

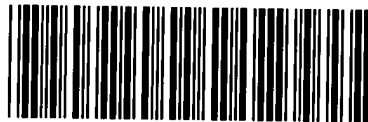
Registered number: 02398515

PHONE-PAID SERVICES AUTHORITY LIMITED

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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COMPANIES HOUSE

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

COMPANY INFORMATION

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

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

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their Strategic Report for the year ended 31 March 2018.

INTRODUCTION

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

BUSINESS REVIEW

Our activities and market

We are a consumer protection and enforcement body, formally designated by Ofcom (in accordance with the Act), to be the body responsible for regulating (Controlled) Premium Rate Services (PRS) in the UK. Ofcom is responsible for approving our Code, and we work with them under a Memorandum of Understanding drawn up and agreed on a voluntary basis. We consult with Ofcom and other stakeholders about our annual business plan and budget needed to support our regulatory activities.

The PRS we regulate are services that provide content or a facility paid for through a charge made to a telephone account in some form. These include charitable giving, directory enquiries, television voting and competitions, games, apps, online competition services, helpline services and a range of other digital content. Our regulation is comprehensive and deals with the pricing, promotion, content and operation of these services, together with issues of privacy.

Our strategic approach

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

Our mission is twofold:

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

We seek to do this through:

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

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

- to deliver strong consumer protection through securing and maintaining high levels of compliance, in all areas of the market and for all consumer groups.

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

Review of 2017/18

In 2017/18 we made strong progress in delivering our mission and ensuring that our strategic priorities have been met. We maintained the levels of operational efficiency established in 2016/17 and made effective and productive use of our resources – balancing their allocation in response to changing external factors and regulatory priorities.

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

During 2017/18 we dedicated resources to enhancing the consumer experience:

- we published our commissioned research into complaint handling in July, and are using the findings to increase industry understanding of consumer expectations and to shape how we engage with industry on their Code obligations in this area;
- the Annual Market Review (AMR) for 2016/17 was published in August 2017, with its consumer survey element driving greater understanding of consumer trust and satisfaction at a service type level. The PSA's Industry Liaison Panel (ILP) explored the use of the AMR net promoter scores to measure whether ILP members can successfully deliver improvements in consumer satisfaction;
- we strengthened our relationships with other consumer protection regulators (e.g. Financial Conduct Authority, Competition and Markets Authority, Advertising Standards Authority, Gambling Commission and the Information Commissioner's Office) and pooled knowledge to ensure we continue to identify best practice for consumers;
- we initiated a project on refund mechanics. Our aim, drawing on knowledge of the consumer journey experience, is to enable consumers to be able to achieve much better redress when issues arise – from having greater knowledge about who to contact and what to expect from service providers, through to improved ease of getting their money back, including potential use of Alternative Dispute Resolution (ADR).

We continued to invest significantly in how we communicate with consumers:

- as our knowledge about consumers grew, we ensured we incorporated this into our own direct engagement with consumers (e.g. we have modified our update messages to complainants to allow for their concerns to be more fully addressed, whilst providing greater clarity about our role as a regulator);
- we scoped and initiated enhancements to the presentation and content of our website on the back of detailed consumer testing, so that the content covering issues consumers are most likely to contact us about is both clearer and much easier to find;
- we further developed how consumers can self-serve resolution of queries and problems, including: enhancing our Interactive Voice Response for when consumers call us; identifying how to harness better Registration data to allow consumers to

better understand services and the organisations that provide them; and exploring alternative communication platforms, such as chat bots, to ensure we continue to evolve with consumer behaviour and preferences.

We saw during 2016/17 the continuation of exceptional levels of contacts, principally in relation to non-broadcast online competitions and online adult services. As a consequence, our overall resources were stretched such that staff time was redirected from other core work as a short-term contingency to deal with demand. A combination of action taken by networks and the PSA saw contact levels reduce significantly towards the end of 2016/17 and this has been maintained throughout 2017/18 (although case volumes have remained high). This return to pre-2014/15 levels of contacts has meant we have been able to reduce full time equivalent (FTE) staff time on call handling by around a half and focus our contact management resources back towards stronger and more timely consumer protection:

- we handled around 207,000 contacts from consumers during the year (down 56% from 471,000 in 2016/17) and continue to ensure we direct our resources to where most needed by automating 93% of these contacts;
- complaints totaled around 16,000 in 2017/18 (down 52% from 33,600 in 2016/17) and we continue to focus on assessing those complaints received only after the consumer had engaged (or tried to engage) with the relevant service providers;
- freed from the need to respond to exceptional complaint volumes, our contact management team were able to ensure adherence to all Code 14 processes and return to better supporting consumers through:
 - improving the Request For Information (RFI) process with service providers, to establish at an earlier stage the nature of any service interaction;
 - identifying opportunities to protect consumers at the earliest possible stage through taking informal action where appropriate with service providers;
 - undertaking more detailed and systematic monitoring of services, enabling call handlers to field questions with greater expertise;
 - carrying out mystery shopping exercises on service providers, testing both the ease of access for consumers and the quality of the customer service being offered.

Applying an outcomes-based Code of Practice.

In July 2016 we launched Code 14 and its accompanying Supporting Procedures and undertook to review its implementation a year later during 2017/18. This was completed, and included:

- reviewing our sanctions setting process, on which we publicly consulted and published a final statement in June;
- identifying a range of potential procedural enhancements, including improving service providers' understanding of processes under the Code and encouraging better provision of evidence when under instruction;
- commissioning and facilitating an external review of our compliance with our investigations and enforcement processes. The completed audit identified some areas where there was potential to further strengthen our processes, but the overall conclusion was that they are "effective, and those dealing with case management are compliant with established procedures".

During 2017/18 we continued to review the ongoing effectiveness of the Code, looking where policy changes may need to be considered and also identifying potential areas of development requiring future Code changes. Work in this area included:

- reviewing how we enforce due diligence, risk assessment and control (DDRAC) throughout the whole value chain;
- understanding industry development of proposals for improving the consumer's control over services to which they are subscribed (when Special conditions for online adult services and online non-broadcast competition services were introduced, we took out provisions relating to prescribing method of exit of the service);
- working closely with Ofcom as they review 118 and 070 number ranges and developing our own proposals in parallel, including development of a price comparison tool enabling greater consumer awareness of the cost of 118 services;
- developing our understanding around which potential developments may require legislative change as well as Code changes. In addition to considering the potential impact of other legislation (such as the Payment Services Regulations 2017 and the Digital Economy Act 2017), examples of the areas under strategic discussion include: how affiliates and other third parties may be regulated; extended investigative powers; authorisation of providers; and maximum fines levels.

We continued to provide ongoing support for industry to comply with the Code, including:

- commissioning a research project with Mobile Network Operators (MNOs) to look in detail at potential technical vulnerabilities of Accredited Payment Intermediary platforms, with a view to reviewing of our Guidance and wider regulatory framework on Consent to Charge;
- reviewing our overall process of giving compliance advice, so that we provide genuine advice where needed but minimise the impact of those seeking to bend the rules. During 2017/18 we provided around 1,000 pieces of bespoke compliance advice on request.

Delivering a balanced approach to regulation.

During 2017/18 we continued to deliver a balanced approach to regulation, building on a solid platform of industry engagement, intelligence gathering through research and monitoring, and policy development alongside enforcement. Key activity during the year has included:

- ensuring we fully utilise our resources to bring about quick and informal resolution of cases, where consumer harm is minimised and it is fair and proportionate to do so. We worked on 500 cases in 2017/18, and of the 350 resolved during the year, 83% were done so quickly and informally;
- reviewing our Special conditions for online adult services and online non-broadcast competition services, to make sure they are not inadvertently restricting willing and knowing consumer engagement;
- following a pilot introduced with the aim of supporting growth in operator billing, we have made permanent an exemption for Level 1 aggregators (L1s) that allows some Level 2 merchants (L2s) to be exempt from registration with us where they only provide phone-paid services through a single L1 whose general compliance record and control of complaint escalation are deemed to be robust;
- working more closely on a bilateral basis with MNOs and L1 aggregators, through which we have developed a much greater understanding of industry issues in general, as well as specific concerns of individual organisations. This in turn has led to more detailed engagement around examining barriers to growth and innovation;
- developing ways in which to best harness monitoring intelligence to support increased compliance. We have liaised closely with MNOs regarding the potential for a shared compliance monitoring function and reached agreement with them to

