating 20 successful years and looking forward to embracing new challenges.

CONTENTS



Our achievements reflect a changing and challenging industry.

The UK premium rate industry is the world's longest-established and arguably largest premium rate services market, with an estimated 45,000 services in operation at any one time. We forecast around £1.2 billion will be spent on services this year although this figure is subject to research and actual spend may be lower.

Premium rate services offer some form of content, product or service that is charged to your phone bill or mobile pre-pay account. Services can be accessed in a number of ways – on your landline or mobile, by fax, on interactive TV and on your PC (for example, on the Internet). Many mobile services work on a subscription-only basis.

Typical services include competitions, TV votelines, scratchcards, computer helplines, adult entertainment, ringtone downloads, horoscopes, football goal alerts, fundraising for charities, dating, alarm systems, interactive TV games and directory enquiry services.

Services generally vary in cost, usually between 10 pence per call and £1.50 per minute (plus any network charges) or text message. Many services on mobiles are charged at a fixed rate – for example, 50p per text message or £1 per download. The money paid by users for services is shared between the telephone company carrying the service and the organisation(s) providing the content.

Most premium rate services are advertised on 09 dialling codes or, in the case of directory enquiry services, on numbers beginning 118. Mobile services (such as ringtone downloads and text alerts) are on four or five-digit shortcode numbers. In some instances, such as interactive TV where viewers make calls using their remote controls, the premium rate number may not be shown. Premium rate charging may also be available on international dialling codes beginning 00.

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SIR ALISTAIR GRAHAM CHAIRMAN

STAYING AHEAD IN AN EVOLVING AND CHALLENGING INDUSTRY

This Annual Report coincides with the end of my first year as Chairman of ICSTIS and it has certainly been an eventful one. We have introduced a new Code of Practice and we have been asked by Ofcom to prepare to take on 0871 regulation. We have seen a dramatic growth and great deal of media interest in premium rate services in broadcasting. We are also seeing the arrival of new mobile services like music and video downloads, mobile search marketing and web/WAP payment and delivery.

In light of these changes in product and platforms and the arrival of other payment mechanisms, we welcome Ofcom's decision to review the purpose and scope of our regulation and look forward to seeing the results of this review.

We are committed to a major programme of change and are moving our stance from 'reactive regulator' to an organisation that aims to pre-empt problems by understanding the market and products better. Through collaboration with the industry, we will have the right measures in place to ensure services have designed in compliance that encourages consumer use and choice, not complaints and mistrust.

By making ourselves increasingly accessible and maintaining our independence, we can work with the industry to help them understand our Code and their responsibilities. However, we will continue to act quickly to respond to the genuine sense of shock felt by the general public when major allegations of consumer harm are made and to protect consumers when problems arise.

Our approach to issues surrounding Quiz TV reflects this proactive and information-driven strategy. As the market evolved we continued to re-examine our policy, particularly the proportionality and effectiveness of the rules in place.

When issues arose over participation television and radio we acted quickly and in close liaison with Ofcom, broadcasters and others to meet the challenge head on. I was heartened by the immediate, high-level and sustained interest that all those in the sector gave to ensuring that new services were fit for purpose and that any past problems were identified, diagnosed and that lessons could be learnt for the future.

0871

We have been asked by Ofcom to prepare to take on 0871 regulation.

We will not only look to work with the industry in the coming months but with the general public. ICSTIS will be implementing key communications strategies to ensure consumers are informed, educated and empowered. Pricing is absolutely central to consumer confidence. Consumers want to know the complete cost of a service, not the core cost alongside abstract messages about network charges or data charges and we all need to ensure there is clarity.

Telecommunications as a form of micro-payment has a huge potential and attraction. In the words of the old Martini advert, it can be used 'any time, any place, anywhere'. The ability to market to millions and instantly translate clicks, calls and texts into consumable services has huge potential and huge attraction but also some commensurate risks. The speed, accessibility and wide variety of services mean we – regulator and industry – need to always be a step ahead problems, looking not only to pre-empt and prevent consumer harm but to protect both the consumer and the market place.

472

In 2006/07 we received: 472 applications for prior permission to run new services.

In parallel with Ofcom's review, we have embarked on a three-year planning exercise based on those principles of pre-emption, prevention and protection. Most commentators expect evolutionary rather than revolutionary change in the communications market over that timeframe. However, over the next three to five years we will have seen full digital switchover, we will be in a 3G, broadband, web-based world and we will have IP networks and IP telephony as something of the norm. All of these changes open up dramatic potential for delivery of new services and telephony as one of the micro-payment ways of charging for these services. Our goal is that people will get fairly traded services and goods when they use these payment mechanisms.

Change has brought us to the point where re-branding is essential. We need a brand that describes what we are, what we do and one that has real meaning for the public so we can build awareness and understanding. Our new brand will be launched this Autumn. As part of this I see a broader need to deal with outdated and unhelpful language around 'premium rate services'. We need to be clear and descriptive and move away from the stigmatised vocabulary of old. As we move forwards, our language and our brand must reflect our values and those of our ever-changing industry.



Sir Alistair Graham

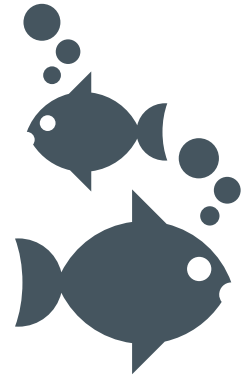


Sir Alistair Graham (Chairman) was Chairman of the Committee of Standards in Public Life until April 2007. He is currently Chair of the Independent Mobile Classification Body and Chairman of the British Transport Police Authority. Previous to this, he was Chairman of the Police Complaints Authority.

After 20 years as a civil service trade union leader, Sir Alistair was Chief Executive of the Industrial Society (now The Work Foundation) from 1986 to 1991. He went on to become Chief Executive of Calderdale and Kirklees Training and Enterprise Council, before transferring to Leeds where he pursued the equivalent role in the Leeds Training and Enterprise Council until 2000. Between 1997 and 2000, Sir Alistair also served as Chairman of the Parades Commission for Northern Ireland.

THE SPEED, ACCESSIBILITY AND WIDE VARIETY OF SERVICES MEAN WE – REGULATOR AND INDUSTRY – NEED TO ALWAYS BE A STEP AHEAD OF PROBLEMS...

THE YEAR AT A GLANCE: KEY DEVELOPMENTS IN 2006/07



APR 06

The ICSTIS Sanctions guide is updated giving details of how ICSTIS determines an appropriate and proportionate sanction. It takes account of the new upper limit for fines and advises of the likely circumstances when this new upper limit may be applied by the Committee on a 'per breach' basis

Ofcom announces that ICSTIS will regulate all 0871 numbers from 2008

11th ICSTIS Forum is held in Manchester and features presentations by Ofcom, the Information Commissioner's Office and the Wireless Application Service Provider Association

MAY 06

ICSTIS publishes a half-year statement

ICSTIS submits the final draft of its 11th Code of Practice to Ofcom. The draft Code is also delivered to the DTI so that, in accordance with the Technical Standards Directive, it can be submitted to the European Commission enabling member states to comment on the Information Society provisions

JUNE 06

Ofcom extends the definition of controlled premium rate services (CPRS) to include 'internet dialler software' (diallers) irrespective of the call cost or number. To coincide with the extension of the definition of CPRS, ICSTIS issues a notice to state that all service providers using diallers, regardless of number or cost, must ensure that they apply for prior permission before 30th June 2006

JULY 06

Sir Alistair holds his first press conference as ICSTIS Chairman and calls for collective action to stamp out the remaining areas of bad or criminal practice that tarnish the industry

12th ICSTIS Forum held at Plaisterer's Hall, London

George Kidd is a key speaker at the Westminster eForum

ICSTIS announces a reduction in the levy paid by industry members to fund regulation in the premium rate market. The fall, from 0.3% of outpayments to 0.2%, is to be introduced in the second half of 2006/07

AUG 06

The Gambling Commission issues a discussion paper in which views are sought on free prize draws and competitions. This will affect those involved in providing premium rate competition services, including Quiz TV services

