PHONE-PAID SERVICES AUTHORITY LIMITED

Company number 02398515

ANNUAL REPORT AND ACCOUNTS
2020-21

HC 844

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COMPANY INFORMATION

Directors	D Edmonds CBE M Munn J Porter K Brown (resigned 31 December 2020) A Cook M Thomson W Palmer (appointed 1 November 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

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2021

The directors present their Strategic Report for the year ended 31 March 2021.

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 2020/2021

Our work in 2020/21 principally focussed on maintaining effective regulation of a phone-paid services market that continues to evolve into a new landscape for consumers, and on preparing the ground for a new regulatory approach best suited to that landscape.

We took the impact of the Covid-19 pandemic in our operational stride, but also made allowances where necessary to mitigate this impact on regulated parties.

The assumptions that underpinned our plans for 2020/21 have proven to be broadly accurate, and during the year our activity can be placed in the following context:

- there has been more engagement in the phone-paid services market from blue-chip organisations, bringing challenges of scale and expectations for consumers
- some areas of the mobile market have continued to (relatively) thrive in line with expectations (e.g. radio and TV competitions), while some other service type areas have continued with their expected decline
- traditional voice services have continued to decline, again in line with expectations
- the mass consumer engagement with phone-paid services is proving to be consistent over time and in its underlying drivers of “fit” with mobile phone usage, convenience, impulse purchasing and price
- the market has become increasingly compliant and healthy, as a result of the impact of regulatory changes made in 2019/20, the focussed application of our enforcement strategy, and collaborative policy developments with industry providers.

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

Establishing regulatory standards for the phone-paid services industry

Much of our activity in 2020/21 centred around the development of Code 15, with preparation for the formal consultation process being underpinned by prior extensive stakeholder engagement:

- we issued a discussion document in Q4 of 2019/20, in which we set out a clear rationale for why a new Code is needed, the objectives we were seeking to achieve, and made a call for input from stakeholders. In response to concerns from industry stakeholders about the impact of Covid-19 on their resources and capabilities, we extended the period of time for stakeholder responses by 12 weeks, taking it up to the end of Q1.
- during this timeframe we were also able to conduct a range of stakeholder workshops/ webinars online, organising them so that discussions could be focussed where relevant, e.g., on consumer issues, or on particular aspects of the value chain for industry providers (networks, aggregators, merchants). These workshops allowed us to replace in part the engagement we had hoped to have through an Industry Forum, which was cancelled due to Covid-19.
- in addition to individual discussions and correspondence, we provided regular status updates on Code development to the Industry Liaison Panel.

The extra time allowed for industry engagement meant that our timetable for the development of Code 15 during 2020/21 was pushed back, with formal consultation now planned to start in Q1 of 2021/22. However, subject to consultation we remain on track to publish the new Code in Q2 of 2021/22, aiming for implementation effective from 1 April 2022.

In developing the standards we wish to establish in the phone-paid services market, we engaged with all stakeholders on how these standards can deliver for consumers in terms of protection, increased confidence and a healthy market. Our work during the year included:

- learning from other regulators who take a similar standards-based approach, and aligning our articulation of expectations with the language used to express standards elsewhere
- drafting practical standards that fully draw on our experience of applying previous codes, our understanding of the market and consumer expectations within that, and our statutory remit and role as a regulatory body
- developing a Code that will allow for individual bespoke agreements with providers, where they are able to demonstrate their delivery of phone-paid services meets the required standards but in a different way to that specified in the Code.

Alongside developing Code 15, we also continued to work in the consumer interest through the efficient and effective application of Code 14. We continuously review our policy work and its impact, and during the year we ensured:

- the Special conditions for subscription services and ICSS are supporting the knowing and willing purchase of these services by consumers, with part of this work including sharing with industry an overview of data showing the impact on complaint volumes and market revenues
- the guidance on consent to charge is robustly underpinning the delivery of the required technical platform standards, through an ongoing review of impacts with Mobile Network Operators (MNOs), including results of annual testing and an engagement programme with Level 1 aggregators

- there is a systemic, coordinated approach to the use of complaint data and other intelligence across all levels of the value chain, in order that higher-risk services can be quickly identified. This work has included looking at the data we acquire and hold, and detailed consideration of what we will make available to industry, for what purposes and how we will make it available.
- our expectations and requirements around data retention and information reporting are understood by service providers, and that they are meeting these requirements.