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- receive their monitoring intelligence for use, where appropriate, in informal and formal enforcement activity;
- establishing a clear means of assessing the long-term effectiveness of the Industry Liaison Panel (ILP), through the use of net promoter scores to measure actions members can take to improve customer satisfaction across different service type areas;
- using our new internal compliance assessment framework to set a benchmark for the compliance of individual service types in the market and then to consider whether improvements have been made over the year;
- consulting on changes in Registration requirements for service providers and implementing changes to support greater Code compliance, better market information and enhanced due diligence;
- putting in place a structural approach (Project Horizons) to anticipate and evaluate future trends and issues in the phone-paid services market;
- concluding our initial in-depth survey of stakeholders and using the findings to further improve our delivery and understanding of what we do. The work arising out of our response to the feedback has included:
 - providing greater clarity around our strategy through seeking to define what we mean by a healthy and innovative market;
 - developing our engagement programme to include major L2 merchants and Mobile Virtual Network Operators (MVNOs);
 - helping new market entrants to understand the complexity of the regulatory landscape they are operating in;
 - considering further how to raise awareness of the PSA and its role with consumers;
 - exploring further system automation to see if the speed of informal resolution can be enhanced, alongside providing further clarity as to how and why formal Track 2 investigations take the time they do.

We worked on 500 cases in 2017/18. This is a reduction of 17% on 2016/17 (605 cases) and it reflects both a greater diversity of case type and differing concentrations of complaint volumes (the previous exceptional levels of complaints were concentrated in high numbers against fewer cases). We are also operating in a climate where there is increased legal complexity, greater external challenge within cases and a degree of unwillingness of service providers to co-operate. Within this environment, and while ensuring that all Code 14 processes are followed robustly, we:

- continued to resolve most cases quickly and informally;
- worked on 130 enforcement cases, with our investigations team operating at full capacity to deal with the increasing complexity and challenges of the cases in front of them;
- reviewed our approach to monitoring post-adjudication cases, with the aim of ensuring any potential for repeated consumer harm is stopped at the earliest opportunity.

Working in partnership with Government and other regulators.

We continued to maintain and develop strong working relationships with a range of Government departments and regulatory bodies. Specific work in 2017/18 included:

- finalising and joint publishing of our Framework Agreement with the Department for Digital, Culture, Media and Sport (DCMS);

- providing expert support to industry regarding the implementation of the Payment Services' Directive v2, including through facilitating engagement with HM Treasury (HMT) and the Financial Conduct Authority (FCA). Our submission to the HMT consultation on the draft Payment Services Regulations 2017 argued successfully that the regulations should extend the electronic communications exemption contained in the Directive throughout the value chain and not merely to network providers;
- working in partnership with Ofcom to consider the scope of the Premium Rate Service Condition and whether that might lead to changes in the scope of PSA's remit;
- we also provided input into Ofcom's review of the consumer protection provisions contained in the General Conditions of Entitlement – the revised general conditions reflect our input and will come into effect in October 2018;
- providing clarity to industry on the (limited) impacts of the Digital Economy Act 2017 on the phone-paid services market;
- engaging constructively with other regulators with adjacent or overlapping remits (e.g. Information Commissioners Office (ICO), Advertising Standards Authority (ASA), Competition and Markets Authority (CMA), Gambling Commission);
- refreshing the use and content of our Memorandums of Understanding with the ASA, ICO and Gambling Commission.

Delivering high standards of organisational support.

We apply a Balanced Scorecard approach to evaluate our organisational performance and ensure we remain focused on internal factors such as how we allocate resources, the processes we follow, and how we support our people.

In 2017/18 we continued to ensure effective organisational oversight, including through:

- ongoing delivery of robust and timely governance procedures, including annual reviews of:
 - Board engagement and effectiveness;
 - Board sub-committees' terms of reference and performance;
 - Code Adjudication Panel engagement and effectiveness;
- continuously reviewing our analysis of organisational risk, and ensuring we clearly identify sufficient reserves to underpin any mitigation;
- undertaking a full assessment of the impact of the General Data Protection Regulation and putting in place resources and controls to ensure we meet the new requirements by 25 May 2018.