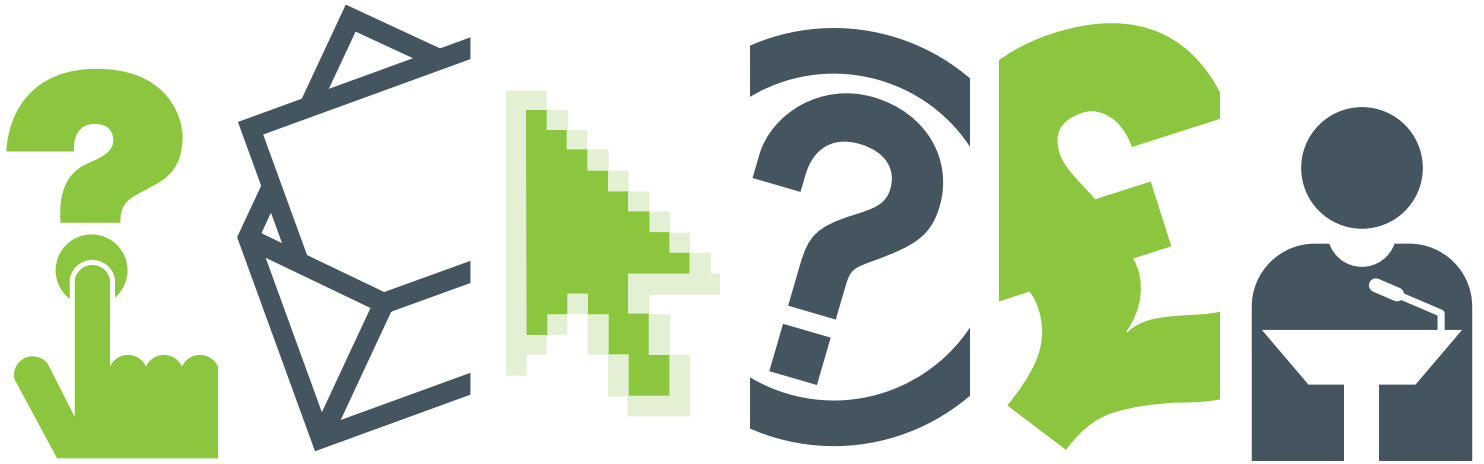
ICSTIS receives almost 2,500 complaints about Big Brother and starts a formal investigation on 10th August

Ofcom announces new number range 098 for sexual entertainment services

Jason Gambling is named as an associated individual and prohibited from operating a premium rate service for two years

SEPT 06

ICSTIS celebrates its 20th Anniversary by inviting key stakeholders, MPs, the media and ICSTIS staff to a special reception at the London Aquarium (see pages 26-27). A special report is published to highlight the challenges, changes and achievements experienced by ICSTIS in the past 20 years



OCT 06

ICSTIS publishes its statement on consumer refunds

ICSTIS launches a review of the Quiz TV sector

Nick Elmer is named as an associated individual and prohibited from operating a premium rate service for 18 months

13th ICSTIS Forum is held in Birmingham. The event includes a presentation by The Gambling Commission's Deputy Chief Executive, Tom Kavanagh, and updates on the Code of Practice and the 0871 pre-consultation

The Big Brother adjudication is announced

NOV 06

A chain email warning consumers about a parcel delivery service, PDS, confuses the media. The company was subject to the emergency procedure in 2005 and is no longer in operation but the alert provides an ideal opportunity to underline consumer vigilance

ICSTIS Contact Centre is short-listed for the CCA Consumer Excellence Awards

ICSTIS publishes research on key trends in the communications sector

ICSTIS publishes its 11th Code of Practice

ICSTIS and Ofcom provide joint evidence to the Culture, Media and Sport Committee inquiry into Call TV Quiz shows

DEC 06

phonebrain.org.uk is launched

Dr Bob Chilton is appointed Deputy Chairman to succeed Mary Symes on 1st January

Following an increase in complaints about premium rate services operating on 070 personal numbers, ICSTIS issues a notice to service providers and network operators stating that, under the National Telephone Numbering Plan, revenue sharing on 070 personal numbers is prohibited

JAN 07

The 11th Code comes into force

ICSTIS proposes new regulations for Call TV Quiz shows following an extensive review of the sector

FEB 07

phonebrain.org.uk clocks up half a million hits and goes on a regional tour

ICSTIS announces investigations into C4's Richard & Judy and BBC's Saturday Kitchen

14th ICSTIS Forum held at Churchill Museum & Cabinet War Rooms

MAR 07

Sir Alistair Graham chairs a meeting with broadcasters and service providers, then hosts a press conference to announce measures to restore trust in the Participation TV sector

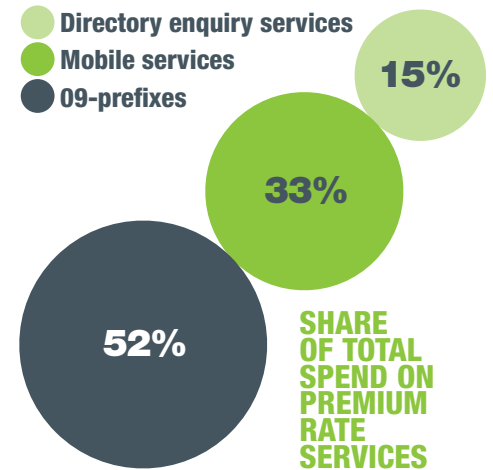
Ofcom extends the definition of a Controlled Premium Rate Service (CPRS) to cover all sexual entertainment services regardless of price

GEORGE KIDD CHIEF EXECUTIVE FOCUSING ON PRE-EMPTING AND PREVENTING CONSUMER HARM

2006/07 has been an eventful and extraordinary period. We believe the size of the market for premium paid-for content services is slightly lower than anticipated with public spending at £1.2 billion and outpayments from networks to content and service providers at £700 million. 33% of total spend is on mobile services, 15% on directory enquiry services and the balance on calls to 09 numbers. premium rate services in broadcasting grew significantly to a value of around £270 million, while the mobile market remained relatively unchanged with an upturn in revenue in the last quarter.

Our expenditure for 2006/07 came in at just under the budget forecast. We have recovered between 75–85% of the fines levied (the final figure depends on some cases under review or appeal) and this, although less than previous years, will be part of the funding requirement for the next financial year. We have not needed to impose the levels of fines thought necessary in 2004–2006. This is a measure of success but has implications for our future funding model.

We formally report on key performance indicators to Ofcom on a regular basis and I am pleased that we continue to deliver in terms of call handling by our Contact Centre and the speed with which we process complaints. We set a high standard for complainant satisfaction rates but saw our overall rating affected by complainants for one case. We are keen to refine our public feedback system to ensure complainants know we value their input, and aim to be both accessible and effective.



Overall complaint levels are down and now at 11,128. Interestingly, recent media exposure about television competitions and voting had little effect on complaints and did not provoke the massive influx seen in 2006 when Big Brother received considerable media attention.

As ever, I would stress that we do not rely solely on complaint levels as a measure of public satisfaction or as an indication of problems in the market. The Office of Fair Trading's work on a broader range of consumer harms suggested that less than 10% of those with a potential complaint get as far as the appropriate body. It is also worth noting that certain problems are not visible to the public. On a positive note, our organisational restructure is geared up to pre-empting and preventing problems, as well as protecting consumers through educational initiatives like www.phonebrain.org.uk. We anticipate that further collaboration with the industry and effective enforcement action will strengthen compliance and prevent further consumer harm.



£270m

Value of premium rate services
within broadcasting.

The absence of billing information for pre-pay customers and the minimum information on bills generally are causes of public frustration and suspicion over services. Many of the calls we get actually do not relate to wrongdoing but are the result of misunderstanding. This could become a more serious issue in the future with the influx of complex web and WAP-based services.

I wholeheartedly welcome the work that mobile carriers have done to develop Payforit as a transactional procedure that ensures customers clearly understand what they are ordering and paying, and that they have an audit trail. We also welcome Ofcom's examination of variable network add-on charges to 09 calls and data charging for mobile content. Questions over the latter must be addressed if we are not to see the huge potential for data-rich services dashed when unexpected data charges attract criticism and cynicism.

2006 was, of course, ICSTIS' 20th anniversary. It would have been inappropriate to let this moment pass without some commemoration. It was a pleasure to see previous Board members, industry players and other friends and sponsors at our celebration.

As Sir Alistair has said, the Ofcom review, the changes in the market place and in our reorganisation offer a chance to get away from the tired and limiting language around premium rate services. As we move forwards our scope develops and our vision evolves. We are redefined: a valued collaborative partner, a principled and innovative driver of policy, and an effective and accessible enforcement body.

No doubt there are those who see references to 'win-win' in consumer protection as a questionable cliché. I disagree. Telecommunications as a form of micro-payment has huge benefits and potential. The public should be able to trust this mechanism and the industry can indeed flourish.

