

Phone-paid Services Authority Limited

Company number 02398515

Annual Report and Accounts 2019-20

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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)

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PHONE-PAID SERVICES AUTHORITY LIMITED

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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

COMPANY INFORMATION

Directors	D Edmonds CBE M Munn S Ricketts (resigned 31 December 2019) J Porter K Brown A Cook M Thomson (appointed 1 January 2020)
Registered number	02398515
Registered Office	25th Floor 40 Bank Street Canary Wharf London E14 5NR
Independent Auditors	National Audit Office 157 - 197 Buckingham Palace Road Victoria London SW1W 9SP
Bankers	HSBC 1 Bishopsgate London EC2N 4BQ Aldermore 50 St Mary Axe London EC3A 8FR
Solicitors	Fieldfisher LLP 2 Swan Lane London EC4R 3TT

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

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their Strategic Report for the year ended 31 March 2020.

INTRODUCTION

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

BUSINESS REVIEW

Our activities and market

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

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

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

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

Our strategic approach

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

Establishing regulatory standards for the phone-paid services industry

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

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

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

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

Verifying and supervising organisations and services operating in the market

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

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

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

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

Gathering intelligence about consumers, the market and individual services

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

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

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

Engaging closely with all stakeholders

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

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

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

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

We communicate with consumers to improve understanding and awareness of phone

payment, and the various ways consumers can charge content, goods, or services to their phone bill.

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

Enforcing our Code of Practice

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

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

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

Delivering organisational excellence

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

Review of 2019/2020

Our broad focus in 2019/20 has been on:

- clarifying our strategic purpose to better reflect our role on behalf of consumers
- using this clarification to lay the foundations for a strategic review of our regulatory approach and a new Code of Practice (to come into effect in 2021/22)
- implementing and reviewing the range of key policy work developed in 2018/19, predominately designed to minimise the risk of consumers engaging with phone-paid services unknowingly and/or unwillingly
- prioritising the use of our limited resources to pursue the most effective enforcement outcomes
- developing a more detailed understanding of the market and consumer expectations, and deploying this to target regulatory interventions with increased precision
- adapting to changes in the market as high-profile brands expand their phone-paid service offerings, including developing key stakeholder relationships to ensure Code compliance is easily maintained
- developing our technology and automation to deliver greater efficiency and effectiveness, while ensuring our cyber security keeps pace with emerging threats
- delivering on our people strategy to maintain a high performing, engaged and motivated workforce.

Outlined below is the more specific work we have delivered, against each of our new strategic purpose areas:

Establishing regulatory standards for the phone-paid services industry

We committed to provide regulatory certainty to industry by retaining the current Code of Practice (Code 14) until at least 2021. However, during 2019/20 we began to lay the foundations for Code 15 through:

- clarifying our strategic purpose (as set out in section 2)
- assessing market conditions and identifying the areas of potential change required to ensure the Code remains fit for purpose for the market we are regulating
- setting out a clear long-term timetable for development, consultation and implementation of a new Code.

Our core work in 2019/20 to maximise the effectiveness of Code 14 included:

- ongoing consideration of our risk assessment framework in the context of changes in the phone-paid services market
- implementing and monitoring key regulatory changes, including:
 - subscription services – introducing Special conditions to meet consumer expectations and reduce unwanted sign ups to recurring charges, monitoring over time that desired outcomes have been achieved, and paying close attention to any transfer of potential consumer harm to other areas of the phone-paid services market
 - Level 1 aggregator platform security - working closely with Mobile Network Operators (MNOs) on the application of agreed standards to ensure payment platform security remains high and we collectively maximise consumer confidence that their consent to charge has been properly obtained
 - information, connection and signposting services (ICSS) – applying our regulation to include all ICSS regardless of number range and reviewing ICSS Special conditions to better protect the consumer
 - directory enquiries – ongoing internal assessment of the broad impact of the Special conditions introduced in February 2019 to prevent harm caused by potentially misleading advertising of directory enquiry services
- further developing our work on supporting consumers to obtain appropriate redress as quickly and simply as possible, through engaging with industry on our policy development and consulting on renewed regulatory guidance for refunds
- developing our approach towards ensuring consumers receive a high standard of customer care, through fairly and proportionately enforcing breaches of Code provisions in this area.

