

A Guide to the PPA Agency Recognition Scheme

Periodical Publishers Association (PPA) is the representative body of the UK magazine industry. Its membership consists of around 3000 titles which together account for an estimated 80 per cent of all magazine advertising revenue.

PPA has operated an agency recognition scheme for over 50 years.

The principal attraction of PPA recognition is that it carries with it the recommendation that member publishers extend commission and credit facilities to the agency. In order to be able to make that recommendation, PPA carries out a detailed analysis of the company's financial position and its prospects for the future. PPA recognition is therefore something of a status symbol - an independent endorsement of the agency's trading record.

This booklet sets out the basic recognition criteria and explains how to apply. Further advice and assistance is available from PPA on 020 7404 4166 or www.ppa.co.uk.

MAKING AN APPLICATION - ESTABLISHED AGENCIES

To be considered for recognition, an agency should complete the necessary forms and submit them along with audited accounts for the last financial year. Where the figures are more than three months old, the latest management accounts consisting of balance sheet, profit & loss account, and cash flow statement should also be provided. Applicants should supply PPA with proof of sound financial planning in the form of cash-flow forecasts and balance sheet and profit and loss projections.

The applications are placed before the PPA Recognition Committee - made up of credit, finance and advertising executives from magazine publishing companies, which meets every two months. An administration fee is payable with each application.

To obtain recognition, the agency must satisfy the following minimum requirements:

- A trading record of more than two years
- Annual billings of at least £200,000 in magazines and newspapers
- Shareholders' funds (share capital + reserves) of at least £20,000
- Current assets in excess of current liabilities
- A profit before tax in the most recent financial year

- A client base of at least four companies. If any one client accounts for more than 25% of the agency's business then credit insurance must be in place. A copy of the policy (including number) must be submitted with the application.
- Once recognition is granted, the agency must pay PPA members according to their individual trading terms and conditions. Failure to do so, may result in removal of recognition.

If the applicant agency itself does not meet the above criteria yet is the subsidiary of a company which does, it may still be possible for the agency to gain recognition, provided that the parent company is prepared to supply the appropriate indemnity. *See Subsidiaries and Groups of Companies below.*

PPA reserves the right to seek satisfactory bank and trade references. The agency should therefore supply a list of magazine publishing houses, which it has used during the preceding 12 months. An agency, which previously purchased advertisement space through a third party media buyer, should obtain a payment reference from that company.

The forms which should accompany the application are:

Form A

Gives details of the location, legal status, ownership, and client base of the applicant agency as well as providing four publisher trade references.

Form B

Gives details of the agency's capital structure, its spend across the various forms of media, and lists the names and addresses of its bankers, solicitors, and auditors

Form C

A declaration that the information provided is true. To be signed by the managing director, company secretary, senior partner or sole trader.

Form D

An agreement saying that, in return for being added to the recognition register, the agency will comply with the British Codes of Advertising and Sales Promotion, will pay to member publishers' terms, will supply PPA with audited accounts on an annual basis, and will notify PPA of any changes to the information supplied in the original application.

Form E

A report by the auditors into the solvency of the agency.

MAKING AN APPLICATION - AGENCIES OF LESS THAN TWO YEARS STANDING

For an agency which has been trading for only one year as opposed to the two years previously mentioned, it may still be possible to obtain recognition, provided the applicant is able to satisfy the above criteria and the following additional requirements:

- Shareholders' funds (share capital + reserves) of at least £50,000
- Current assets in excess of current liabilities by at least £20,000

Where the applicant is a subsidiary of another company or is part of a group of advertising agencies, please refer to the comments set out under *Subsidiaries and Groups of Companies below*.

MAKING AN APPLICATION - SUBSIDIARIES AND GROUPS OF COMPANIES

If the agency is the subsidiary of another company, audited accounts should be provided both for the applicant and for the parent. In addition, Form F - an indemnity from the parent company in respect of any liabilities generated by the subsidiary - should accompany the application. In assessing the submission, PPA will be mindful of the financial standing of both the agency and its parent.

Where the applicant is part of a group of advertising agencies, it may be preferable for the holding company to apply for recognition in its own name. It would then be able to extend the recognition to any or all of the related businesses by supplying a parent company indemnity for each.

