

PHONE-PAID SERVICES AUTHORITY LIMITED

Company number 02398515

ANNUAL REPORT AND ACCOUNTS 2024-25

PHONE-PAID SERVICES AUTHORITY LIMITED

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ANNUAL REPORT AND ACCOUNTS 2024-25

For the period 1st April 2024 to 31st January 2025

Presented to Parliament pursuant to Article 6(2)(b) of the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009 (SI 2009/476)

Ordered by the House of Commons to be printed on 5th June 2025



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COMPANY INFORMATION

Directors	D Edmonds CBE (resigned 31 January 2025) M Munn J Porter M Thomson (resigned 31 January 2025) W Palmer (resigned 31 January 2025)
Registered number	02398515
Registered Office	Ofcom Riverside House 2a Southwark Bridge Road London SE1 9HA
Statutory Auditor	Comptroller and Auditor General National Audit Office 157 – 197 Buckingham Palace Road Victoria London SW1W 9SP
Bankers	HSBC 1 Bishopsgate London EC2N 4BQ
Solicitors	Fieldfisher LLP 2 Swan Lane London EC4R 3TT

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STRATEGIC REPORT FOR THE PERIOD ENDED 31 JANUARY 2025

The directors present their Strategic Report for the period ended 31 January 2025.

INTRODUCTION

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

Regulatory responsibility for phone-paid services transferred to Ofcom on 31 January 2025. As a consequence, the Company was made dormant in January 2025 and its accounting reference date was changed to 31 January 2025. The Company remains a non-profit making company limited by guarantee.

In its final ten months of regulatory operations, the Company delivered its statutory remit in full, while simultaneously preparing for and executing a smooth handover of responsibilities to Ofcom.

BUSINESS REVIEW

Overview

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).

In delivering our statutory remit to regulate this market, we continued with our strategic approach of building consumer trust in phone-paid services and ensuring they were well-served through supporting a healthy market that is innovative and competitive.

During this period we were a designated public body. Our sponsor department was the Department for Science, Innovation and Technology (DSIT).

Review of 2024/2025

The key regulatory outcomes we delivered in our final period of operation were:

- we ensured we were well placed to protect consumers, by maintaining an accurate understanding of the market in general and individual services within it. Our internal intelligence gathering function continued to provide granular analysis of services and providers, while the Annual Market Review (AMR), published in August 2024, provided both a broad financial overview of the market and valuable insights into consumers' experience and views on phone-paid services. In addition, we continued to benefit from the expertise and experience of our Consumer Panel;

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(A Company Limited by Guarantee)

- we maintained a supportive approach to industry, helping them to deliver phone-paid services that consumers knowingly and willingly purchased:
 - we used regular supervisory engagement with network operators and intermediaries to ensure high-level due diligence, risk assessment and control (DDRAC) processes were in place;
 - we continued to provide merchants with prompt compliance advice, responding to Code issues as they were raised;
- we took engagement and enforcement action where necessary:
 - we primarily applied an engagement-first approach, seeking to tackle identified issues with providers without resort to enforcement sanctions;
 - we used our formal enforcement powers to hold providers accountable for significant levels of consumer harm and failure to cooperate with the regulatory approach in place under the Code.

We leave the phone-paid services market in a strong and healthy position:

- the number of issues reported to us by consumers continued to fall to record low levels, with a projected annualised amount of 950 for the full 24/25 year. This is 42% lower than the 1,630 complaints received in 23/24, and a 97% reduction overall from the 33,610 complaints received in 2015/16;
- at the same time, these issues are now confined to only a few service types and a handful of providers, with most of the market being represented by consumer engagement with reputable blue-chip companies;
- a large proportion of the UK adult population continued to be active in the market, with the AMR showing that around 61% were estimated to use a phone-paid service at least once during a year;
- consumer spend in the market is predicted to grow, driven primarily through services provided through operator billing, with the AMR projecting a compound average growth rate of 3% through to 2026/27.