We continued to adapt our compliance and industry support in line with changes in our stakeholder landscape, including delivering over the course of 2019/20 through:

- compliance advice both on general Code enquiries and on areas of complexity or innovation, with an estimated 500 requests expected to be made during the year

- updated or new guidance on areas of high interest and impact, including around consent to charge, due diligence risk assessment and control (DDRAC) and refunds
- providing greater certainty to industry around how our regulatory expectations on data retention and GDPR are aligned, through new guidance on retention periods for different types of data requested by PSA at various stages of an investigation.

Verifying organisations and services operating in the market

We applied new Registration requirements in 2019/20, following a period of system development and implementation workshops with industry. We also subsequently worked with industry to manage individual issues and ensure that the new requirements are not proving to be unduly onerous on service providers. A working group of industry users has been helpful in feeding back on system usability and recommending a road map for system development.

We also refreshed our approach to Registration, working more closely with industry to ensure the information they provide is complete and accurate.

We developed a new front-end user experience of Service Checker, with new functionality drawing on the enhanced registration database. This will enable consumers to have a much better understanding of services and the organisations that provide them, through:

- receiving more accurate and comprehensive data when they base their search on a number or other information shown on their bill
- having the ability to access the same information from other search options e.g. brand name, service name, service description.

As part of continuing to develop our application and enforcement of Code 14, we had a particular focus on developing clear and emphatic guidance on the due diligence, risk assessment and control we expect to see delivered in the market. This work has involved:

- revising guidance that sets higher, clearer expectations around “Know Your Client”, due diligence checks, risk assessment of clients and their services, and ongoing control of same, and enables better, more standardized processes and record keeping within the industry
- enhancing the due diligence reporting available through PSA, through utilising the new Registration database and providing additional investigation and enforcement data
- incorporating this emphasis into our enforcement strategy.

Gathering intelligence about the market and individual services

We worked closely with our consumer panel to ensure we harness their insight and challenge from the consumer perspective. This included:

- ensuring our consumer-facing website content is consumer-friendly, relevant and easy to navigate
- assisting us to understand users of phone-paid services better
- providing advice around the user experience of the new Service Checker

- supporting our strategic planning and policy development, including on ICSS, subscription services and consumer vulnerability.

We further developed our broader understanding of the market through:

- publishing the Annual Market Review for 2018/19, including building on the enhanced consumer engagement and analysis from 2017/18
- research into consumer expectations and experience with different refund mechanics, which has also added to our research base and informed our policy development around subscription services and ICSS
- understanding the potential impact of the widespread introduction of e.g. Rich Communication Services (RCS) text messages and eSIMs, including any risks to informed consumer consent
- ongoing analysis of the potential impacts of longer-term changes in service types and service delivery in the market. Work in this area has included consideration of the reaction of the wider digital payment market to the implementation of the General Data Protection Regulation (GDPR).

We continued to support consumers to self-serve enquiries as best as possible, whilst ensuring we were available to receive and understand any issues with services they wish to report to us. During 2019/20 we re-emphasised our role as a regulator, seeking to clearly manage consumer expectations around how we consider and act on information they give us. We also ensured we have in place the capacity to handle the vast majority (97%+) of the expected 300,000 contacts automatically, which means we were able to balance our resources to:

- develop our working knowledge of individual services through monitoring, so that we are better able to inform consumers about their possible engagement with that service when they report an issue to us
- identify and share best practice of compliant service delivery, as well as being an initial step in assessing evidence of potential non-compliance with our Code
- separate out enquiries from complaints and carry out a thorough assessment of issues being reported to us. As a consequence of our policy work, total complaints in 2019/20 were just under 14,000, compared with just over 20,000 in 2018/19
- in carrying out this thorough assessment, we sought to engage with industry in the most efficient and effective way. Work in this area included:
 - reviewing how we request information from aggregators and service providers, ensuring we communicate clearly and with precision
 - developing the evidence gathering and assessment capabilities of our staff.