The impact of Covid-19 meant however that some planned policy work was suspended and subsequently rolled into the development of Code 15:

- consultation on updated due diligence, risk assessment and control (DDRAC) guidance
- statement on refunds guidance, which was consulted on in Q4 of 2019/20.

We continued to manage the process of considering Code exemptions with transparency, including clear communication around decisions to agree pilot exemptions and whether to make them permanent or not. Specifically, we agreed to provide Network Operators that applied to us an exemption to the 30-day payment rule regarding society lotteries.

We continued to invest in our internal capabilities and analysis of the market to ensure that we are able to best understand the risks and opportunities around new and emerging technologies as they arise, and how our regulatory approach can ensure consumer interests are met in these circumstances.

We continued to underpin Code 14 with the provision of compliance advice, both on general Code enquiries as well as on areas of complexity or innovation. We have incorporated a review of the nature and extent of the provision of such advice into the development of Code 15.

Verifying and supervising organisations and services operating in the market

Our work in 2020/21 on verifying organisations and the services they provide was primarily based on implementing the new Registration requirements introduced in 2019/20. During the year we further developed our account management approach to supporting organisations to provide complete and accurate information, and we continued to engage with industry on Registration issues through working groups and workshops. We also reflected the importance we place on this area through incorporating Registration compliance within our enforcement strategy.

As part of developing standards in this area for Code 15, our work during 2020/21 looked at different ways in which we can best serve consumers by ensuring all service providers are reputable organisations and individuals, and that they have processes in place that protect consumer interests. For operational and legal reasons not all of the areas listed below have been included in the final drafting of the Code, but our thinking and research during the year included detailed consideration of:

- an appropriate supervisory regime, including regulatory inspection and compliance audits, and the practicality and effectiveness of annual compliance reporting by networks, aggregators and larger merchants
- tailoring different approaches for different parties in the value chain (e.g., expectations on Level 1 responsibilities varying from those placed on a start-up Level 2)
- how Registration can be enhanced to provide greater comfort that providers in the market genuinely have consumer interests at their heart
- whether it is possible to practically define required attributes/qualifying criteria of organisations and the behaviours expected of them

- establishing probationary periods to be implemented before organisations are fully registered into the market
- using increased and reasonable requirements to enter the market, such as “fit and proper” tests on individuals, financial viability checks or bonds, checks on technical and other necessary capabilities, and provision of more comprehensive organisational and service information.

During the year we further enhanced the process of Registration, with an established industry working group providing considered user feedback. This allowed us to implement improved functionality in how Registration data is inputted, which in turn resulted in a better information being available to consumers through Service checker.

Gathering intelligence about the market and individual services

We sought to maintain an accurate understanding of the phone-paid services market, including consumers’ experiences of it. During the year work in this area included:

- continuing to run an independent Consumer Panel and incorporating the consumer insights they provide. We developed the mix of the panel to include experience of the use of phone-paid services from a younger and more digitally native perspective.
- commissioning our Annual Market Review. We used the benchmarks established in the review of 2018/19 to analyse changes both in market size and consumer engagement with phone-paid services, and we extended the consumer research within it to add to our understanding of consumer experiences and expectations.

We further developed our approach to gathering intelligence about individual services through:

- ensuring that the intelligence we collect is fully aligned with our regulatory priorities and enforcement strategy, so that we are able to make sure the market is working as it should for consumers
- further enhancing the automated support we are able to provide to consumers to quickly and efficiently answer their enquiries, enabling resources to be targeted towards receiving and analysing issues reported to us. We estimate around just over 200,000 enquiries were made in 2020/21, and that we are now able to handle around 98% (up from 93%) through either Service Checker, our website, or information on our telephone Interactive Voice Response (IVR).
- enhancing our systematic approach to analysing assessed complaints (issues reported to us where the service in question can be identified), so that this information can be aligned quickly with our own service monitoring and intelligence received from industry. We estimate the volume of assessed complaints to be less than 5,500 in 2020/21, more than 60% lower than the previous year.
- continuing to review how we most efficiently and effectively request information from aggregators and merchants, with clear service assessment processes in place
- expanding our monitoring automation programme to include identification of potential risks of consumer harm arising from services on social media platforms.

In addition to enhancing our approach and capabilities regarding individual services, we also invested in our market-wide monitoring processes to deliver greater intelligence on broader systemic issues. As well as shaping our Code 15 development thinking in this area, we were also able to consider and initiate policy interventions through:

- developing the technical capabilities of our staff and the technological resources available for their use

- utilising new service Registration data to target monitoring activity on specific service type areas
- monitoring the compliance of phone-payment platforms with developed technical standards
- identifying and considering the potential impacts of longer-term changes in service types and service delivery in the market, including capturing insights arising from the Industry Liaison Panel and the Annual Market Review.

Engaging closely with all stakeholders

During 2020/21 we significantly enhanced our approach to how we manage our relationships with all stakeholders, including:

- designating named stakeholder managers, with relationships in place with all of our key industry stakeholders
- extending this approach to include the regulators we most closely engage with
- putting in place a structured management approach to understand issues and best practice arising from different stakeholders.

For consumers, we continued to identify ways in which we can improve their confidence in phone-paid services. Building on the investment we made in recent years, our work in 2020/21 included:

- ensuring that as part of Code 15 developments, we identify and build in standards that deliver against their expectations – not just in terms of their engagement with different aspects of phone-paid services, but also alongside their experiences of other payment mechanisms
- developing and implementing a refreshed consumer education programme, with input from the Consumer Panel, making best use of our resources to target advice and guidance according to need and consumer risk. We continued to review on an ongoing basis the effectiveness of our communications with consumers, both in terms of individual contact and general messaging, and also to identify further opportunities to promote consumer advice and confidence in the market through the media, including through the promotion of positive stories about phone-paid services. We also continued to pursue opportunities to promote educational content through industry partners with significant audience reach.
- publishing research into consumer vulnerability and implementing a subsequent action plan, much of which is incorporated into the development of Code 15
- establishing a formal programme of planned engagement with consumer representative bodies and channelling reported insights into Code 15 development.
- holding a webinar specifically for consumers on Code 15 as part of our wider engagement and consultation on the new Code.

For industry, we believe collaborative engagement best serves the interests of consumers, and our ongoing investment in this area during 2020/21 included:

- engaging extensively with industry regarding the development of Code 15
- revising the Terms of Reference for the Industry Liaison Panel, aiming to maximise its effectiveness as the body to discuss and promote positive market-wide actions
- providing clarity around what data we hold, our data protection obligations, and the rationale for sharing data with industry
- utilising the new approach to stakeholder management to engage positively and quickly with individual organisations through a combination of structured formal meetings, ad-hoc meetings, formal written contact and day-to-day correspondence and phone calls

- ensuring individual service providers continued to be fully supported regarding the Registration process for their organisation and services
- working with MNOs and other major funders to consider both the financial impacts of moving to an unadjusted levy in 2021/22 and any alternatives to the existing funding model
- supporting wider industry understanding of our regulatory remit through continuing to offer workshops on our investigations and enforcement processes, both to new entrants to the market and as a refresher to existing service providers
- continuing to offer workshops on a wider basis for industry partners, covering our wider regulatory approach and specific policy developments.

During the year we continued to work closely with government and regulatory partners, with a view to ensuring that the best overall regulatory outcome for consumers is achieved. Work in this area included:

- continuing to work with Ofcom to ensure our regulatory approach dovetails effectively with their broader objectives, and being in regular contact with them and DCMS on a range of policy issues
- working specifically with DCMS to consider any areas of potential legislative change, particularly in relation to our development of Code 15
- making referrals to other enforcement bodies where it is clear their regulatory remit would support ours or have primacy, including working more closely with the Insolvency Service to support their ability to disqualify directors over and above the extent of our own sanctions.

Enforcing our Code of Practice

We sharpened our approach to investigations and enforcement, with a view to maximising the impact of the limited resources we have available. To this end, our ork during the year included:

- ongoing assessment of our enforcement strategy, ensuring that our approach is fully aligned with our policy developments and is able to address key issues as they arise in the market
- reviewing how we assess intelligence prior to allocation decisions, and ensuring we gather sufficient information as early as possible in considering whether to pursue cases
- reviewing our procedures and criteria around deciding whether or not to investigate and bring subsequent Track allocation, ensuring that they remain fair and proportionate in line with the shifting potential for consumer harm in different parts of the phone-paid services market
- implementing our published enforcement prioritisation criteria, enabling us to remain as flexible as possible in being able to target our resources towards those allocated cases that will deliver the most effective impacts for consumers
- providing internal clarity on the capacity available to work on enforcement cases, which is around 30 – 35 at any one time depending on complexity, and around 100 over the course of a year.

We continued during 2020/21 to underpin the impact of our enforcement activity by maximising the effectiveness of the sanctions available under the current Code. This included publishing how and why we undertake a legally exhaustive debt recovery process of unpaid fines and admin charges, so that those adjudicated against fully understand that we will as far as possible chase down all outstanding debts over a significant period of time.

As part of reviewing how our investigations and enforcement could be made more effective through Code 15, our thinking and research in this area included:

- considering what investigative powers might be needed to effectively regulate the market now and in the longer term, e.g., further reaching, more robust and more flexible information gathering powers
- considering the range of investigative options required in addition to our current investigative tracks and process of Tribunal adjudications, and the ability to investigate systematic market issues (not just specific services).

Also as part of developing Code 15, we looked closely at how we might achieve better outcomes for consumers and uphold the reputation of the market through effective deterrents by considering the range of sanctions available to us. As with all of our Code 15 planning, not everything considered has been included in the final draft of the Code to be put forward for consultation, but work undertaken during the year included:

- exploring more effective ways to hold the whole value chain to account, such as expectations on due diligence, risk assessment and control of contracted parties, the level of publication of wider information about investigations and the role of parties in the value chain in supporting the implementation of relevant sanctions
- looking at the appropriateness, where merited, of more effective means to hold non-compliant providers to account, e.g., through the issuance of penalty notices/fines
- considering how to increase the range of effective deterrents, including developing an equivalent range of sanctions to those available to other regulators, e.g., the ability to hold individuals (directors and/or persons of significant control) to account and having greater flexibility in fine amounts.

Delivering organisational excellence

In order to fully support the regulatory work of the PSA through high-quality governance, legal, finance, business systems, human resource and communications functions, our work in 2020/21 included:

- undertaking and implementing an annual assessment at Board level of our core governance structure and administration
- implementing our commitment to equality, diversity and inclusion, particularly-through the management of our Board and Code Adjudication Panel succession planning
- 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
- maximising the security of our processes around the storage, management, retention and dissemination of legal and investigative intelligence
- continuing to prioritise cyber security, including investing in our network infrastructure, reducing our technical debt and undertaking annual system penetration testing and implementing any findings
- ensuring our systems – including Registration, website and CRM – to maximise their usability, accessibility, security and value for money
- investing in our staff to continue to achieve a high level of performance, ensuring that the implementation of the findings from our Investors In People assessment support the potential progression from Silver to Gold.

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 amount of collected **fines and administrative charges** available to offset the total amount of levy required. 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. For the period 2018/19 to 2020/21 we have used accumulated fines and administrative charges to hold the amount of levy funding required to 2017/18 levels or lower, but during 2020/21 we have notified industry funders 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 2020/21 financial year, after adjusting for available fines and administrative charges, was 0.36%. For 2021/22 the levy is unadjusted at 0.83%.

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 2020/21 we hold accumulated reserves (retained surplus) of £1.6m to cover these risks.

2020/21 accounts

Our turnover for 2020/21 was £7.1m (2019/20 £6.7m), 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 accumulated fines and administrative charges (retained funds).

Of this turnover, fines and administrative charges in 2020/21 were £3.7m (2019/20 £3.0m).
For clarity:

- All fines imposed by the Tribunal are based solely on the merits of the case involved, and are determined wholly independently of the finances of the Company;

- Fines are recognised as turnover immediately as they are imposed and without regard to the creditworthiness of the debtor. Where fines are successfully reduced on appeal, turnover is reduced accordingly;
- Where the provider is, or becomes, insolvent, or the fine is otherwise unable to be recovered, a bad debt expense is created. Bad debts written off and provided for in 2020/21 amounted to £3.7m in total (2019/20 £2.7m).

Expenses, excluding bad debts, in 2020/21 were £4.2m (2019/20 £4.0m) and are in line with the budget agreed with Ofcom.

The loss for the year, after taxation, amounted to £0.8m (2019/20 – £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 2020/21 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 impact of the Covid-19 pandemic, and our assessment is that while there remain additional operational and market risks, we continue to be well placed to mitigate these risks:

- The impact on our operations in 2020/21 was low, with minimal disruption to the delivery of our business plan, and we expect this to continue into 2021/22.
- Our planning is well-advanced to manage future changes in our ways of working, including any changes to the provision of office space and how we accommodate changed staff expectations
- In terms of the phone-paid services market, the longer-term macro- economic effects remain difficult to discern, but that indicators such as our Annual Market Review suggest that continued steady growth, at least in a number of key market areas, is the most likely outcome.

We remain optimistic that our regulatory framework, particularly through the development and implementation 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.

With specific reference to the impact of the UK leaving the EU, there has been a positive benefit to UK consumers. We are no longer required to seek derogation first from domestic authorities when investigating potential non-compliance by providers based within the EU, meaning we are able to move to address consumer harm more efficiently and effectively.

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

D Edmonds CBE
Chair

Date: 24th November 2021

DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Results and dividends

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

Directors

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

K Brown (resigned 31 December 2020)
A Cook
D Edmonds CBE
M Munn
J Porter
M Thomson
W Palmer (appointed 1 November 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 the new PSA 15th Code of Practice (planned for implementation with effect from 1 April 2022).

Auditors

The Comptroller and Auditor General was appointed by HM Treasury as an order under the Government Resources and Accounts Act 2000 Order 2020.

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.

M Thomson
Director

Date: 24th November 2021

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

Opinion on financial statements

I have audited the financial statements of Phone-paid Services Authority Limited for the year ended 31 March 2021 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 2021 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- 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 for opinions

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

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

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

Conclusions relating to going concern

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Phone-paid Services Authority Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

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 except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which I report by exception

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

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements 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 Phone-paid Services Authority Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer anticipates that the services provided by Phone-paid Services Authority Limited will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Phone-paid Services Authority Limited's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Phone-paid Services Authority Limited's controls relating to the Government Resources and Accounts Act 2000.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals and unusual transactions;
- obtaining an understanding of Phone-paid Services Authority Limited's framework of authority as well as other legal and regulatory frameworks that Phone-paid Services Authority Limited operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Phone-paid Services Authority Limited. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Companies Act 2006, Tax Legislation and Employment Law.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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

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

Gareth Davies
Comptroller and Auditor General

Date: 29th November 2021

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

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Turnover	3	7,107,667	6,660,453
Administrative expenses		(4,222,402)	(4,024,899)
Bad debts		(3,667,942)	(2,683,530)
Operating loss		(782,677)	(47,976)
Interest receivable	8	14,681	59,230
Surplus (deficit) on ordinary activity before taxation		(767,996)	11,254
Taxation on interest	9	(2,789)	(11,254)
Surplus (deficit) on ordinary activity after taxation		(770,785)	—
Retained surplus at the beginning of the year		2,375,038	2,375,038
Surplus (deficit) for the year		(770,785)	—
Retained surplus at the end of the year		1,604,253	2,375,038

The notes on pages 28 to 40 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note		2021 £		2020 £
Fixed assets					
Tangible assets	10		192,347		245,402
			192,347		245,402
Current assets					
Debtors: amounts falling due within one year	11	813,291		943,608	
Cash at bank and in hand	12	1,978,567		3,456,074	
		2,791,858		4,399,682	
Creditors: amounts falling due within one year	13	(1,195,308)		(2,085,402)	
Net current assets			1,596,550		2,314,280
Total assets less current liabilities			1,788,897		2,559,682
Provisions for Liabilities					
Other provisions	15	(184,644)		(184,644)	
			(184,644)		(184,644)
Net assets			1,604,253		2,375,038
Capital and reserves					
Retained surplus			1,604,253		2,375,038
			1,604,253		2,375,038

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: 24th November 2021

The notes on pages 28 to 40 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Surplus (deficit) for the financial year		(770,785)	–
Adjustments for:			
Depreciation of tangible assets	10	92,169	89,029
(Profit)/loss on disposal of tangible assets	10	(350)	218
Interest received	8	(14,681)	(59,230)
Taxation	9	2,789	11,254
Decrease in debtors	11	130,317	26,106
Decrease in creditors	13	(881,630)	(2,017,769)
Corporation tax		(11,254)	(6,533)
Net cash generated from operating activities		(1,453,425)	(1,956,925)
Cash flows from investing activities			
Purchase and sale of tangible fixed assets	10	(38,763)	(45,574)
Interest received	8	14,681	59,230
Net cash from investing activities		(24,082)	13,656
Cash flows from financing activities			
Interest paid		–	–
Net cash used in financing activities		–	–
Net (decrease)/increase in cash and cash equivalents		(1,477,507)	(1,943,269)
Cash and cash equivalents at beginning of year		3,456,074	5,399,343
Cash and cash equivalents at end of year		1,978,567	3,456,074
Cash and cash equivalents at end of year comprise:			
Cash at bank and in hand		1,978,567	3,456,074
		1,978,567	3,456,074

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies

1.1 Basis of preparation of financial statements

Phone-paid Services Authority Limited (the Company) is a private not-for-profit Company limited by guarantee incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is 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).

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

A contingency 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 – 8 years
Furniture	5 years
Office equipment	3 – 5 years
Computer equipment	3 – 5 years
Registration database	5 years

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

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

1.4 Operating leases: Lessee

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1.5 Debtors

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

1.6 Cash and cash equivalents

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

1.7 Financial instruments

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

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

1.8 Defined contribution pension plan

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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. Any surplus arising during the year is not subject to Corporation Tax.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

3. Analysis of turnover

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

	2021	2020
	£	£
Levy	1,729,183	1,916,814
Adjustment for accumulated fines & administrative charges (retained funds) (see 1.2)	1,484,977	1,558,395
Administrative charges	112,208	138,358
Fines	3,635,000	2,870,000
Registration fees	146,049	176,437
Other	250	449
	7,107,667	6,660,453

Turnover is received predominantly from within the UK.

4. Operating loss

The operating loss is stated after charging:

	2021	2020
	£	£
Depreciation of tangible fixed assets	92,169	89,029
Operating lease payments	196,119	196,119
Defined contribution pension cost	149,858	143,079
	438,146	428,227

5. Auditors remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	25,500	25,000
	25,500	25,000
Analysis of audit fees:		
National Audit Office	25,500	25,000
	25,500	25,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

6. Employees

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

	2021	2020
	£	£
Wages and salaries	2,380,314	2,346,282
Social security costs	230,828	224,738
Costs of defined contribution scheme	149,858	143,079
	2,761,000	2,714,099

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

	2021	2020
	No.	No.
Board	6	6
Staff	42	43
Independent Complaints Assessor – part time	1	1
Code Adjudication Panel – part time	11	10
Consumer Panel	6	5
	66	65

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 66 (2020: 65) is made up of FTE employees and part-time office-holders (which includes Board members).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

7. Directors remuneration

	2021	2020
	£	£
Directors emoluments	263,339	250,512
Company contributions to defined contribution pension schemes	19,508	19,125
	282,847	269,637

During the year retirement benefits were accruing to 1 director (2020 – 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £141,526 (2020 – £132,924).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,508 (2020 – £19,125).

The total accrued pension provision of the highest paid director at 31 March 2021 amounted to £1,626 (2020 – £1,593).

8. Interest receivable

	2021	2020
	£	£
Other interest receivable	14,681	59,230
	14,681	59,230

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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.

	2021	2020
	£	£
Corporation tax		
Taxation on interest	2,789	11,254
Taxation on interest	2,789	11,254

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 – higher than) the standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are explained below:

	2021	2020
	£	£
Surplus/(deficit) on ordinary activities before tax	(767,996)	11,254

	2021	2020
	£	£
Surplus/(deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 – 19%)	(145,919)	2,138
Effects of:		
Other differences leading to an (increase)/decrease in the tax charge	148,708	9,116
Total tax charge for the year	2,789	11,254

Factors that may affect future tax charges

Corporation tax rates have been held at 19% for the years starting 1 April 2019 and 2020, and are to remain at 19% for the years starting 1 April 2021 and 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10. Tangible fixed assets

	Registration database	Fixtures & Fittings	Furniture & office equipment	Computer equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2020	693,195	334,818	117,047	372,738	1,517,798
Additions	—	—	—	39,114	39,114
Disposals	—	—	(112)	(2,625)	(2,737)
At 31 March 2021	693,195	334,818	116,935	409,227	1,554,175
Depreciation					
At 1 April 2020	662,528	179,777	104,730	325,363	1,272,398
Charge owned for the period	16,000	44,847	7,342	23,980	92,169
Disposals	—	—	(112)	(2,625)	(2,737)
At 31 March 2021	678,528	224,624	111,960	346,718	1,361,830
Net book value					
At 31 March 2021	14,667	110,194	4,975	62,509	192,347
At 31 March 2020	30,667	155,041	12,317	47,375	245,402

11. Debtors

	2021	2020
	£	£
Trade debtors	440,037	284,780
Other debtors	127,476	142,678
Prepayments and accrued income	245,778	516,150
	813,291	943,608

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

12. Cash at bank and in hand

	2021	2020
	£	£
Cash at bank and in hand	1,978,567	3,456,074
	1,978,567	3,456,074

13. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Trade creditors	206,648	111,602
Corporation tax	2,789	11,254
Taxation and social security	—	—
Other creditors	394,927	18,290
Accumulated fines & administrative charges (retained funds)	—	1,484,977
Accruals and deferred income	590,944	459,279
	1,195,308	2,085,402

	2021	2020
	£	£
Accumulated fines & administrative charges (retained funds)		
Opening balance	1,484,977	3,043,372
Net fines and administrative charges	20,116	241,096
Amount utilised during year to offset levy	(1,505,093)	(1,799,491)
Balance available to offset future levy requirements	—	1,484,977

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

14. Financial instruments

	2021	2020
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	567,513	666,965
	567,513	666,965
Financial liabilities		
Financial liabilities measured at amortised cost	(1,138,139)	(525,763)
	(1,138,139)	(525,763)

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 (£99,452) (2020: £84,281).

Company has net expense attributable from financial liabilities measured at amortised cost is (£612,376) (2020: £451,112).

15. Provisions

	Dilapidations provision	Total
	£	£
At 1 April 2020	184,644	184,644
Additions	—	—
Amounts used	—	—
At 31 March 2021	184,644	184,644

Dilapidations provision:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

16. Prior year adjustments

There are no prior year adjustments.

17. Pension commitments

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

The pension cost charge represents contributions payable by the Company to the fund and amounted to £149,858 (2020: £143,079). At the year end the Company owed £20,686 (2020: £18,290).

18. Commitments under operating leases

At 31 March 2021 the Company had future minimum lease payments under non-cancelling operating leases as follows:

	2021	2020
	£	£
Land and Buildings		
Not later than 1 year	246,192	246,192
Later than 1 year and not later than 5 years	186,162	432,354
Later than 5 years	–	–
Total	432,354	678,546

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 2021 were £246,192
(2020: £246,192).

19. Related party transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

20. Contingent asset

As at 31st of March 2021 a case was under review and had not fully completed PSA's regulatory process.

A contingent asset exists in relation to the case. PSA has de-recognised the income in the 2020-21 accounts and will recognise it when the matter has concluded.

Full disclosure has not been made at this time since the matter is live and litigation is pending in the courts. Consequently, disclosure would be highly likely to prejudice PSA's position in the ongoing matter.

21. Events after the reporting period

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

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

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