Our funding arrangements, including reserves

Our funding was provided primarily through a levy imposed on the providers of phone-paid services. This levy was based on a budget that was subject to a consultation exercise with industry in January 2024, and subsequently approved by Ofcom in March 2024.

We also received income through the collection of fines and administrative charges imposed by independent Tribunals for non-compliance with the Code. This income was added to our reserves.

During the period to 31 January 2025, we incurred 10 months of normal operating expenditure plus the costs of winding up the company. These costs were met through applying the levy for 9 months, and using accumulated reserves (retained surplus) to fund the difference. The Company was made dormant in January 2025, with the remaining cash balance being transferred by donation to Ofcom.

2024/25 accounts

Our turnover for 2024/25 was £2.9m (2023/24 £5.0m), comprising mainly of the industry levy, fines and administrative charges (note 3 to the financial statements).

Of this turnover, fines and administrative charges in 2024/25 were £1.2m (2023/24 £1.1m).
For clarity:

- All fines imposed by the Tribunal were based solely on the merits of the case involved, and determined wholly independently of the finances of the Company;
- Fines were recognised as turnover immediately as they were imposed and without regard to the creditworthiness of the debtor. Where fines were successfully reduced on appeal, turnover was reduced accordingly;
- Where the provider is, or becomes, insolvent, or the fine is otherwise unable to be recovered, a bad debt expense was created. Bad debts written off and provided for in 2024/25 amounted to (+£0.1m) in total (2023/24 £1.1m).

Expenses, excluding bad debts, in 2024/25 were £5.8m (2023/24 £4.0m) and are in line with the budget agreed with Ofcom.

The deficit for the year, after taxation, amounted to £2.8m (2023/24 £0.1m).

PRINCIPAL RISKS AND UNCERTAINTIES

All risks and uncertainties have been mitigated through:

- the Company being made dormant on 31 January 2025, with this process identifying and discharging all financial liabilities;
- the transfer of regulatory responsibility to Ofcom with effect from 31 January 2025;
- the application of our policies and procedures during 2024/25, including our whistleblowing policy, to manage performance and risk for all our stakeholders;
- the absence of any current legal actions regarding historic regulatory decisions;
- the provision of Directors and Officers run-off insurance through to 31 May 2031, to cover the minimal risk of any potential future legal actions.

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

M Munn
Chair

Date: 28 May 2025

DIRECTORS REPORT FOR THE PERIOD ENDED 31 JANUARY 2025

The directors present their report and the financial statements for the period ended 31 January 2025.

Results and dividends

The deficit for the period, after taxation, amounted to £2.8m (2024 – £0.1m).

Directors

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

D Edmonds CBE (resigned 31st January 2025)

M Munn

J Porter

M Thomson (resigned 31st January 2025)

W Palmer (resigned 31st January 2025)

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 the 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.

Events after the reporting period – future development and preparation of the accounts

The financial statements have been prepared on a break up basis, arising from the following circumstances:

- in May 2022, PSA and Ofcom announced the intention for regulatory responsibility for phone-paid services to be transferred to Ofcom;
- since then, both parties have worked in conjunction with the Department for Science, Innovation and Technology (DSIT) towards effecting the transfer;
- the Communications Act 2003 required the transfer to be effected through Ofcom laying a new Statutory Instrument before Parliament, setting out how Ofcom will directly regulate the phone-paid services market. This Statutory Instrument was laid on 24 October 2024, which confirmed Ofcom would assume PSA's regulatory responsibilities on 1 February 2025.

As part of the transfer process between two Central Government bodies, all staff – except the four members of the Leadership Team – were agreed to be in scope for the simplified application of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (known as TUPE-Lite).

Redundancy arrangements were applied to the Leadership Team, and in addition retention arrangements were put in place with four members of staff deemed operationally critical and who had intended to resign before the transfer was completed.