We reinforced our financial probity through:

- engaging regularly with the National Audit Office, as our statutory auditors. Key matters discussed include the accounting treatment of our funding model.
- delivering financial control in line with our commitment to value for money, ensuring we achieve the ongoing real-term savings identified in the 2017/18 budget.

In 2017/18 we developed our processes to support our operational delivery and organisational understanding, with work in this area including:

- investing in our core IT systems:
 - enhancing our ability to better serve consumers;
 - strengthening our implementation of Code 14 processes;

- supporting the generation of more accurate and timely management information;
- developing new tools to allow us to better assess our performance. These have included:
 - a compliance assessment framework with a benchmark established for this year;
 - feedback received from the stakeholder survey, again with a benchmark being established for future measurement;
 - a detailed assessment of our case management effectiveness;
 - our bi-annual staff engagement survey.

We value our staff and their capabilities highly, and with the aim of building on our Investors in People Silver accreditation, continued to invest in their development in 2017/18:

- delivering comprehensive training at all levels, including integrating consumer and industry intelligence where relevant;
- embedding our approach to performance management, ensuring clear links between individual roles and the strategic priorities of the organization;
- delivering a comprehensive job evaluation, grading and pay benchmarking exercise to ensure we reward and motivate our staff appropriately and in line with the market.

Our funding arrangements

We are a not for profit company, with a current funding model based around a levy imposed on the providers of PRS. The size of this levy is determined following an extensive consultation with all industry stakeholders, and its collection is based on the principle that each provider pays a fair proportion of the total levy required.

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

1. The Company **operating budget**, after netting off Registration Scheme fee income and bank account interest. Our budget is subject to approval by Ofcom, and must be deemed sufficient by them for us to be able to deliver the required statutory obligations. It is not based upon any assumption as to the level of fines to be recovered (see below), with all fine levels determined by independent Tribunals;
2. The estimated amount of **finances and administrative charges**, collected in the current year and unallocated from previous years. We have the power to impose fines for non-compliance with the Code and also to charge administrative costs associated with investigating non-compliance. Our imposition of fines and administrative charges is evidence of our ongoing commitment to provide effective and proportionate regulation to the industry. This income is held as retained funds, and is currently used to offset the amount of levy required to be collected in subsequent years. For the period 2018/19 to 2020/21, we have indicated our intention to use accumulated fines and administrative charges to hold the amount of levy funding required to 2017/18 levels or lower.
3. The estimated **size of the market**, as measured by payments from networks to service providers in respect of the provision of PRS.

The levy is collected either monthly or annually from individual networks depending on the size of their share of the PRS market. The levy rate for the 2017/18 financial year was 0.44%, and has been set at the same level for 2018/19.

Reserves

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

2017/18 accounts

Our turnover for 2017/18 was £6.6m (2016/17 £5.7m), comprising mainly of the industry levy, Registration fees, fines and administrative charges (note 3 to the financial statements). This is after an adjustment at the year end to reflect any differences between income received and costs incurred during the year, with the resulting balance reflected in income received in advance.

Of this turnover, fines and administrative charges in 2017/18 were £3.9m (2016/17 £5.5m). 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 2017/18 a provision of £NIL has been made (note 16 to the financial statements);
- Where the provider is, or becomes, insolvent, or the fine is otherwise unable to be recovered, a bad debt expense is created. Bad debts written off and provided for in 2017/18 amounted to £2.8m in total (2016/17 £1.8m).

Expenses, excluding bad debts, in 2017/18 were £3.8m (2016/17 £4.0m) and are in line with the budget agreed with Ofcom.

The profit for the year, after taxation, amounted to £NIL (2016/17 - £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 2017/18 our priority risk areas are identified as:

- We do not deal with operational issues in phone-paid services market
- Our enforcement of the Code of Practice fails to act as sufficient deterrent
- The Code is unable to address consumer harm (i.e. because behaviour causing harm is deemed compliant)
- Material failure in the working relationship with government stakeholders, most

notably Ofcom and DCMS

- We are no longer viable in the regulatory landscape

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

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

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

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



D A Edmonds CBE
Chair

Date: 12/9/18

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Results and dividends

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

Directors

The directors who served during the year were:

K Brown
A Cook
D Edmonds CBE
M Munn
J Porter
S Ricketts
R Sawtell (resigned 31 December 2017)

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 up to the date the accounts were authorised for issue.