We continued to invest in maximising the effectiveness of our overall monitoring capabilities.

Developments in 19/20 included:

- automating scans of Google Ads to create a database of thousands of phone-paid service journeys
- enhancing the monitoring of services to cover the full consumer journey over the lifecycle of a service
- harnessing intelligence shared by MNOs and their compliance audit houses
- targeting monitoring as part of the investigations process (pre and post allocation of cases)

- targeting monitoring in support of policy development e.g. subscription services and ICSS
- undertaking detailed forensic monitoring of complex market issues e.g. identifying malware issues and their potential impact on consumers.

Engaging closely with all stakeholders

We continued to drive improvements in consumer confidence at every opportunity in 2019/20, and our engagement with consumers included:

- continually reviewing our communications with them, ensuring we tailor them to the feedback we receive e.g. by clearly explaining our role as a regulator when issues are raised with us
- ensuring we communicate clearly to all affected consumers about refunds arising from enforcement cases, either ordered as a sanction or as part of an agreed action plan
- building stronger working relationships with consumer representative bodies
- utilising our digital transformation framework to consider any new proposals that would enhance our consumer service offering
- continuing to identify and explore opportunities to drive up awareness of the PSA and providing advice in ways that both clearly allow consumers to understand our role and the phone-paid services market better. In 2019/20 our engagement with the national broadcast and print media included BBC Radio 4, BBC One, Financial Times and The Guardian, the Mail on Sunday and the Daily Mirror
- through engagement with industry, identifying positive stories about phone-paid services and exploring the best ways to communicate them.

We continued to make our regulatory remit as clear as possible to industry and during the year we continued to offer workshops on our investigations and enforcement processes, both to new entrants to the market and as a refresher to existing service providers. We also developed the documentation we use with industry to provide clarity as to which stage of our processes (as set out in our Supporting Procedures) the communication relates to.

We sought to build on positive developments for consumers in the phone-paid services market by continuing to engage collaboratively with industry broadly through:

- continuing to meet regularly with major networks, aggregators and service providers at a strategic level
- expanding this programme to incorporate new relationships with high-profile service providers as they either enter or increase their engagement in the phone-paid services market, including Google, Apple and Microsoft
- continuing to engage with industry, including through the ILP, to identify and discuss areas where consumer confidence may be improved
- creating opportunities for industry to share their market experience and expertise with all PSA staff
- ongoing engagement with MNOs, to minimise the impact of any instances of poor customer service where consumers contact their network first.

As high-profile brands and services have increased their presence and share of the phone-paid services market we aimed for our regulatory role to become more weighted towards maintaining compliance in each of the different sectors of the market. The nature of our work in this area was wide-ranging, and in 2019/20 included:

- convening a senior industry roundtable to consider and implement changes in their business practices that will allow for operator billing to achieve its growth potential
- continuing to manage the process of considering Code exemptions with transparency, with clear communication around the decisions to agree pilot exemptions and whether to make them permanent or not
- delivering our annual industry Forum, at which we share and debate key themes in the phone-paid services market
- continuing to engage with specific industry groupings on a more formal basis, including through the ILP and with representative bodies and trade associations such as aimm and Mobile UK
- continuing our regular programme of informal engagement with individual organisations, utilising operational data to identify areas of possible concern and to resolve them quickly
- continuing to offer workshops for industry partners on policy matters as they arise, including around subscription services and refunds
- enhancing the support we are able to give to individual service providers regarding the Registration process for their organisation and services.