**AS WE MOVE
FORWARDS OUR SCOPE
DEVELOPS AND OUR
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THE YEAR IN FIGURES

PUBLIC ACCESSIBILITY

Complaints

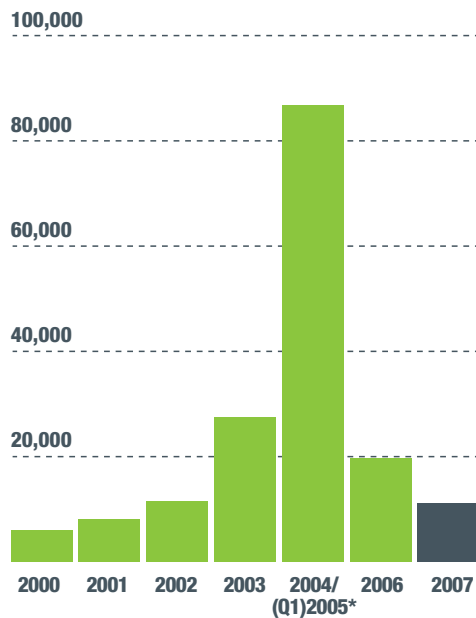
11,128 complaints received
(43% fewer than previous year)*

The two most complained about services were:

- 2,635 complaints: Big Brother (Channel 4) voting (SMS and fixed line voting services)
- 1,003 complaints: Dialler service operated by Global Access Ltd

*Including 1,831 complaints referred to us from Ofcom regarding rules for the voting for/against contestants in the August 2006 series of Big Brother on Channel 4.

COMPLAINTS RECEIVED ANNUALLY



Number checks

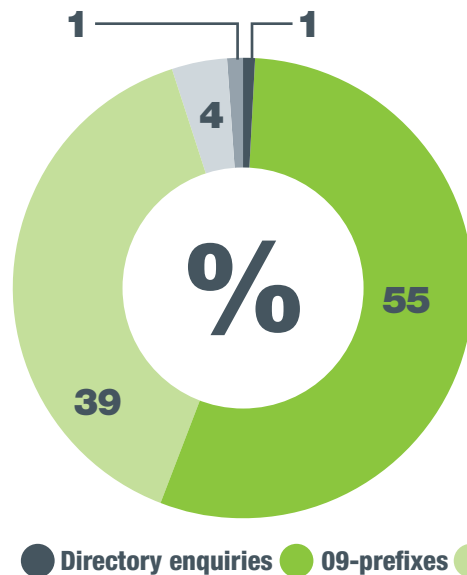
ICSTIS has two facilities that allow the public and industry to check the details of services operating on different premium rate numbers and obtain additional information about whether these services are being investigated.

For details of our number checker, please visit www.icstis.org.uk/consumers/ncd

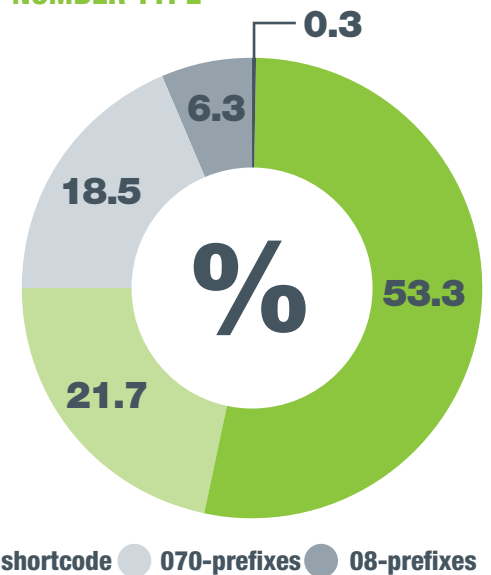
In 2006/07

- 112,427 different 09-prefixed, mobile shortcodes, 087-prefixed, 070-prefixed and directory enquiry numbers were checked
- 785,183 number checks were made on these numbers
- The most queried number was 0901 6550001 operated by Sky Active – this was checked 14,619 times

COMPLAINTS SPLIT BY NUMBER TYPE*



BREAKDOWN OF INDIVIDUAL NUMBERS CHECKED BY NUMBER TYPE



● Directory enquiries ● 09-prefixes ● shortcode ● 070-prefixes ● 08-prefixes

*Excluding the 1,831 complaints referred to us from Ofcom about Big Brother

- In addition to the complaints we received, ICSTIS also handled 261 claims for refunds in relation to unauthorised calls made to live services

Contact Centre

- 131,089 calls were made by consumers to the ICSTIS Contact Centre
- 2% of calls (3,009) resulted in complaints being logged
- 50% of callers thought they were calling BT
- The remaining 48% were given advice about premium rate services

ICSTIS website

- 326,040 unique visitors to the ICSTIS website (1 April 06 – 31 March 07)
- 5,649 complaints were submitted via the online complaint form.

CLAIMS FOR REFUNDS FOR UNAUTHORISED CALLS TO LIVE SERVICES



131,089 CALLS RECEIVED



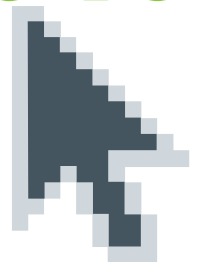
3,009
calls resulted in
complaints being logged

65,545
callers thought they were
calling BT

62,923
were given advice about
premium rate services

NUMBER OF VISITORS TO THE ICSTIS WEBSITE

OVER
1.04m
VISITORS
326,040
UNIQUE
VISITORS



THE YEAR IN FIGURES

COLLABORATION WITH THE INDUSTRY

In 2006/07 we received:

- 472 applications for prior permission to run new services. The applications ranged from counselling, consumer credit and legal advice services to technical support lines, gambling, Quiz TV and text chat & dating services.

472

In 2006/07 we received: 472 applications for prior permission to run new services.

- 254 copy advice requests. The team provided advice on copy and compliance to a variety of service providers including those running competitions, text chat & dating, directory enquiries and pay for product services.

Helpful referrals were also given when additional advice was required from other organisations, in particular:

- PRA (Premium Rate Association)
- CAP (the Committee of Advertising Practice)
- ASA (Advertising Standards Authority).

In addition, advice was given on many more occasions by telephone and at ICSTIS Forums, on matters ranging from compliance with the Code of Practice to advice on setting up new services.

254

In 2006/07 we received: 254 copy advice requests.

- In the light of its importance, increasing popularity and the positive reactions we have heard, the Industry Support Team will be relaunching a new improved compliance advice service.

We will be seeking feedback from the industry to establish how we can continue to meet their needs and provide expert, impartial advice.



THE YEAR IN FIGURES

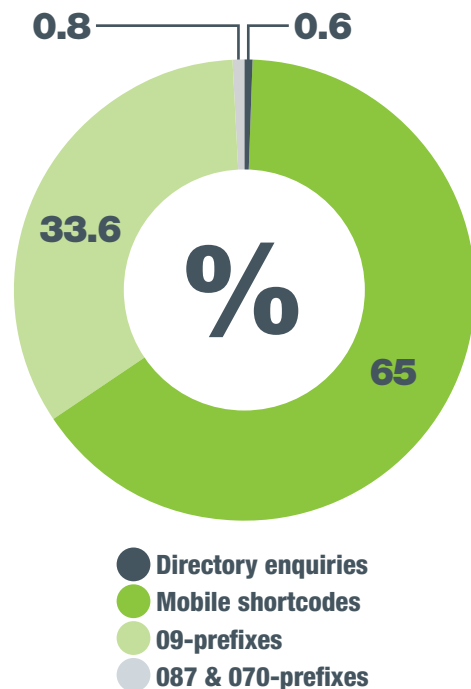
EFFECTIVE ENFORCEMENT

Investigations

- 1,759 new investigations opened (an increase of 58% on the 1,114 in the previous year)
- The increase is largely due to our strategic focus on monitoring services and forward-looking approach that sees us pre-empting and preventing consumer harm
- 19% (326) were dealt with through our informal resolution procedure

1,759
NEW INVESTIGATIONS

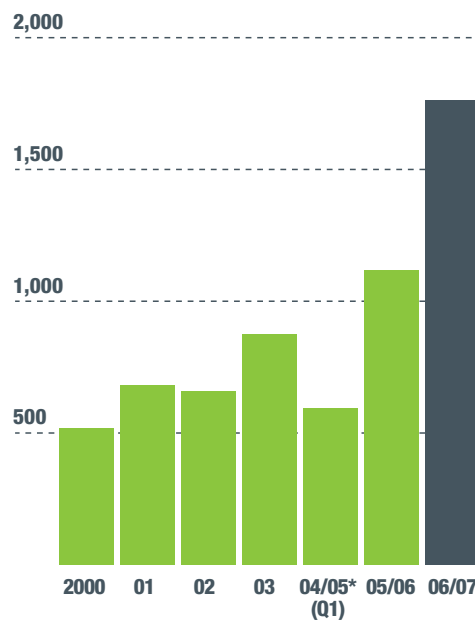
BREAKDOWN OF INVESTIGATIONS BY NUMBER TYPE