Going concern

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

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 17.

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: 12/9/18

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 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statements of Income and Retained Earnings, Financial Position, Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In my opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its results for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements Companies Act 2006.

Opinion on 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 Limited 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.

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 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 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, 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 internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Phone-paid Services Authority Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Information

Management is responsible for the other information. The other information comprises information included in the Strategic Report and Directors' Report, ~~the financial statements and my auditor's report thereon~~. 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 Phone-paid Services Authority Limited 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.


Sir Amyas C E Morse

Comptroller and Auditor General

Date 18th September 2018

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

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

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2018

		2018 £	2017 £
	Note		
Turnover	3	6,645,110	5,713,796
Administrative expenses	Schedule to detailed P&L	(3,843,822)	(3,977,769)
Bad debts		<u>(2,827,505)</u>	<u>(1,759,828)</u>
Operating loss		(26,217)	(23,801)
Interest receivable and similar income	8	32,772	29,751
		<u> </u>	<u> </u>
Profit on ordinary activity before taxation		6,555	5,950
Taxation on interest	9	(6,555)	(5,950)
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		<u> </u>	<u> </u>
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 18 to 33 form part of these financial statements

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	334,483	418,615
Investments	11	<u>1</u>	<u>1</u>
		334,484	418,616
Current assets			
Debtors: amounts falling due within one year	12	772,929	1,845,146
Cash at bank and in hand	13	<u>6,878,552</u>	<u>6,439,300</u>
		7,651,481	8,284,446
Creditors: amounts falling due within one year	14	<u>(5,426,283)</u>	<u>(6,143,380)</u>
Net current assets		<u>2,225,197</u>	<u>2,141,066</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>	<u>(184,644)</u>
		(184,644)	(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>2,375,038</u>
		<u><u>2,375,038</u></u>	<u><u>2,375,038</u></u>

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

K Brown
Director

Date: 12/9/18

D A Edmonds CBE
Director

Date: 12/9/18

The notes on pages 18 to 33 form part of these financial statements

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

		2018 £	2017 £
	Note		
Profit for the financial year		-	-
Adjustments for:			
Depreciation of tangible assets	10	100,146	110,053
Profit / (loss) on disposal of tangible assets		-	264
Interest received	8	(32,772)	(29,751)
Taxation	9	6,555	5,950
(Increase) / decrease in debtors	12	1,072,217	74,268
Increase in creditors	14	(717,702)	3,208,548
Movement in provisions	16	-	(1,209,510)
Corporation tax	9	(5,950)	(8,213)
Net cash generated from operating activities		<u>422,494</u>	<u>2,151,609</u>
Cash flows from investing activities			
Purchase of tangible fixed assets	10	(16,014)	(119,187)
Sale of tangible fixed assets		-	(264)
Interest received	8	32,772	29,751
Net cash from investing activities		<u>16,758</u>	<u>(89,700)</u>
Cash flows from financing activities		-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		439,252	2,061,909
Cash and cash equivalents at beginning of year		<u>6,439,300</u>	<u>4,377,391</u>
Cash and cash equivalents at end of year		<u><u>6,878,552</u></u>	<u><u>6,439,300</u></u>
Cash and cash equivalents at end of year comprise:			
Cash at bank and in hand		<u>6,878,552</u>	<u>6,439,300</u>
		<u><u>6,878,552</u></u>	<u><u>6,439,300</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following criteria must also be met before revenue is recognised:

Recognition of income

Income received from the network operators is on the basis of a levy on income from premium rate services. The levy is set at the beginning of each year, based on budgeted expenditure, so as to reimburse Phone-paid Services Authority Limited for costs incurred.

An adjustment is made at the year end to reflect any differences between the income received and costs incurred during the year and the resulting balance is reflected in accumulated fines and administrative charges (retained funds).

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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:

Fixtures and fittings	5 - 7 years
Furniture	5 years
Office equipment	3 - 5 years
Computer equipment	3 - 5 years
Registration database	5 years

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1.4 Operating leases: Lessee

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

1.5 Valuation of investments

The investment in the dormant subsidiary company, IMCB Limited, is recorded at cost.

1.6 Debtors

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

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than six months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised costs using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1.9 Defined contribution pension plan

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

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

1.10 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.

1.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1.12 Taxation

Corporation tax is assessed on interest received at the current date.

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

The following judgements have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

Phone-paid Services Authority Limited calculated the dilapidations provision on a basis of £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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3. Analysis of turnover

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

	2018	2017
	£	£
Levy	1,852,903	3,111,147
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	628,948	(3,169,876)
Administrative charges	149,845	290,602
Fines	3,800,000	5,240,000
Registration fees	212,964	241,073
Other	450	850
	<u>6,645,110</u>	<u>5,713,796</u>

Turnover is received only from within the UK

4. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	100,146	110,053
Operating lease payments	196,119	206,171
Defined contribution pension cost	119,776	116,021
	<u>416,041</u>	<u>432,245</u>

5. Auditors remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	10,000	16,380
	<u>10,000</u>	<u>16,380</u>

Analysis of audit fees:

	2018	2017
	£	£
National Audit Office	10,000	13,000
Price Bailey	-	3,275
Other	-	105
	<u>10,000</u>	<u>16,380</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

6. Employees

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

	2018	2017
	£	£
Wages and salaries	2,097,661	2,125,785
Social security costs	198,264	204,092
Costs of defined contribution scheme	119,776	116,021
	<u>2,415,701</u>	<u>2,445,898</u>

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

	2018	2017
	No.	No.
Board	7	7
Staff	44	44
Independent Complaints Assessor - part time	1	1
* Code Adjudication Panel - part time	11	11
	<u>63</u>	<u>63</u>

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

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

The total of 63 (2017: 63) is made up of FTE employees and part-time office-holders (which includes Board members).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

7. Directors remuneration

	2018	2017
	£	£
Directors emoluments	254,029	261,990
Company contributions to defined contribution pension schemes	<u>17,724</u>	<u>17,366</u>
	<u><u>271,753</u></u>	<u><u>279,356</u></u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £126,889 (2017 - £124,310).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,724 (2017 - £17,366).

The total accrued pension provision of the highest paid director at 31 March 18 amounted to £1,477 (2017 - £1,455).

8. Interest receivable

	2018	2017
	£	£
Other interest receivable	<u>32,772</u>	<u>29,751</u>
	<u><u>32,772</u></u>	<u><u>29,751</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

9. Taxation

The tax payable is due on the bank interest received. Phone-paid Services Authority Limited is a not-for-profit organisation therefore no tax arises on its other activities as any in-year surplus, if it arises, is treated as deferred income.

	2018 £	2017 £
Corporation tax		
Taxation on interest	6,555	5,950
Taxation on interest	<u>6,555</u>	<u>5,950</u>

Factors affecting tax charge for the year

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

	2018 £	2017 £
Profit on ordinary activities before tax	<u>6,555</u>	<u>5,950</u>

	2018 £	2017 £
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	1,311	1,190

Effects of:

Other differences leading to an increase (decrease) in the tax charge	5,244	4,760
Total tax charge for the year	<u>6,555</u>	<u>5,950</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

10. Tangible fixed assets

	Registration database £	Fixtures & Fittings £	Furniture & office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2017	693,195	318,707	123,545	338,121	1,473,568
Additions	-	-	5,927	10,087	16,014
Disposals	-	-	(3,483)	(33,519)	(37,002)
At 31 March 2018	<u>693,195</u>	<u>318,707</u>	<u>125,989</u>	<u>314,689</u>	<u>1,452,580</u>
Depreciation					
At 1 April 2017	614,528	56,019	98,237	286,168	1,054,952
Charge owned for the period	16,000	39,838	7,491	36,816	100,145
Disposals	-	-	(3,481)	(33,519)	(37,000)
At 31 March 2018	<u>630,528</u>	<u>95,857</u>	<u>102,247</u>	<u>289,465</u>	<u>1,118,097</u>
Net book value					
At 31 March 2018	<u>62,667</u>	<u>222,850</u>	<u>23,742</u>	<u>25,224</u>	<u>334,483</u>
At 31 March 2017	<u>78,667</u>	<u>262,688</u>	<u>25,308</u>	<u>51,953</u>	<u>418,615</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2017 and 31 March 2018	1
Net book value	
At 31 March 2018	<u>1</u>
At 31 March 2017	<u>1</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
IMCB Limited	United Kingdom	Ordinary	100%	Dormant subsidiary