MAKING AN APPLICATION - LOCAL AUTHORITY IN-HOUSE ADVERTISING UNITS

Local authorities wishing to obtain recognition will be evaluated on an individual basis and they will have to satisfy a number of professional requirements set out in a leaflet entitled *PPA Recognition and Local Authority Advertising Units*.

MBOs, MERGERS, AMALGAMATIONS, AND OTHER RE-STRUCTURING

Where a recognised agency undergoes a management buy-out, a merger, an amalgamation or any other form of re-structuring which materially affects its ownership, a fresh application should be submitted. In order to transfer the existing recognition to the start-up agency, the company will need to supply an opening balance sheet, a

projected profit and loss account, and a projected cash-flow statement, each certified by the accountant and showing:

- Projected annual billings of over £200,000 in magazines and newspapers
- Shareholders' funds (share capital + reserves) of more than £50,000
- Current assets in excess of current liabilities by at least £20,000
- A projected profit in the first year of trading

In addition, the agency will need to specify precisely which assets and liabilities have been transferred to the new concern and how outstanding debts to member publishers are to be honoured.

If any one client accounts for more than 25% of the agency's business, credit insurance must be in place.

Where the applicant is a subsidiary of another company or is a part of a group of advertising agencies, please refer to the comments set out under *Subsidiaries and Groups of Companies above*.

CONDITIONS OF RECOGNITION

The nature of recognition

The confirmation of recognition constitutes a recommendation from PPA to its members that credit and commission be awarded to the agency on such terms as individual publishers consider appropriate. Please note that recognition does not automatically entitle the agency to credit or commission.

The Agreement

Upon being granted recognition, the agency shall be bound by the terms set out in Form D, a counter-signed copy of which will be provided for the agency's files.

Submission of annual accounts

The recognised agency is required to forward to PPA, on an annual basis, a copy of its audited accounts (and group accounts, where applicable) along with a completed Form E solvency statement showing that the recognition criteria continue to be met. A full set of accounts should be submitted within six months of the agency's financial year-end.

Should the audited accounts suggest that the agency no longer fulfils the minimum financial requirements, the agency will be contacted and asked to explain the efforts currently underway to rectify the situation. In order to retain recognition, the agency may be asked to supply management accounts, a personal indemnity, a bank guarantee, or an insurance bond. In some cases, the directors may be asked to attend a meeting at PPA.

Payment to members terms

Under the terms of the Agreement, the agency undertakes to pay in accordance with individual publishers' payment terms and to meet all reasonable surcharges levied for late settlement. Failure to do so will result in the situation brought to the attention of the PPA Credit Management Committee and the PPA Board, which will decide on appropriate action.

On-going monitoring

By virtue of the monthly meetings of the Credit Management Committee, PPA is able to monitor continuously the payment performance of all recognised agencies. Similarly, by regularly reviewing the advertising and marketing press and by maintaining close links with other media trade organisations, PPA is able to keep track of account losses and other developments.

Where a particular agency is giving cause for concern and its payment performance is not improving, PPA will arrange a meeting with the directors/principles/partners to gain satisfactory assurances about future performance.

De-recognition

PPA reserves the right to terminate an agency's recognition in the event of it breaching the Agreement or failing to meet the minimum financial criteria then in force. In either case, the agency shall be given 14 days notice of the impending de-recognition.

Once a decision has been made, PPA will also inform its members of the agency's de-recognition.

AGENCY RECOGNITION CHECK-LIST

The application package should consist of:

	Definitely required	Possibly required	Notes
Application fee	•		
Form A	•		
Form B	•		
Form C	•		Signed by the managing director, company secretary, senior partner or sole trader
Form D	•		Signed by all directors or partners or by the sole trader
Form E	•		Signed by the managing director, company secretary, senior partner or sole trader
Publisher references	•		A list of magazine publishing houses with which the agency has done business during the last 12 months
Audited accounts	•		Fully audited accounts from the applicant's last financial year
Cash-flow forecasts, balance sheet and profit & loss projections	•		
Latest management accounts		•	Required if the audited accounts are more than three months old
Form F		•	A signed and sealed indemnity from the parent company
Parent company accounts		•	Audited accounts from the parent company's last financial year
Proof of credit insurance		•	If one client accounts for more than 25% of billings
Agency reference		•	A reference from the company which previously purchased the applicant's media