We continued to work closely with regulatory partners on issues as they arise. In 2019/20 this included:

- working with Ofcom to ensure our regulatory approach dovetails effectively with their broader objectives
- continuing our regular engagement with DCMS and Ofcom on a range of policy issues, including ICSS and subscription services
- working specifically with DCMS to consider any areas of potential legislative change, to support our effective enforcement of both the current Code and any planned developments for Code 15
- liaising with the Fundraising Regulator as part of developing special conditions for subscription services as they relate to charity donations
- continuing to participate in Operation Linden to develop our collaborative working with other regulators, particularly in relation to protecting consumers from unsolicited advertising
- utilising our MoUs to identify ways in which we can work with sister organisations to bring about the best overall regulatory outcome for shared consumer audiences. We continued to make referrals to other enforcement bodies, especially where it was clear their regulatory remit would have primacy.

Enforcing our Code of Practice

We continued to utilise the intelligence we have about the market and the ways in which we engage with industry to resolve potential issues quickly and informally. We resolved a large

majority of cases in this way, including through earlier identification of potential consumer harm in the market.

However, where we needed to tackle cases of potentially serious consumer harm, we applied a fair and proportionate enforcement strategy that clearly supports the implementation of our policy work and key regulatory changes.

We continued to bring forward cases of potentially serious consumer harm for formal investigation and enforcement, and ensured that the robust application of our allocation procedures has included a solid initial evidence base.

Following the allocation of cases, we used our published enforcement prioritisation criteria to enable us to target our resources more appropriately and strategically. The effectiveness of this approach included enforcement activity around DDRAC to underpin the standards we have set in this area.

We retained capacity to work on around 100 cases that we assessed would have the greatest regulatory impact, whether Track 1, Track 2 or post-adjudicatory, and sought to balance our case management capabilities to adjust to improvements in our monitoring effectiveness, changes in the prioritisation of case types and the shifting potential for consumer harm in different parts of the phone-paid services market.

We continued to invest in the skills and capabilities of our staff, which in 2019/20 included:

- developing specific areas of expertise to manage particularly complex cases (e.g. potential due diligence, risk assessment and control breaches of the Code by Level 1 aggregators) and to be able to work effectively in a climate of increasing legal challenge
- ensuring we investigate each individual case robustly and comprehensively, while having due regard for the length of the investigation
- auditing all parts of our investigations and enforcement procedures, and implementing recommendations for greater efficiency and effectiveness.

We also sought to underpin the impact of our enforcement activity by maximising the effectiveness of the sanctions available under the Code. Work in this area in 2019/20 included:

- developing our interim measures processes, providing a basis for earlier impositions of withhold directions and suspensions in the longer-term
- reviewing our approach to communicating enforcement decisions, including consideration of publishing agreed Track 1 action plans in addition to existing Track 2 adjudications
- managing the comprehensive debt recovery process of unpaid fines and admin charges, and maximising the deterrent effect through communicating the legally exhaustive procedures we follow in chasing down all outstanding debts.

Delivering organisational excellence

We continued to underpin the delivery our regulatory approach through first rate governance, legal, finance, business systems, human resource and communications functions. Work in 2019/20 included:

- managing Board succession planning, with clear periods of overlap to deliver effective ongoing governance
- delivering robust and professional legal oversight of commercial, HR, policy and enforcement decision making, and providing clear internal guidance on the interpretation of the law, public sector and other regulatory rules, Code and Supporting Procedures
- validating our approach to managing anti-bribery and conflicts of interest through an ongoing review of the current application of our policies and processes
- maximising the security of our processes around the storage, management and sharing of legal and investigative intelligence
- ensuring we continuously review and test our ongoing compliance with GDPR
- working closely again with the National Audit Office on the auditing and filing of our financial statements, and with DCMS on the reporting of relevant financial and operational data
- as part of our digital transformation framework, maximising the effectiveness of existing systems and utilising both in-house resources and free/low cost applications to deliver bespoke systems where appropriate
- continuing to prioritise cyber security, including undertaking annual system penetration testing and implementing any findings. During the year we achieved the National Cyber Security Centre certification “Cyber Essentials”
- investing in our people’s ability to reach and deliver their full potential, through:
 - reviewing our organisational structure and job design to ensure we have sufficient flexibility to respond to market changes as necessary
 - supporting the development of technical skills where required
 - building on the achievement of Investors in People (IIP) Silver accreditation. through implementing findings from the IIP assessment to maintain areas of high engagement and/or target areas identified for improvement.