The aggregate of the share capital and reserves at 31 March 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £
IMCB Limited	<u>1</u>

12. Debtors

	2018 £	2017 £
Trade debtors	451,735	1,566,403
Other debtors	105,052	140,382
Prepayments and accrued income	<u>216,142</u>	<u>138,361</u>
	<u>772,929</u>	<u>1,845,146</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

13. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	6,878,552	6,439,300
	<u>6,878,552</u>	<u>6,439,300</u>

14. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	108,114	152,047
Corporation tax	6,555	5,950
Taxation and social security	-	60,221
Other creditors	175,465	13,981
Accumulated fines & administrative charges (retained funds)	4,594,362	5,223,310
Accruals and deferred income	541,786	687,872
	<u>5,426,283</u>	<u>6,143,380</u>

	2018	2017
	£	£
Accumulated fines & administrative charges (retained funds)		
Opening balance	5,223,310	2,053,434
Net fines and administrative charges	1,058,248	3,681,948
Amount utilised during year to offset levy	(1,687,195)	(512,072)
Balance available to offset future levy requirements	<u>4,594,363</u>	<u>5,223,310</u>

Other creditors includes £159,747 banked monies that is held but does not belong to PSA.

15. Financial instruments

	2018	2017
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	556,787	1,706,785
	<u>556,787</u>	<u>1,706,785</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(750,002)	(763,965)
	<u>(750,002)</u>	<u>(763,965)</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 (£1,149,998) (2017: £211,750).

Financial liabilities measured at amortised cost comprise trade and other creditors and accruals. The Company has net expense attributable from financial liabilities measured at amortised cost is (£13,964) (2017: £31,286).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Provisions

	Dilapidations provision £	Fine provision £	Total £
At 1 April 2017	184,644	-	184,644
Additions	-	-	-
Amounts used	-	-	-
At 31 March 2018	<u><u>184,644</u></u>	<u><u>-</u></u>	<u><u>184,644</u></u>

Dilapidations provision:

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

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 £119,776 (2017: £116,021). At the year end the Company owed £15,296 (2017: £13,326).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

19. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancelling operating leases as follows:

	2018 £	2017 £
Land and Buildings		
Not later than 1 year	246,192	138,947
Later than 1 year and not later than 5 years	924,738	985,442
Later than 5 years	-	185,487
Total	<u>1,170,930</u>	<u>1,309,876</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 2018 were £169,636 (2017: £153,870).

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
(A Company Limited by Guarantee)

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
Turnover	<u>6,645,110</u>	<u>5,713,796</u>
Less: overheads		
Administration expenses	<u>(6,671,327)</u>	<u>(5,737,597)</u>
Operating loss	(26,217)	(23,801)
Interest receivable	32,772	29,751
Taxation on profit on ordinary activities	(6,555)	(5,950)
Profit for the year	<u>-</u>	<u>-</u>

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

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

Turnover

	2018	2017
	£	£
Levy	1,852,903	3,111,147
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	628,948	(3,169,876)
Fines	3,800,000	5,240,000
Registration fees	212,964	241,073
Administrative charges	149,845	290,602
Other	450	850
	<u>6,645,110</u>	<u>5,713,796</u>

Administrative expenses

	2018	2017
	£	£
Staff costs (excl. CAP fee recovery)	2,594,560	2,637,061
Policy, external relations and communications	144,336	165,236
Legal fees	64,856	81,545
IT system costs	296,662	371,040
Telecoms charges	59,008	70,985
Premises costs	437,474	419,706
Finance and governance	76,938	44,181
Overheads	69,843	77,699
Depreciation	100,146	110,317
	<u>3,843,822</u>	<u>3,977,769</u>

Bad debts

	2018	2017
	£	£
Bad debts	2,827,505	1,759,828
	<u>2,827,505</u>	<u>1,759,828</u>

Interest receivable

	2018	2017
	£	£
Bank interest receivable	32,772	29,751
	<u>32,772</u>	<u>29,751</u>