PSA notified its Sponsoring Department of the intention to make retention arrangements if the need arose, in August 2022 in line with our Framework Agreement with the Department, and the Board took external legal advice to ensure that it was fully complying with the terms of the Framework Agreement and Managing Public Money. The Board carefully considered value for money and the public interest, before putting contractual commitments in place between November 2023 and February 2024, and the case was overwhelmingly in favour of doing so. From April-September 2024 the PSA supplied additional details requested by the Sponsoring Department and HMT, in advance of payments being made in January 2025. The Board is therefore disappointed that the payments are considered irregular.

PSA has therefore no regulatory remit from 1 February 2025, and is no longer subject to the requirements of the Government Resources and Accounts Act 2000 after 31 January 2025.

Following a Board resolution dated 12 December 2024:

- David Edmonds, Mark Thompson and Winnie Palmer stood down as board members and company directors when their terms of office expired on 31 January 2025
- Margaret Munn remains in place as a board member (and became Chair) and company director
- Joanne Porter was re-appointed a board member and company director on 1 February, following the expiry of her role as Chief Executive on 31 January 2025
- Following the laying of the 2024/25 accounts before Parliament, Ofcom (or a representative from Ofcom) is to be appointed as a company director following which both Margaret Munn and Joanne Porter will promptly resign. From this point Ofcom will be the sole remaining company director. It is understood that Ofcom will seek to dissolve the company at the earliest opportunity thereafter, and as the last director will be the body corporate in place for document retention required by law.

In making the company dormant, and in line with the company's Memorandum and Articles of Association, the remaining cash balance of £0.4m was transferred by donation to Ofcom in January 2025.

Auditors

Phone-paid Services Authority Limited is included in the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2017, creating a statutory requirement for the Comptroller and Auditor General to be the external auditor.

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.

J Porter

Director and Accounting Officer

Date: 28 May 2025

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

OPINION ON FINANCIAL STATEMENTS

I certify that I have audited the financial statements of Phone-paid Services Authority Limited for the period ended 31 January 2025 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Phone-paid Services Authority Limited's:

- Statement of Financial Position as at 31 January 2025;
- Statement of Income and Retained Earnings and Statement of Cash Flows for the period then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the Phone-paid Services Authority Limited's affairs as at 31 January 2025 and its deficit for the period 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 of the Companies Act 2006.

QUALIFIED OPINION ON REGULARITY

In my opinion, except for the effects of the matter described in Basis for qualified opinion on regularity section below, 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 QUALIFIED OPINION ON REGULARITY

The Phone-paid Services Authority (PSA) made retention payments totalling £493k to individuals to ensure that they were retained in the organisation to support the transfer of activities to OFCOM on 31 January 2025. Under its Framework Agreement with DCMS, PSA undertook to notify the Department in instances where in its judgement as an independent body, it believed the public interest was best served by taking a different approach to Managing Public Money. Managing Public Money sets out that retention payments are deemed novel and contentious and always require approval from HM Treasury (HMT). PSA notified the Department of its intention to make retention payments, but did not identify that retention payments are subject to HMT control and ask the Department to seek HMT approval prior to entering contractual commitments to make the payments or, alternatively, provide a further specific notification under the Framework Agreement to explain why it was departing from the retention payments requirements of Managing Public Money. Therefore, the retention payments were not in accordance with the framework of authorities and are irregular.

BASIS FOR OPINIONS

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. 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 2024*. 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.

MODIFIED CONCLUSIONS RELATING TO GOING CONCERN

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

My evaluation of the directors' assessment of going concern included consideration of the directors' intentions to cease trading once the activities of Phone-paid Services Authority Limited were transferred to Ofcom. Details of the directors' assessment are provided in Note 1 of the financial statements.

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 management's assessment.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

OTHER INFORMATION

The other information comprises the information included in the Strategic Report and Directors' Report but does not include the financial statements and my auditor's certificate thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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.

I have nothing to report in this regard.

OPINION ON OTHER MATTERS

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

- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report has 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 and Directors' Report.

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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Directors' Report to be audited 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:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Phone-paid Services Authority Limited from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;

- preparing the Strategic Report and Directors' Report, in accordance with the Companies Act 2006; and
- assessing the 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 directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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 certificate 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Phone-paid Services Authority Limited's accounting policies;
- inquired 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 on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of 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 Phone-paid Services Authority Limited's compliance with the Companies Act 2006, Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management and those charged with governance whether:

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- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud; and
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Phone-paid Services Authority Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override of controls.