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 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 used (or plan to use) accumulated fines and administrative charges to hold the amount of levy funding required to 2017/18 levels or lower. During 2019/20 we have notified industry funders that we expect that there will be no accumulated fines and administrative charges available to offset the levy from 2021/22.

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 2019/20 financial year was 0.38%, and for 2020/21 will be 0.36%.

Reserves

We operate a detailed risk register to ensure we are able to clearly identify and, where possible, mitigate against potential risks. By definition the costs associated with these risks constitute extraordinary expenditure (including the unlikely circumstance in which a decision is taken to wind up our operation), and at the end of 2019/20 we hold accumulated reserves (retained surplus) of £2.4m to cover these risks.

2019/20 accounts

Our turnover for 2019/20 was £6.7m (2018/19 £7.3m), 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 accumulated fines and administrative charges (retained funds).

Of this turnover, fines and administrative charges in 2019/20 were £3.0m (2018/19 £3.5m). 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 2019/20 a provision of £NIL has been made (note 16 to the financial statements; 2018/19 £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 2019/20 amounted to £2.7m in total (2018/19 £3.3m).

Expenses, excluding bad debts, in 2019/20 were £4.0m (2018/19 £4.0m) and are in line with the budget agreed with Ofcom.

The profit for the year, after taxation, amounted to £NIL (2018/19 - £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 2019/20 our priority risk areas are identified as:

- We do not deal with operational issues in phone-paid services market
- The sanctions we have at our disposal are not effective enough to deter bad actors in the market
- The Code is unable to address consumer harm (i.e. because behaviour causing harm is deemed compliant)
- Material failure in the working relationship with government stakeholders, most notably Ofcom and DCMS
- We are no longer viable in the regulatory landscape

We have considered in detail the potential impact of the Covid-19 pandemic, and our assessment is that while the current circumstances presents additional operational and market risks, we are well placed to mitigate these risks even over a long timeframe:

- We expect the impact on our operations to be low, with minimal disruption to the delivery of our 2020/21 business plan, but we also expect it to lead to changes in our ways of working in the longer-term e.g. less office-based working.
- In terms of the phone-paid services market, we recognize that the longer-term macro-economic effects are difficult to discern, but that indicators such as our Annual Market Review suggest that continued steady growth is the most likely outcome.

We remain optimistic that our regulatory framework, particularly through the development of a new Code of Practice, will continue to allow the building of consumer trust in phone-paid services and ensure they are well-served through supporting a healthy market that is innovative and competitive.

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. We anticipate that the fund of accumulated fines will be fully depleted by the end of 2020/21, and therefore no longer be available to offset the levy we require from industry. We have communicated widely the expected impact of this from the 2021/22 financial year, and worked with our major network funders to confirm that there are no realistically viable alternatives to the funding model in place.

With specific reference to the 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 an extended period of time.

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

D Edmonds CBE Chair

Date: 11th December 2020

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Results and dividends

The profit for the year, after taxation, amounted to £NIL (2019- £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 (resigned 31 December 2019)
M Thomson (appointed 1 January 2020)

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 – including the risks outlined in the Strategic Report - 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 2019.

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: 11th December 2020

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 Limited for the year ended 31 March 2020 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 2020 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Phone-paid Services Authority's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Phone-paid Services Authority have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Phone-paid

Services Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Limited'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.

- Conclude on the appropriateness of the Phone-paid Services Authority'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 ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Phone-paid Services Authority to cease to continue as a going concern.