Monitoring

- 12% (212) of our investigations were generated through our monitoring programme
- 80% (169) of the investigations generated through monitoring were dealt with through our informal resolution procedure

INVESTIGATIONS ANNUALLY (000'S)



Adjudications, fines and service bars In 2006/07:

- 7% of investigations (131 cases) were brought to an adjudication panel
- Code of Practice breaches were upheld in 128 of these cases
- Although 65% of investigations (1,144 cases) were in relation to mobile shortcodes, these only translated into 40% of the formal adjudications (52 cases)
- 9 services were shut down using our Emergency Procedure, a drop of 90% on the previous year, suggesting a reduction in the number of 'scams' operating on premium rate lines
 - Mobile Interactive Group
 - Nahim Hussain T/A Computer Link
 - Opera Telecom (x2)
 - Clee Hill Radio
 - Edistar Srl
 - Hybyte Solutions & Services Ltd
 - MX Telecom
- Fines were issued in 112 adjudications, totalling £1,441,500
- In 73 adjudications, service bars were issued (often in conjunction with a fine)*

*These ranged from service providers being barred from operating specific types of service or on specific premium rate numbers, either for a fixed period or until they could demonstrate compliance with the ICSTIS Code of Practice

NUMBER OF SERVICES SHUT DOWN USING OUR EMERGENCY PROCEDURE

SERVICES SHUT DOWN

INDEPENDENT INFORMATION AT THE CLICK OF A BUTTON

WWW.ICSTIS.ORG.UK



1,044,433

visitors

(1 April 2006 – 31 March 2007)

13,612,810

page hits

(1 April 2006 – 31 March 2007)

326,040

unique visitors

(1 April 2006 – 31 March 2007)

The new look site was launched in November 2005.

Comparing Nov 05 – March 06 with Nov 06 – March 07:

- 81.6% increase in visitors
- 69.8% increase in hits
- 58.2% increase in unique visitors

2007 saw the launch of the new Code of Practice and with this the addition of a new online registration process enabling service providers to register quickly and easily online. Following an initial registration, the system allows for Service Providers to return in order to register their services and numbers and to make prior permission applications.

Since its launch in January 2007, we have seen 617 service providers register with ICSTIS using the online facility.

The launch of the new Code has seen the definition of a network provider change. A new, easy to find FAQ area was introduced to the networks section to ensure that all queries arising from the change were addressed and explained. A new FAQ section for service providers was also added to provide more information about breach letters and to clarify what is expected from the recipient.

Improvements were also made to the adjudications section of the website, which now includes a column for naming any information provider associated with a case.

Due to a recent increase in the number ranges ICSTIS regulates, a new section entitled Number ranges and charges was included in the consumer section of the website so that consumers could be clearly informed of ICSTIS' remit. In addition a new useful terms page has also been introduced.

In order for ICSTIS to continue to improve and maintain a high level of customer service, a new consumer feedback section has been created. As part of our commitment to accessibility, we are also working towards our websites being AAA disability compliant.

Alerts:

- 82 sent April 06 – March 07
- 133 new subscribers from 24 Jan 07 – 31 March 07.

“I am writing this feedback form to say a huge thank you to you all. Because of your friendly and professional company I have received a £57 refund which was deducted from my phone bill by a ringtone service.”
a satisfied consumer

REACHING OUT TO YOUNG CONSUMERS

WWW.PHONEBRAIN.ORG.UK



65% of kids aged 8–15 own a mobile phone*

72% have access to digital TV at home*

65% can log on at home*

Children in the UK have more access to premium rate services than ever before. The increasing variety of choice, exciting marketing campaigns and attractive services mean that more young people are using premium rate services and are now recognised as a consumer group in their own right. In response to this changing climate, ICSTIS has spent many months researching, building and test driving www.phonebrain.org.uk

ICSTIS is committed to providing clear, helpful information to all consumers. However, when it came to communicating with children we needed to ensure that we knew what help they needed and how we could best present this complex information. A number of interactive workshops were held at Finchley Catholic High School for Boys and Blackheath Primary School by Kate Belson from ICSTIS, our web designers and Nicola Sanders, Education & Schools project manager from Childnet International. They were set up to ensure that we knew what problems 10–13 year olds encountered when using premium rate services. The main issues raised in these sessions were concerns about how to recognise premium rate services, how to find out the costs involved, where there was potential for confusion and also what to do when things go wrong. Each of these areas was then addressed by the website. The children then discussed how they learnt information and how they found it easy to remember. The main themes that came out of the workshops focused on the usefulness of educational games, real life case studies, dictionaries and simple language. These ideas were all incorporated into the structure of the site.

In addition to consulting children, ICSTIS also organised insight sessions and invited the industry, children's charities, educational bodies, the DTI and Ofcom, among others, to attend. The ensuing questions, suggestions and encouraging comments were incredibly constructive.



Sir George Young and Sir Alistair Graham hosted the launch of www.phonebrain.org.uk at Portcullis House on 4th December. Both welcomed the initiative and emphasised the importance of empowering consumers. A demonstration of the functionality of the site was then given by project manager, Kate Belson, with the aid of testers from Finchley Catholic High School.

Since the launch PhoneBrain has been on a regional tour with roadshows taking place in Birmingham, Glasgow and Liverpool. The initiative has received an enthusiastic welcome from school children, teachers and MPs alike. It will continue to be revised, developed and promoted over the forthcoming months as part of a bigger educational strategy.

31,791 visitors
(4th December 2006 –
31st March 2007)

715,835 page hits
(4th December 2006 –
31st March 2007)

*Ofcom: Media Literacy Audit:
Report on media literacy amongst children.

POLICY DEVELOPMENTS: CASE STUDY #1

STRENGTHENING CONSUMER PROTECTION WITH THE NEW CODE



The 11th edition of our Code of Practice came into effect on 4 January 2007 after receiving formal approval from Ofcom. The new Code improves consumer protection and clarifies accountability for the providers of services, and is a major step forward in ensuring a safe and successful marketplace for businesses and consumers alike.

The Code was published following extensive consultation and briefings involving all parties – Ofcom, Government, industry and consumers – in identifying how best to ensure that anyone can use premium rate services with trust and confidence. Key to the changes has been ensuring that our regulations are more relevant and making regulatory accountability clearer.

As well as exercising new powers under the 11th edition of the Code, we will also be working closer with the industry and consumers to find new ways of preventing problems before they arise. Formal enforcement action is always our last course of action. At present, considerably more than half of all cases we open can be resolved informally with the complainant or the service provider.

Format

For those focused on developing their businesses, any Code of Practice can seem a distraction or an unattractive read. Sometimes, due to legal terms and definitions, the language is not easy to understand. We have tried to address these concerns by:

- restructuring and re-formatting the Code with colour-coded sections
- bringing what we believe to be the content of most relevance to most people to the front of the publication
- aiming to keep the document as short as possible – the general duties of service providers are covered in two pages, the general requirements on all services are covered in less than six and the responsibilities of networks in less than five pages.

Networks

Networks were covered by some requirements in the 10th edition of the Code of Practice. These have now been extended in the new Code to implement the findings of 2004's Ofcom review that stated that network conduct and practice were central to the well-being of the market and had to be addressed more fully.

Service categories

There are services, most obviously mobile subscriptions, where new rules have been introduced. In other areas, most notably live voice and text chat services, we have been able to remove detailed, service-specific rules and rely on the permissions framework or the general requirements section of the Code. This is an area of considerable deregulation – this year we expect to see a 50 per cent fall in the number of businesses having to obtain prior permission to operate services.

Registration

The Code requires that service providers register with ICSTIS. This is not a new requirement but it is now one of greater importance. This is because registration is linked to the important responsibility of networks to carry out due diligence on prospective partners. Registration is simple – it involves the provision of basic service provider contact information and details of the planned services.

We are not operating a licensing or validation regime but the duty to register with ICSTIS and the ability to provide this registration information to a network which can then validate the data as part of its due diligence procedures is a simple process designed to help networks.

It is a process some mobile aggregators asked us to make available more widely to content/information providers as an aid to their own due diligence procedures. We were pleased to agree and now register these businesses on a voluntary basis.

The role of content/information providers

Again at the industry's request and to show we take account of the complex value chains that can exist in parts of the market, we have changed our enforcement rules to allow us to deal directly with information providers in agreed circumstances.

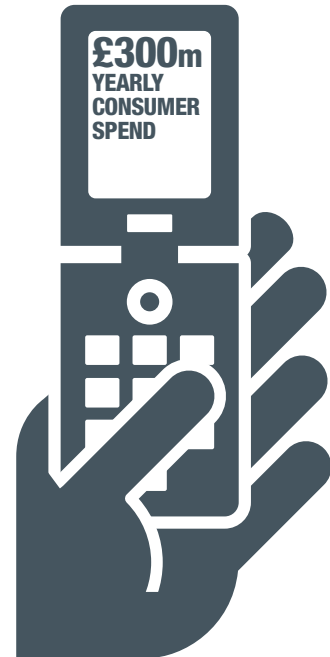
This option has already been taken up in some cases and we are ready in all cases to be clearer in adjudications as to the identity of all the parties in the value chain.

A copy of the Code is available at:
www.icstis.org.uk/publications/code

POLICY DEVELOPMENTS: CASE STUDY #2 PREPARING FOR 0871 REGULATION



* Approximate figure provided by Ofcom



Following the decision by Ofcom that ICSTIS should regulate 0871 numbers from early 2008, considerable preparation has taken place to guarantee a smooth inclusion of this number range to the full ICSTIS remit.

In order to ensure that the regulation of 0871 numbers is successful from the outset, ICSTIS appointed a dedicated member of the executive to oversee this work. Nathan Marshall has been 0871 Project Manager and, along with the policy team, has taken responsibility for understanding this area and ensuring that policy is proportionate and effective.

Collaboration with Ofcom and the industry has been crucial to the development of ICSTIS' 0871 regulation. Ofcom's documents on number changes have been reviewed, pre-consultation research has been commissioned and meetings have been held with stakeholders to validate the research and understand the market place. Numerous workshops have also been hosted by ICSTIS to enable 0871 operators to raise concerns, discuss the ICSTIS regulatory regime, raise awareness of forthcoming changes and encourage stakeholders to contribute to ICSTIS consultations.

Around 200 networks have 0871 numbers allocated to them by Ofcom and ICSTIS has been working hard to ensure that each network is fully aware of forthcoming change and that they clearly understand their new obligations. Some of the services operating on 0871 number ranges are similar to those operating on premium rate lines. However, much consideration has been given to the needs of other 0871 services which are new to ICSTIS, such as customer support lines, call centres, ticket lines and services using automated voice recognition software to route calls and to answer consumer queries.

Consumers currently spend over £300m each year on calling services operating on 0871 numbers. Judging by research much still needs to be done to address the public's preconceived expense and concern that services are often delayed to maximise revenues. The consultation on new policy (closed 28th June 2007) tackles these issues. Proposals included the need for clear and prominent pricing in all advertisements, as well as new procedures for dealing with refunds when callers feel that they have been kept on hold unnecessarily by call centres.

George Kidd, Chief Executive of ICSTIS, explains: "Consumer trust in 0871 numbers is critical. Callers should not suffer unreasonable delays. If they do, good business practice is to remedy the problem and offer a refund for the call cost. We would advise all businesses using 0871 numbers to start reconsidering their customer service systems and complaints processes. ICSTIS is ready to help as the new rules come into force."

POLICY DEVELOPMENTS: CASE STUDY #3

RESPONDING IMMEDIATELY TO PARTICIPATION TV ALLEGATIONS



“Viewers must get a fair deal. The allegations that have been made are serious and highlight issues that need addressing as a matter of urgency. Our job is to act where harm is identified – that is what we are doing and we will take whatever action we think is necessary once our investigations have been concluded. If what has been alleged is found to be true, our message to the industry is simple – this type of practice is not acceptable. Viewers deserve better.”

ICSTIS Chairman Sir Alistair Graham 28th February 2007

The reporting period has seen many stories about premium rate services circulate in the media but never before has ICSTIS seen cases gain such profile as the Participation TV allegations made this February.

The furore began with allegations published in The Mail On Sunday on 18 February 2007, claiming that potential winners for the Richard & Judy ‘You Say, We Pay’ (Channel 4) competition were randomly selected from callers who rang within the first five to seven minutes of the show. Despite this, the paper alleged, viewers were not told to stop calling and were actively encouraged to keep on dialling the premium rate number. This quickly prompted an ICSTIS investigation and media across the nation followed the story.

Just as the papers appeared to have had their fill of premium rate, a new story broke. BBC’s Saturday Kitchen was the next Participation TV show to come under examination. This time allegations addressed elements of ‘live’ and pre-recorded material. The Daily Mirror claimed that viewers were misled into phoning in to put questions to celebrity chefs ‘live’ despite the programme having been pre-recorded. They raised questions about transparency alleging viewers were invited to ring in to appear as a guest in the next edition of the show but the programme was being filmed minutes after the invitation was made. The article also questioned how a premium vote on whether a celebrity guest should get his ‘heaven’ or ‘hell’ dish would be executed when the programme was pre-recorded. A new ICSTIS investigation opened and Sir Alistair Graham ordered a meeting with the broadcasters, programme makers and service providers in the wake of the allegations in the Participation TV sector.

The Broadcast PRS market is worth an estimated £270m annually and attracts a significant audience of fans. To have such serious allegations being made against it was a shock to viewers and a major concern for ICSTIS and Ofcom because of our shared responsibilities in relation to broadcasting standards and protecting consumers. The industry summit on 8th March was held to reach an agreement on immediate and future actions ICSTIS and others would take in order to restore public trust in the premium rate Participation TV sector.

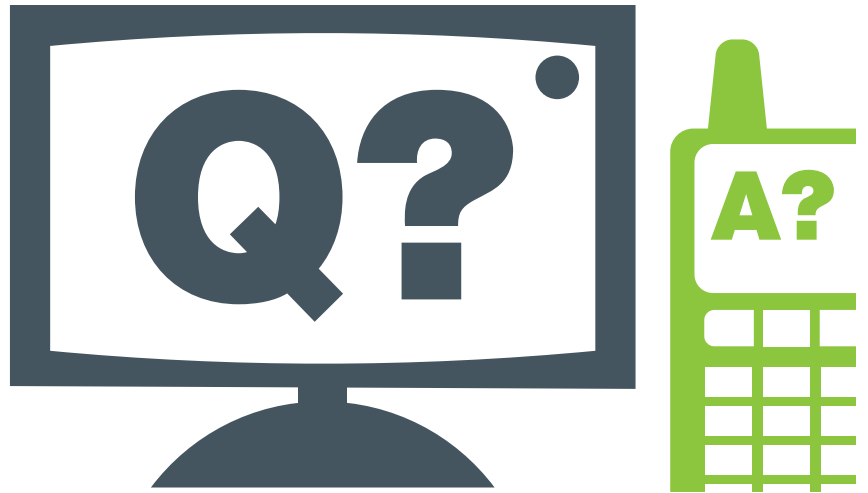
At the summit, ICSTIS asked all broadcasters and their partners to carry out, as an absolute priority, a review of their current and forthcoming Participation TV programming to ensure there is no risk of consumer harm. The findings of each review were reported to ICSTIS for analysis. ICSTIS committed to introducing systematic monitoring and inspections to ensure services are being run as they should. ICSTIS also suggested the possibility of a forthcoming licensing regime. Furthermore, Sir Alistair stressed the importance of ongoing communication between regulator and industry to ensure that questions could be raised and resolved successfully.

Following the summit, more Participation TV shows found themselves subject to media attention from X Factor and GMTV (which resulted in formal investigations) to shows including Dancing on Ice, I’m a Celebrity, Soapstar Superstar and Ant & Dec’s Saturday Night Takeaway. ICSTIS was committed to examining each allegation in full and, although in some cases informal action was taken, many cases were closed due to lack of evidence. Other Participation TV programmes became subject to Ofcom investigations as they looked at wider issues of editorial content and broadcasting practice.

Moving forwards, we need to examine how the regulation of premium rate services should fit alongside a broadcasting regime which has different but equally important values. We are keen to work with others to ensure we agree on shared objectives and can deliver a regulatory regime that restores public trust in broadcasting. We are confident that, with the support and collaboration of the industry, questions over the fairness of this sector can be answered.

POLICY DEVELOPMENTS: CASE STUDY #4

INCREASING TRANSPARENCY FOR QUIZ TV VIEWERS



There has been a huge growth in Call TV Quiz Services over the past few years. Their format and relationship with the public has given rise to significant media and industry interest, raised questions and caused Call TV Quiz Services to be under the ICSTIS spotlight since they arrived on the nation's TV screens back in spring 2005.