I obtained an understanding of the Phone-paid Services Authority Limited's framework of authority and other legal and regulatory frameworks in which the Phone-paid Services Authority Limited operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Phone-paid Services Authority Limited. The key laws and regulations I considered in this context included the Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax legislation.

In addition, I considered the risks around regularity of special payments similar to the irregular payments discussed in the Basis for qualified opinion on regularity section above and in my following report.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit, Risk & Corporate Governance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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 certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

REPORT

I have no observations to make on these financial statements.

Gareth Davies

29 May 2025

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 JANUARY 2025**

	Note	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Turnover	3	2,890,778	4,997,601
Administrative expenses		(5,400,530)	(4,001,993)
Remaining cash balance transferred by donation to Ofcom	17	(396,486)	-
Bad debts		<u>77,711</u>	<u>(1,135,944)</u>
Operating deficit	4	(2,828,527)	(140,336)
Interest receivable	8	<u>-</u>	<u>47,736</u>
Deficit on ordinary activity before taxation		(2,828,527)	(92,600)
Taxation refund / (charge) on interest	9	2,864	(11,934)
Deficit on ordinary activity after taxation		<u>(2,825,663)</u>	<u>(104,534)</u>
Retained surplus at the beginning of the period / year		<u>2,825,663</u>	<u>2,930,197</u>
Deficit for the period / year		(2,825,663)	(104,534)
Retained surplus at the end of the period / year	17	<u>-</u>	<u>2,825,663</u>

The notes on pages 20 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2025

		At 31 January 2025 £	At 31 March 2024 £
Current assets			
Debtors: amounts falling due within one year	10	–	975,351
Cash at bank and in hand	11	–	3,013,631
		–	3,988,982
Current liabilities			
Creditors: amounts falling due within one year	12	–	(1,163,319)
Net current assets		–	2,825,663
Total assets less current liabilities		–	2,825,663
Net assets		–	2,825,663
Capital and reserves			
Retained surplus	17	–	2,825,663
		–	2,825,663

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 and Accounting Officer

Date: 28 May 2025

The notes on pages 20 to 30 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JANUARY 2025**

		10 month period ended 31 January 2025	Year ended 31 March 2024
	Note	£	£
Deficit on ordinary activity after taxation		(2,825,663)	(104,534)
Adjustments for:			
Depreciation of tangible assets		-	61,198
Interest receivable	8	-	(47,736)
Tax (refund) / liability for the year	9	(2,864)	11,934
Decrease in debtors	10	975,351	703,547
Decrease in creditors	12	(1,151,385)	(138,012)
Net corporation tax payment for prior year tax liability		(9,070)	(4,170)
Net cash generated from operating activities		<u>(3,013,631)</u>	<u>482,227</u>
Cash flows from investing activities			
Interest received	8	-	47,736
Short term investment income inflow / (outflow)		-	1,000,000
Net cash from / (used in) investing activities		<u>-</u>	<u>1,047,736</u>
Net (decrease) / increase in cash and cash equivalents		<u>(3,013,631)</u>	<u>1,529,963</u>
Cash and cash equivalents at beginning of period / year		<u>3,013,631</u>	<u>1,483,668</u>
Cash and cash equivalents at end of period / year		<u>-</u>	<u>3,013,631</u>
Cash and cash equivalents at end of period / year comprise:			
Cash at bank and in hand	11	-	3,013,631
		<u>-</u>	<u>3,013,631</u>

The notes on pages 20 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2025

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 Ofcom, Riverside House, 2a Southwark Bridge Road, London SE1 9HA. The nature of the company's operations up to the end of the reporting period 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).