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

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 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 by 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: 16th December 2020****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 2020

	Note	2020 £	2019 £
Turnover	3	6,660,453	7,257,650
Administrative expenses	Schedule to detailed P&L	(4,024,899)	(4,008,275)
Bad debts		<u>(2,683,530)</u>	<u>(3,276,565)</u>
Operating loss		(47,976)	(27,190)
Interest receivable	8	59,230	34,377
Interest payable	9	-	(1,027)
		<hr/>	<hr/>
Profit on ordinary activity before taxation		11,254	6,160
Taxation on interest	10	(11,254)	(6,160)
Profit on ordinary activity after taxation		<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		-	-
Retained surplus at the end of the year		<u><u>2,375,038</u></u>	<u><u>2,375,038</u></u>

The notes on pages 23 to 36 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 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	<u>245,402</u> 245,402	<u>289,074</u> 289,074
Current assets			
Debtors: amounts falling due within one year	12	943,608	969,714
Cash at bank and in hand	13	<u>3,456,074</u> 4,399,682	<u>5,399,343</u> 6,369,057
Creditors: amounts falling due within one year	14	<u>(2,085,402)</u>	<u>(4,098,449)</u>
Net current assets		<u>2,314,280</u>	<u>2,270,608</u>
Total assets less current liabilities		<u>2,559,682</u>	<u>2,559,682</u>
Provisions for Liabilities			
Other provisions	16	<u>(184,644)</u> (184,644)	<u>(184,644)</u> (184,644)
Net assets		<u><u>2,375,038</u></u>	<u><u>2,375,038</u></u>
Capital and reserves			
Retained surplus		<u>2,375,038</u> <u><u>2,375,038</u></u>	<u>2,375,038</u> <u><u>2,375,038</u></u>

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

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

J Porter
Director

Date: 11th December 2020

The notes on pages 23 to 36 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 2020

	Note	2020 £	2019 £
Profit for the financial year		-	-
Adjustments for:			
Depreciation of tangible assets	11	89,029	80,891
(Profit) / loss on disposal of tangible assets		218	10
Interest received	8	(59,230)	(34,377)
Interest paid	9	-	1,027
Taxation	10	11,254	6,160
Increase in debtors	12	26,106	(196,785)
Decrease in creditors	14	(2,017,769)	(1,327,811)
Corporation tax		(6,533)	(6,184)
Net cash generated from operating activities		<u>(1,956,925)</u>	<u>(1,477,069)</u>
Cash flows from investing activities			
Purchase and sale of tangible fixed assets	11	(45,574)	(35,490)
Interest received	8	59,230	34,377
Net cash from investing activities		<u>13,656</u>	<u>(1,113)</u>
Cash flows from financing activities			
Interest paid	9	-	(1,027)
Net cash used in financing activities		<u>-</u>	<u>(1,027)</u>
Net (decrease) / increase in cash and cash equivalents		(1,943,269)	(1,479,209)
Cash and cash equivalents at beginning of year		<u>5,399,343</u>	<u>6,878,552</u>
Cash and cash equivalents at end of year		<u><u>3,456,074</u></u>	<u><u>5,399,343</u></u>
Cash and cash equivalents at end of year comprise:			
Cash at bank and in hand		<u>3,456,074</u>	5,399,343
		<u><u>3,456,074</u></u>	<u><u>5,399,343</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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 published by the FRC in March 2018 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019.

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

The 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).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Purchases over £500 are capitalised. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

1.4 Operating leases: Lessee

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

1.5 Debtors

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

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

1.9 Retained surplus / 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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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 2020

3. Analysis of turnover

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

	2020	2019
	£	£
Levy	1,916,814	2,043,636
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	1,558,395	1,550,991
Administrative charges	138,358	91,868
Fines	2,870,000	3,380,000
Registration fees	176,437	190,605
Other	449	550
	6,660,453	7,257,650

Turnover is received only from within the UK

4. Operating loss

The operating loss is stated after charging:

	2020	2019
	£	£
Depreciation of tangible fixed assets	89,029	80,891
Operating lease payments	196,119	196,119
Defined contribution pension cost	143,079	140,677
	428,227	417,687

5. Auditors remuneration

	2020	2019
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	25,000	12,000
	25,000	12,000

Analysis of audit fees:

National Audit Office	25,000	12,000
	25,000	12,000

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

6. Employees

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

	2020	2019
	£	£
Wages and salaries	2,346,282	2,175,310
Social security costs	224,738	204,811
Costs of defined contribution scheme	143,079	140,677
	<u>2,714,099</u>	<u>2,520,798</u>

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

	2020	2019
	No.	No.
Board	6	6
Staff	43	43
Independent Complaints Assessor - part time	1	1
Code Adjudication Panel - part time	10	11
Consumer Panel	5	6
	<u>65</u>	<u>67</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 65 (2019: 67) is made up of FTE employees and part-time office-holders (which includes Board members).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. Directors remuneration

	2020	2019
	£	£
Directors emoluments	250,512	245,644
Company contributions to defined contribution pension schemes	<u>19,125</u>	<u>18,078</u>
	<u><u>269,637</u></u>	<u><u>263,722</u></u>

During the year retirement benefits were accruing to 1 director (2019 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £132,924 (2019 - £129,384).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,125 (2019 - £18,078).

The total accrued pension provision of the highest paid director at 31 March 2020 amounted to £1,593 (2019 - £1,507).

8. Interest receivable

	2020	2019
	£	£
Other interest receivable	<u>59,230</u>	<u>34,377</u>
	<u><u>59,230</u></u>	<u><u>34,377</u></u>

9. Interest payable and similar charges

	2020	2019
	£	£
Other interest payable	<u>-</u>	<u>1,027</u>
	<u><u>-</u></u>	<u><u>1,027</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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.

	2020 £	2019 £
Corporation tax		
Taxation on interest	11,254	6,160
Taxation on interest	<u>11,254</u>	<u>6,160</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>11,254</u>	<u>6,160</u>

	2020 £	2019 £
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	2,138	1,170

Effects of:

Prior year adjustment	-	(371)
Other differences leading to an increase / (decrease) in the tax charge	9,116	5,361
Total tax charge for the year	<u>11,254</u>	<u>6,160</u>

Factors that may affect future tax charges

Corporation tax rates have been held at 19% for the years starting 1 April 2018 and 2019, and are to remain at 19% for the years starting 1 April 2020 and 2021.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Tangible fixed assets

	Registration database £	Fixtures & Fittings £	Furniture & office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2019	693,195	323,046	123,338	340,055	1,479,634
Additions	-	11,772	-	33,802	45,574
Disposals	-	-	(6,291)	(1,119)	(7,410)
At 31 March 2020	<u>693,195</u>	<u>334,818</u>	<u>117,047</u>	<u>372,738</u>	<u>1,517,798</u>
Depreciation					
At 1 April 2019	646,528	136,238	103,079	304,716	1,190,561
Charge owned for the period	16,000	43,539	7,942	21,548	89,029
Disposals	-	-	(6,291)	(901)	(7,192)
At 31 March 2020	<u>662,528</u>	<u>179,777</u>	<u>104,730</u>	<u>325,363</u>	<u>1,272,398</u>
Net book value					
At 31 March 2020	<u>30,667</u>	<u>155,041</u>	<u>12,317</u>	<u>47,375</u>	<u>245,402</u>
At 31 March 2019	<u>46,667</u>	<u>186,808</u>	<u>20,259</u>	<u>35,339</u>	<u>289,074</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. Debtors

	2020	2019
	£	Restated £
Trade debtors	284,780	307,872
Other debtors	142,678	136,743
Prepayments and accrued income	516,150	525,099
	<u>943,608</u>	<u>969,714</u>

The year-end adjustment to levy income previously shown as trade debtors has been reclassified to accrued income as the amounts were not billed at the reporting date, and this has resulted in restatement within the 2018-19 note of £306,632

13. Cash at bank and in hand

	2020	2019
	£	£
Cash at bank and in hand	3,456,074	5,399,343
	<u>3,456,074</u>	<u>5,399,343</u>

14. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	111,602	358,204
Corporation tax	11,254	6,532
Taxation and social security	-	-
Other creditors	18,290	175,705
Accumulated fines & administrative charges (retained funds)	1,484,977	3,043,372
Accruals and deferred income	459,279	514,636
	<u>2,085,402</u>	<u>4,098,449</u>

	2020	2019
	£	£
Accumulated fines & administrative charges (retained funds)		
Opening balance	3,043,372	4,594,363
Net fines and administrative charges	241,096	131,059
Amount utilised during year to offset levy	(1,799,491)	(1,682,050)
Balance available to offset future levy requirements	<u>1,484,977</u>	<u>3,043,372</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Financial instruments

	2020	2019
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	666,965	751,247
	<u>666,965</u>	<u>751,247</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(525,763)	(976,875)
	<u>(525,763)</u>	<u>(976,875)</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 (£84,281) (2019: £194,460).

Company has net expense attributable from financial liabilities measured at amortised cost is (£451,112) (2019: £226,874).

16. Provisions

	Dilapidations provision £	Total £
At 1 April 2019	184,644	184,644
Additions	-	-
Amounts used	-	-
At 31 March 2020	<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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

17. Prior year adjustments

There are no prior year adjustments

18. Pension commitments

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

The pension cost charge represents contributions payable by the Company to the fund and amounted to £143,079 (2019: £140,677). At the year end the Company owed £18,290 (2019: £15,470).

19. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments under non-cancelling operating leases as follows:

	2020	2019
	£	£
Land and Buildings		
Not later than 1 year	246,192	246,192
Later than 1 year and not later than 5 years	432,354	678,546
Later than 5 years	-	-
Total	<u>678,546</u>	<u>924,738</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 2020 were £246,192 (2019: £246,192).

20. Related party transactions

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

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

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

DETAILED INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020

	2020 £	2019 £
Turnover	<u>6,660,453</u>	<u>7,257,650</u>
Less: overheads		
Operating costs	<u>(6,708,429)</u>	<u>(7,284,840)</u>
Operating loss	(47,977)	(27,190)
Interest receivable	59,230	34,377
Interest payable	-	1,027
Taxation on profit on ordinary activities	(11,254)	(6,160)
Profit for the year	<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 2020

Turnover		
	2020	2019
	£	£
Levy	1,916,814	2,043,636
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	1,558,395	1,550,991
Fines	2,870,000	3,380,000
Registration fees	176,437	190,605
Administrative charges	138,358	91,868
Other	449	550
	<u>6,660,453</u>	<u>7,257,650</u>
Administrative expenses		
	2020	2019
	£	£
Staff costs (excl. CAP fee recovery)	2,892,174	2,696,479
Policy, external relations and communications	112,400	145,872
Legal fees	(13,212)	101,803
IT system costs	304,217	375,784
Telecoms charges	57,882	62,676
Premises costs	448,451	426,387
Finance and governance	63,773	46,631
Overheads	69,968	71,762
Depreciation	89,246	80,881
	<u>4,024,899</u>	<u>4,008,275</u>
Bad debts		
	2020	2019
	£	£
Bad debts	2,683,530	3,276,565
	<u>2,683,530</u>	<u>3,276,565</u>
Interest receivable		
	2020	2019
	£	£
Bank interest receivable	59,230	34,377
	<u>59,230</u>	<u>34,377</u>
Interest payable		
	2020	2019
	£	£
Other interest - on prior year VAT adjustment	-	1,027
	<u>-</u>	<u>1,027</u>

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