Call TV Quiz Shows rely wholly or mainly on viewers paying for the opportunity to take part in answering a puzzle or a question. It seems to be a simple recipe but this format has prompted both ICSTIS and Ofcom to examine issues of transparency and fairness.

As a consequence of a growing interest and increased complaints about these services we issued a Statement of Expectations on Call TV Quiz Services in January 2006. This spelled out how we would apply our Code of Practice to these services. At the same time, we worked very closely with Ofcom which also has a remit over aspects of the broadcast output being delivered via these programmes.

By 10 October 2006 ICSTIS announced that it was to carry out another review of the Call TV Quiz Services sector. In making the announcement, we made clear that our recent monitoring of Quiz TV programming, combined with evidence from complaints, had highlighted a number of issues that needed to be explored with the industry and others. This was supported by consumer research.

The Culture, Media and Sport Select Committee also decided to investigate aspects of Call TV Quiz Services and for the first time in ICSTIS' history we were called to give evidence at an oral evidence session on 28 November 2006. We gave oral evidence jointly with Ofcom and the Gambling Commission, an action wholly in line with our commitment to working together on proportionate 'joined-up' regulation. We very much welcomed the review and its findings which were reported in January 2007. Many of the actions drawn from our own review will go a long way in delivering the recommendations it made.

Transparency was the key focus of our autumn 2006 review. This was not simply an issue of pricing clarity on screen or on air. We looked at how pricing information was presented to the consumer and, more importantly, how this information was being interpreted. We needed to make sure that all viewers understood the cost of taking part and their chance of being a successful caller to the studio so that they could make an educated decision about taking part. These concerns have also been a matter of much media, political and public interest. In carrying out the review, ICSTIS' approach has been robust, evidence-based, independent and, at the same time, draws on the expertise of industry and other stakeholders in setting the regulations in a way that meet the Better

Regulation Commission principles of good regulation. These are set out, for the first time, in the very first paragraph of our new 11th Code of Practice.

Our review resulted in three measures to tighten Call TV Quiz Services rules being announced in April 2007, taking effect in May 2007. These were as follows:

- making viewers aware of their actual chances of being put through to the studio
- ensuring presenters repeat the cost for all calls (successful or not) at least every 10 minutes
- giving participants cumulative call cost warnings after each £10 they spend

The review did not find evidence of unlawful practice but it did highlight the need for ongoing dialogue with all interested parties to ensure that we maintain consumer trust in a sector that cannot afford to be eroded by consumer scepticism.

IMPROVING THE ORGANISATIONAL STRUCTURE TO BE READY FOR THE CHALLENGES AHEAD



Our strategy of protecting consumers by pre-empting and preventing problems is reflected in the organisational restructure we have been through during the past few months. Through our policy and industry support teams we aim to gain an even better understanding of products, platforms and payment mechanisms being used. Through dialogue and increased openness with our partners we want to build the quality of our evidence base for decisions.

This has been our approach when addressing challenges with mobile and Quiz TV services, and in preparing for the regulation of revenue-share services on 0871 numbers. In each case, our work has been supported by research and a draft regulatory impact assessment. This practice is an important aspect of ensuring that any arrangements we bring forward are proportionate to the issues we address.

The Industry Support Team is dedicating staff to supporting and promoting compliance. Very few businesses know that we can offer them advice. We are committed to applying and developing our expertise. We plan to be accessible and proactive, offering advice and assistance to all our stakeholders. We expect to see exponential growth in this area in the coming year.

We did more in 2006/07 to increase the transparency and detail given in our adjudications. We will continue to be measured by the speed, proportionality and effectiveness of our enforcement work which we will continue to improve. We are also in the process of adding legal and other experts to the panel of people who will carry our adjudication work.

We are equally keen to build public trust through education and information. www.phonebrain.org.uk was successfully launched in 2006 and has been actively promoted throughout the UK through roadshows and our partners, demonstrating joined-up working across government and the wider 'Every Child Matters' agenda. There will be considerable emphasis on our new educational strategy as we move forwards. We will be looking at our published material, our website and, in particular, at how we can prompt, feed into and support the work of other companies and agencies in getting messages across to their customers and to the public at large.

The quality and efficiency of our IT services has been under review and we have made changes to ensure we are as scalable and economic as possible. We have developed new internal accounting arrangements and have introduced a new database to log and track complaints.

The ICSTIS Committee became the ICSTIS Board when the 11th Code of Practice came into effect on 4th January 2007. The Board consists of ten remunerated part-time members, seven of whom have no current connection with the premium rate industry. The three members who are currently active in the premium rate industry, whilst full members, take no part in any of the adjudicatory functions administered by ICSTIS.

The full Board meets on a bi-monthly basis to discuss and determine board strategy and policy. A summary of the board meeting minutes and biographies of board members can be found at www.icstis.org.uk/about

In addition, a sub-group of two or three non-industry members meet weekly to adjudicate on complaints and to consider applications from companies that wish to operate services which require prior permission.



7



8



9



10

The current Chairman of the Board is Sir Alistair Graham and the Deputy Chairman is Robert Chilton.

- 1 **Sir Alistair Graham** Chairman
- 2 **Robert Chilton** Deputy Chairman
- 3 **Andrew Bud**
- 4 **Edward Boddington**
- 5 **David Clarke**
- 6 **Nicholas Higham**
- 7 **Stephen Locke**
- 8 **Sara Nathan**
- 9 **Mike Short**
- 10 **Mike Tully**



11

11 **Leadership team (from left to right)**

- George Kidd**
Chief Executive
- Trays O'Reilly**
Director of Standards & Communications
- Paul Whiteing**
Director of Policy & Innovation
- Brian Lund**
Director of Corporate Services

STAKEHOLDER COLLABORATION: WORKING WITH THE INDUSTRY



The Industry Support Team has held over 100 meetings with stakeholders between 1 April 06 – 31 March 07, of which:

- 24 were induction sessions
- 26 were support and advisory meetings
- 22 were co-regulatory workshops
- 21 account meetings (with Mobile Operators and aggregators)
- 6 were presentations given to wider stakeholder groups

The Industry Support Team has placed considerable focus on the launch and implementation of the 11th edition of the Code of Practice in this reporting period. For the first time Network Operators, both fixed and mobile, faced the possibility of sanctions if they failed to comply with their Code obligations and ICSTIS instructions. Naturally this change caused some nervous ripples within the industry and the Industry Support Team worked hard to ensure all operators were well informed and prepared for the change.

It was hugely encouraging that the majority of network operators embraced their new formal responsibilities and implemented them as 'best practice' procedures well before the Code was finalised. Additionally, through effective communication and heightened visibility at industry events, we were able to reassure our industry colleagues that new rules would be implemented with careful thought and only after thorough investigation.

ICSTIS philosophy has always been to seek a practical resolution by working closely with any network operator facing difficulties and this approach has not been replaced by the new Code rules, merely enhanced by them. Through inductions, meetings and workshops, the Industry Support Team has offered help and advice on a variety of topics from due diligence and definitions in the Code to, among other things, the new online registration scheme.

In addition to being available on a consultative basis to deal with specific issues, the Industry Support Team has taken proactive steps to meet with as many network and service provider stakeholders as possible to introduce ourselves and to gain a better understanding of the practical issues faced by the industry on a day-to-day basis. This accessibility has improved communication, allowed ICSTIS to meet a wider variety of contacts and provided valuable insight into the needs of our stakeholders.

x21
ACCOUNT MEETINGS
(WITH MOBILE
OPERATORS AND
AGGREGATORS)

x6
PRESENTATIONS
GIVEN TO WIDER
STAKEHOLDER
GROUPS

A number of co-regulatory workshops have ensured that ICSTIS gains a clear understanding of the processes and complications of new technology being used in the premium rate industry. Topics have included the potential for misuse of anonymous SMS services, consumer concern for WAP push promotions and the use of video shortcodes. Members of the industry have also been invited into ICSTIS to give presentations and answer questions from the organisation and we thank them for sharing their expertise.

ICSTIS' collaboration with networks, mobiles and service providers continues to go from strength to strength. Networks are enthusiastic in their contribution to the information-sharing process administered by ICSTIS under the Memorandum of Understanding for Consumer Harm on PRS and High Toll Services. Between April 06 – March 07, 126 alerts were issued to the industry bringing the members' attention to suspected abuse on 070, 08, 09 and international premium rate numbers. The alerts were the result of a united effort. 35 were direct referrals from originating networks and the remainder a combination of ICSTIS monitoring and information ICSTIS received from the public. This collaborative approach is clear evidence of the strengthening trust between ICSTIS and the industry. It also underlines our joint aim, the prevention of consumer harm.

Information was also shared through the regular Mobile Monthly Newsletter. This document, prepared and circulated via email by Carmel Sivill, ICSTIS' Industry Support Executive, highlights the latest consumer concerns, policy developments and co-regulatory events. It ensures a fluid communication of ideas and initiatives which complements the face-to-face efforts of the team.

“The Monthly Update provides an excellent overview of all of the activity undertaken by ICSTIS in that month in a format that is simple to read. It enables me and my colleagues to see at a glance what changes have occurred and what challenges the industry faces”

Naomi Hone,
Mobile Operations Manager,
Orange

UNDERSTANDING THE NEEDS OF THE INDUSTRY: AN UPDATE FROM THE INDUSTRY LIAISON PANEL



The ILP's current membership is:

Nicola Robbins (Chair)
BT

Martin Ballard
Mobile Data Association

Suhail Bhat
Mobile Entertainment Forum

Jacqui Brookes
Federation of
Communication Services

Ann Cook
ITV

Peter Cowley
Endemol

Robert Dirskovski
Direct Marketing Association

Roy Ellyatt
Network for Online
Commerce

Suzanne Gillies
Premium Rate Association

Mark Gracey
UK Competitive
Telecommunications
Association

Hamish MacLeod
Mobile Broadband Group

Tony Maher
Telecommunications UK
Fraud Forum

Iain McCallum
O2

Michael Taylor
Internet Telephony Service
Providers' Association

Paul Whiteing
ICSTIS

Nicola Robbins (Chair) BT

The ILP is now just over one year old and met four times during 2006/07. During this period, the chairing of the ILP passed from Alan Stone to Nicola Robbins of BT. The group has reviewed their terms of reference and will continue to do so as the ILP evolves.

The current ILP terms are:

- To consider and advise ICSTIS on issues relating to the development of regulation of the premium rate industry, especially with regard to the role that the various commercial stakeholders have in the facilitation of premium rate services (PRS)
- To advise ICSTIS on the general effectiveness of the Code of Practice. To provide comments on the effectiveness and workings of the Code of Practice with a view to strengthening trust and confidence in the provision of PRS
- To act as a forum for ICSTIS to raise and inform on matters relevant to all commercial stakeholders
- Annually, to receive and comment on a presentation of the ICSTIS budget when ICSTIS consults with all stakeholders, including service provider funders
- To consider and advise ICSTIS on suggestions for improvements to the collection arrangement for the ICSTIS levy, fines and administrative charges
- To receive updates on the operational effectiveness of the ICSTIS Contact Centre and discuss means of improving the signposting arrangements between networks, ICSTIS and other relevant bodies to ensure a successful customer experience in relation to PRS and related customer information, support and advice. To identify trends in complaints and Contact Centre activity with a view to early identification of concerns and pre-emptive solutions.
- To act as a forum where matters relating to consumer information and education about PRS via telephone bills and other mechanisms can be discussed and agreed.

During the year the ILP has debated and considered a wide range of issues including the 11th Code and Help Notes, 0871 regulation, Quiz TV, 070 compliance and the ICSTIS budget and forecast.

At their meeting in December 2006 the ILP agreed that they should become more task-focused and established a series of project groups designed to deliver practical benefits back to us and industry. The groups so far established have been looking at:

- Developing best practice for customer service when using PRS
- 0871 regulation
- The means by which industry could secure better market data about the PRS sector, along with the trends that are driving it
- How to improve pricing transparency for PRS – which is something that the Scope review of PRS by Ofcom will also be considering

In addition, the ILP have agreed to act as a test-bed for ICSTIS forecasts and to lend support to ICSTIS' pre-budget analysis in order to better assist us in ensuring that the assumptions we make in the budget about forward projections for growth and change are based on the best quality of intelligence that we can reasonably secure from the market.

The creation of the ILP has brought together diverse opinions from across the industry and during 2006/07 the group has evolved into an action orientated group, which is willing to work together to protect consumers and enhance the reputation of the industry. Long may the good work continue.

PROVIDING EXPERT ADVICE: AN UPDATE FROM THE IMCB

IMCB, the Independent Mobile Classification Body, is a legal entity and subsidiary of ICSTIS but the organisations share staff and office space for efficiency. The Board of IMCB is chaired by Sir Alistair Graham and four other ICSTIS Board members – Nicolas Higham, Stephen Locke, Sara Nathan and Mike Tully. Paul Whiteing, ICSTIS' Director of Policy & Innovation is its Director.

Between April 2006 and March 2007, no formal complaints were submitted to IMCB about the misclassification of visual content. A query was referred to IMCB by a parent who was concerned that his child had access to topless content on her phone. However, in this case, the content in question did not warrant an 18 classification under the Framework and so was not pursued by IMCB.

We remain confident that self-classification of content by content providers and their positive relationship with the mobile operators ensures correct classification of content.

Where there is any doubt, IMCB continues to offer advice and during the previous 12 months, 49 requests for advice were submitted, 11 of which were outside of the IMCB remit.

The out of remit requests concerned queries about premium rate advertising, user-generated content and network level access controls. The parties seeking advice were referred on to the appropriate place in each case.



The requests for advice which have been dealt with by IMCB during the last year have included queries about cartoons, content which depicts stunts – namely imitable techniques – and horror.

However, the majority of requests continue to concern the classification of sex, nudity and Page 3 style glamour content as well as endeavouring to clearly identify where the line falls in this area between content which must be classified as 18 and that which remains unclassified under the Framework. The number of queries received about other categories of content remains small.

ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2007

NOTES

1 During the year, the Directors reviewed the policy with regards to the recognition of income from fines. In prior years, income received from fines was recognised on the basis of fines received in the period. The Directors have determined that it is more appropriate to recognise fines on invoice and have restated the turnover, debtors and income in advance. The result of this change is that turnover has increased by £14,992 (2006: £463,763) after providing for doubtful debts of £56,402 (2006: £2,943,243). The impact on debtors is an increase of £14,992 (2006: £217,081). The impact on income in advance is an increase of £14,992 (2006: £217,081).

The turnover has also been restated to reclassify bad debt provisions to administration expenses as the Directors have determined that this is a more appropriate classification and is in accordance with UK GAAP. The impact is an increase in turnover and an increase in administrative expenses of £73,665 (2006: £3,056,990).

2 The company is non-profit making. A service provider levy is collected via the network operators based on their revenues in order to cover the proposed expenditure in any year. Any difference between the amount collected and expenditure incurred is taken into account in setting the levy in the ensuing year. The company also received fines and administrative charges from services that are in breach of its Code of Practice. Income received from administrative charges is on the basis of invoices issued during the period less bad debts. Income received from fines is as noted in note 1.

3 Committee, Independent Appeals Body, Adjudicator and Secretariat costs are those staff costs attributable to supporting the Committee in its work of regulating premium services, and the Adjudicator in administering the Live Services Compensation Fund. They include remuneration, recruitment, training, temporary staff, and the fees and expenses of Committee members, Independent Appeals Body members and the Adjudicator.

Income			
	Notes	2007 £	2006 (restated) £
Levy on premium rate telephone services		2,429,582	1,784,814
Administrative charges		166,792	345,160
Fines received	1	1,101,250	4,703,782
Other		91,509	58,458
Funds received	2	3,789,133	6,892,214
Interest received		228,517	203,352
Total income		4,017,650	7,095,566
Expenditure			
Committee, Independent Appeals Body, Adjudicator and Executive costs	3	2,439,880	2,417,592
Premises costs	4	293,854	315,431
Depreciation and equipment costs		228,983	196,713
Office overheads	5	194,778	206,789
Legal and professional fees		272,388	354,473
Accounting and audit fees		25,750	15,000
Other costs	6	504,565	3,441,899
Interest and bank charges	7	3,238	101,696
Total expenditure		3,963,436	7,049,593
Profit before taxation		54,214	45,973
Taxation		(54,214)	(45,973)
Profit after taxation		0	0

Balance sheet as 31 March 2007

	Note	31 March 2007	31 March 2006 (restated)
		£	£
Tangible Fixed Assets	8	329,672	311,681
Investments	9	1	1
Current Assets			
Debtors:			
Trade debtors	10	613,955	2,182,740
Amounts due from group undertakings		516	27,714
Other debtors and prepayments		202,038	178,437
		816,509	2,388,891
Cash at bank and in hand		4,718,617	4,448,958
		5,535,126	6,837,849
Creditors – due within one year:			
Trade creditors		(608,876)	(481,914)
Other tax and social security costs		(-)	(298,089)
Income received in advance	11	(2,583,762)	(3,925,486)
Corporation tax		(54,214)	(45,973)
Other creditors		(11,785)	(14,538)
Accruals and deferred income		(225,841)	(308,531)
		(3,484,478)	(5,074,531)
Net Current Assets		2,050,648	1,763,318
Total Assets (less Current Liabilities)		2,380,321	2,075,000
Creditors – amounts falling due after more than one year:			
Contingency Fund	12	(1,995,000)	(1,575,000)
Emergency Reserve Fund	13	(385,321)	(500,000)
		(2,380,321)	(2,075,000)
Net Assets		0	0

NOTES CONTINUED

- 4 Premises costs include rent, rates, service charge, and repairs.
- 5 Office overheads include telephone, internet and TV, postage and stationery, publications, travel, subsistence, entertainment and general office expenses.
- 6 Other costs include printing, IT and website, external affairs costs, consultancy, research and insurance.
- 7 Interest and bank charges include bank charges on operating accounts.
- 8 Tangible fixed assets include fixtures and fittings, office equipment, furniture and computer equipment.
- 9 The company owns 100% of the share capital of IMCB Limited, a company operating as a mobile telephone services content regulator.
- 10 Trade debtors include amounts due from network operators for the levy and from service providers for administrative charges.
- 11 Income received in advance represents the difference between total income and expenditure incurred, which will be used to reduce the levy in future years.
- 12 Creditors falling due after more than one year include a Contingency Fund collected as part of the levy, which will be retained for the foreseeable future.
- 13 The Emergency Reserve Fund represents additional amounts collected as part of the levy, held to address the impact of significant unexpected changes in the activity of the company.

20 YEARS AS ICSTIS

CELEBRATING OUR ACHIEVEMENTS TOGETHER

ICSTIS celebrated 20 years of effective regulation with an anniversary event at the London Aquarium on 14th September 2006.

In those 20 years...

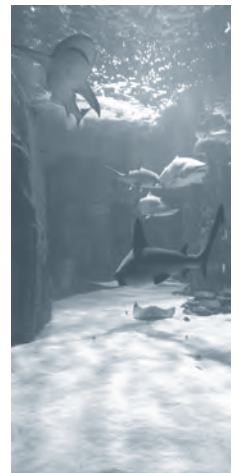
- The public has spent over £7.6 billion on premium rate services over the last 20 years – enough to create a millionaire every day for the next 20 years
- Over one million people have called ICSTIS' free 0800 500 212 helpline – enough to create a city bigger than Birmingham, Athens or Turin
- Complaints have been received about 42,000 different premium rate numbers and 12,000 different service providers
- The former Committee has adjudicated in almost 4,000 cases

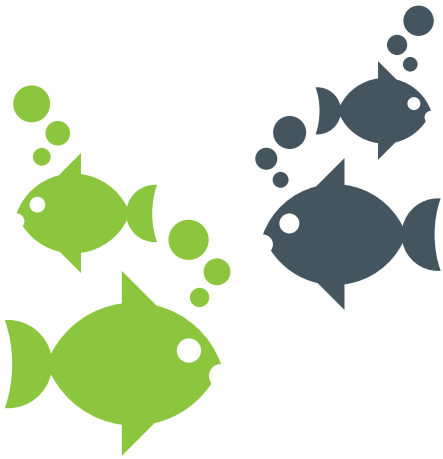
£7.6bn

Amount spent by the public on premium rate numbers over the last 20 years.

42,000

Different premium rate number complaints ICSTIS has received.





- 1 Nicola Robbins (left), Peter Coles (centre) and Bindi Norwell (right) all BT
- 2 Kip Meek, former Ofcom Chief Policy Partner, Ofcom
- 3 Nick Turner, Head of Fathom Productions, (left) Mike Pemberton, ICSTIS Head of Investigations & Monitoring (centre) and David Oatway, ICSTIS Market & Policy Analyst (right)
- 4 Guests around the touch pool
- 5 Mary Symes, former ICSTIS Deputy Chair (left), Hamish MacLeod, Mobile Broadband Group (centre) and William van Rest, ITV Play (right)
- 6 Guests around the touch pool
- 7 Sam Martin, TU Ink Sales Partner (left), Darren Westlake, TU Ink Design Partner (centre) and divers from the Aquarium
- 8 Fred Hayden, Regtel (left), Claire Milne, former ICSTIS Committee member (centre) and George Kidd, ICSTIS CE
- 9 George Kidd, ICSTIS CE (left), Sir Alistair Graham, ICSTIS Chairman (centre) and life peer Baroness Bottomley of Nettlestone (right)
- 10 Sir Peter North, former ICSTIS Chairman (left), Sir Alistair Graham, ICSTIS Chairman (centre) and Howard Baderman, one of the first ICSTIS Committee members (right)



CONTACTS



PhonePayPlus

In order to register a query or complaint with ICSTIS please call our Customer Contact Centre

Opening hours: 8.00am to 6.00pm
Monday to Friday (excluding Bank Holidays)

Telephone: 0800 500 212

Textlink: 020 7407 3430
for hearing impaired

Email customer enquiries:
customerservice@icstis.org.uk

Main switchboard: 020 7940 7474

Large print and Braille versions of this report will be available on request. Please contact the Customer Contact Centre for further information.

Telephone: 0800 500 212

The communications and media team can be contacted on 020 7940 5313 or by emailing mediaenquiries@icstis.org.uk

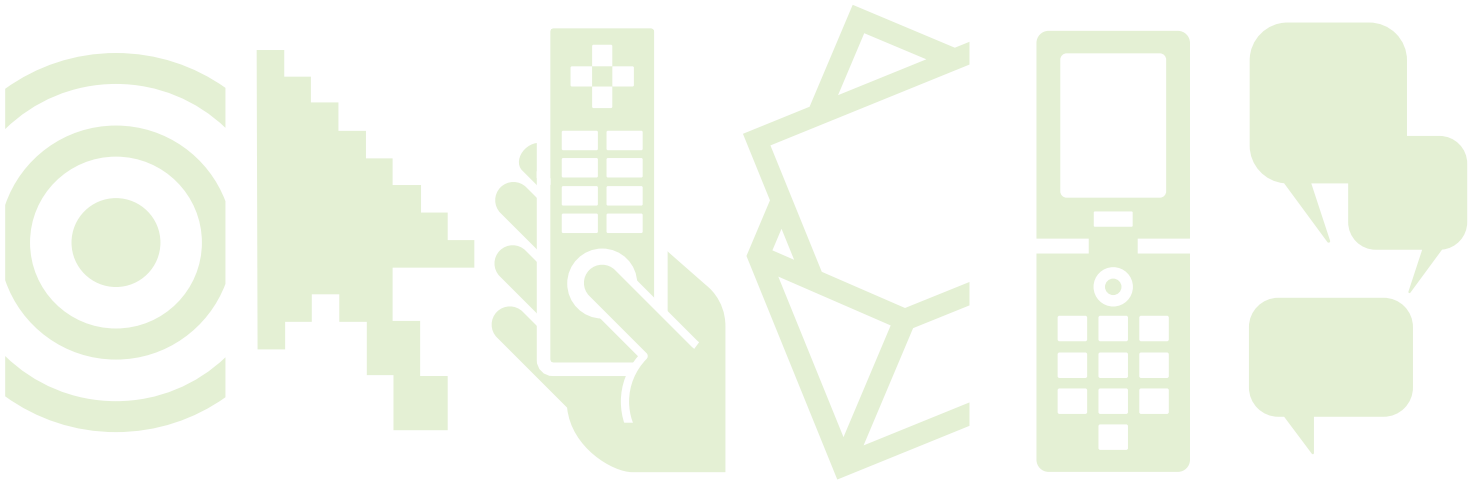
Information is also available online at www.icstis.org.uk and www.phonebrain.org.uk

From October 2007 we shall be adopting the new, more consumer friendly name **PhonePayPlus**.

This new name explains more accurately what we do and reflects our modern regulatory organisation plus our wider remit which will include the regulation of 0871 numbers from early 2008.

Our new website details will be **www.phonepayplus.org.uk** and all other telephone contact details will remain the same. Email addresses will become **xxxx@phonepayplus.org.uk**

PhonePayPlus
Coming soon.....



ICSTIS/PhonePayPlus
Clove Building
4 Maguire Street
London
SE1 2NQ

Main switchboard:
020 7940 7474
www.icstis.org.uk