PSA is not a going concern. The financial statements have been prepared on a break up basis, arising from the following circumstances:

- in May 2022, PSA and Ofcom announced the intention for regulatory responsibility for phone-paid services to be transferred to Ofcom;
- since then, both parties have worked in conjunction with the Department for Science, Innovation and Technology (DSIT) towards effecting the transfer;
- the Communications Act 2003 required the transfer to be effected through Ofcom laying a new Statutory Instrument before Parliament, setting out how Ofcom will directly regulate the phone-paid services market. This Statutory Instrument was laid on 24 October 2024, which confirmed Ofcom would assume PSA's regulatory responsibilities on 1 February 2025."

As part of the transfer process between two Central Government bodies, all staff – except the four members of the Leadership Team – were agreed to be in scope for the simplified application of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (known as TUPE-Lite). Redundancy arrangements were applied to the Leadership Team, and in addition retention arrangements were put in place with four members of staff deemed operationally critical and who had intended to resign before the transfer was completed.

PSA has therefore no regulatory remit from 1 February 2025, and is no longer subject to the requirements of GRAA 2000 after 31 January 2025.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2025

In making the company dormant, and in line with the company's Memorandum and Articles of Association, the remaining cash balance of £0.4m was transferred by donation to Ofcom in January 2025.

The following principal accounting policies have been applied, within the context of the Company being wound up:

1.2 Revenue

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. At year end any excess of levy income initially recognised in the year over relevant in year expenditure is recognised as deferred income, which moves the income to the following year accounts.

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 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 Debtors

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

1.4 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2025

1.5 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.

The company has made an accounting policy choice to apply the provisions of Sections 11 and 12 of FRS 102.

1.6 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.

1.7 Retained surplus

The Company 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 were included in the retained surplus reserve. The surplus was utilised to cover the costs of an orderly winding up of the company.

During the period to 31 January 2025, the Company incurred 10 months of normal operating expenditure plus the costs of winding up the company and the donation of remaining cash balance to Ofcom. These costs were met through applying the levy for 9 months, and using accumulated reserves (retained surplus) to fund the difference. The Company was made dormant in January 2025.

1.8 Provisions for liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2025

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.

1.9 Taxation

Corporation tax is assessed on interest received at the current date. Any surplus arising during the year is not subject to Corporation Tax.

1.10 Wind up – contractual redundancy and retention costs

All costs in relation to contractual redundancy and retention payments are applicable at the point of transfer and are therefore charged as an expense to the Statement of Income and Retained Earnings.

Contractual redundancy payments relate to staff members not in scope for the TUPE-Lite process of transfer, and retention payments relate to staff deemed operationally critical and who had intended to resign before the transfer was completed.

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 above), 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:"

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 PERIOD ENDED 31 JANUARY 2025**

3. Analysis of turnover

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

	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Levy	2,751,767	3,647,127
Administrative charges	109,011	59,299
Fines	1,180,000	1,110,000
Fines annulled during the year	(1,150,000)	-
Registration fees	-	181,075
Other	-	100
	<u>2,890,778</u>	<u>4,997,601</u>

Turnover is received predominantly from within the UK.

4. Operating deficit

The operating deficit is stated after charging:

	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Operating lease payments	188,094	240,818
Defined contribution pension cost (Note 14)	174,158	143,024
	<u>362,252</u>	<u>445,040</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 2025**

5. Auditors' remuneration

	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	45,000	45,000
	<u>45,000</u>	<u>45,000</u>
Analysis of audit fees:		
National Audit Office	45,000	45,000
	<u>45,000</u>	<u>45,000</u>

6. Employees

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

	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Wages and salaries	1,954,805	2,101,412
Wind up – contractual redundancy costs	822,753	–
Wind up – retention costs	492,974	–
Social security costs	301,915	207,997
Costs of defined contribution scheme	174,158	143,024
	<u>3,746,605</u>	<u>2,452,433</u>

The above wind-up costs are a consequence of the transfer of regulation to Ofcom (see Note 1.1), based on the need for a smooth and orderly transition and the ability of the Company to manage its regulatory remit up until 31 January 2025. We made a notification to our sponsoring Department under our Framework Agreement in August 2022 of our intention to make these payments if necessary and obtained independent legal advice to ensure that it was fully complying with the Framework Agreement and HMT's Managing Public Money. Contractual commitments were put in place between November 2023 and February 2024. Following a request from the sponsoring Department and HMT, we provided additional details of the arrangements in April-September 2024 in advance of the payments being made in January 2025.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2025

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

	No.	No.
Board	4	4
Staff	33	34
Independent Complaints Assessor – part time	1	1
Code Adjudication Panel – part time	10	10
	<u>53</u>	<u>54</u>

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

The total of 53 (2024: 54) is made up of full time employees and part-time office-holders (which includes Board members).

7. Directors' remuneration

	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Directors' emoluments	264,552	266,569
Wind up – contractual redundancy costs	255,720	–
Company contributions to defined contribution pension schemes	32,177	21,735
	<u>552,449</u>	<u>288,304</u>

During the period/year retirement benefits were accruing to 1 director (2024 – 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £409,014 (2024 – £155,085). This includes contractual redundancy costs.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £32,177 (2024 – £21,735).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2025

The total accrued pension provision of the highest paid director at 31 January 2025 amounted to £nil (2024 – £1,811).

8. Interest receivable

	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Other interest receivable	-	47,736
	<u>-</u>	<u>47,736</u>

9. Taxation

The tax payable is due on the bank interest received. No tax arises on PSA's regulatory activities.

	10 month period ended 31 January 2025 £	Year ended 31 March 2024 £
Corporation tax		
Interest receivable	-	47,736
Corporation tax at 19% (2024 – 25%)	-	11,934
Refund of 2024 overpayment	(2,864)	-
Total tax (refund)/charge for the period/year	<u>(2,864)</u>	<u>11,934</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 2025**

10. Debtors: amounts falling due within one year

	At 31 January 2025 £	At 31 March 2024 £
Trade debtors	-	973,985
Other debtors	-	1,366
	<u>-</u>	<u>975,351</u>

11. Cash at bank and in hand

	At 31 January 2025 £	At 31 March 2024 £
	<u>-</u>	<u>3,013,631</u>

12. Creditors: Amounts falling due within one year

	At 31 January 2025 £	At 31 March 2024 £
Trade creditors	-	70,136
Corporation tax	-	11,934
Other creditors	-	19,423
Accruals and deferred income	-	1,061,826
	<u>-</u>	<u>1,163,319</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 2025**

13. Financial instruments

	At 31 January 2025 £	At 31 March 2024 £
Financial assets that are debt instruments measured at amortised cost	–	975,351
	–	975,351
Financial liabilities		
Financial liabilities measured at amortised cost	–	(247,878)
	–	(247,878)

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise trade and other creditors and accruals.

14. 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 £174,158 (2024: £143,024). At the period end the Company owed £nil (2024: £18,980).

15. Related party transactions

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

The employees did not have control or significant influence over these entities, nor did they serve as key management personnel of these entities and as such the entities are not related parties of PSA Ltd.

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

The Department for Science, Innovation and Technology is PSA's sponsor Department.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2025

As recorded at Companies House M Munn is the controlling party as she is regarded as the director with significant influence or control over PSA.

16. 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 PSA Ltd's Directors. The authorised to issue date is the date of the Comptroller and Auditor General's certificate and report.

17. Donation of retained surplus to Ofcom

PSA Ltd continued to operate up to the period ended 31 January 2025 as a solvent business, with the retained surplus sufficient to effect a smooth and orderly wind-up of the company. This included meeting all contractual redundancy liabilities, liquidation of any contractual commitments beyond the point of transfer, and provision for run-off insurance.

During the period to 31 January 2025, the Company incurred 10 months of normal operating expenditure plus the costs of winding up the company and the donation of remaining cash balance to Ofcom. These costs were met through applying the levy for 9 months, and using accumulated reserves (retained surplus) to fund the difference. The Company was made dormant in January 2025.

The remaining cash balance of £396,486 was transferred by donation to Ofcom, in accordance with the Company's Memorandum and Articles of Association:

