

The arrival of the Sarbanes Oxley Act in 2003 meant many top UK agencies could not be ranked. **Peter Crush** reveals how they were reinstated this year

Sarbanes revisited

PRWeek's Top 150 PR Consultancies table looks more realistic this year. After much deliberation, the decision was taken to reinstate the 23 agencies owned by large marcoms groups who, for the past three years, have interpreted the Sarbanes Oxley Act as preventing them from entering any financial data. The agencies reintroduced are those owned by WPP, Omnicom, IPG, Publicis, Havas and Cossette Communications.

Their inclusion means the UK's Top 150 agencies now have a combined fee income of more than £654m, up from the £600m in 2002, when the industry was rising, but still recovering from a period of downturn. The reinstated Sarbanes Oxley-affected (SOA) companies alone have an estimated fee income of more than £246m – more than 37 per cent of the entire Top 150 – so the effect of their inclusion on the rankings was bound to be dramatic.

PRWeek invited a panel of experts (pictured) to determine how SOA agency fee incomes could be estimated. It is important to note that no SOA agencies have co-operated with *PRWeek* on these figures, nor have they been disclosed in advance.

The only existing financial data for most of the SOA agencies is that which is filed at Companies House. Given that the most recent data is from 2004, the main problem for the panel was how to establish an equation that would most accurately convert 2003/4 figures into reliable estimates of fee income for the year ending 31 December 2005.

'It was imperative that a mathematical solution was found that could be repeated each year,' said panel member Esther Carder, partner at chartered account firm Kingston Smith. Since 2002 Carder has provided *PRWeek* with Companies House data that has been tabulated separately.

The other challenge arose in that SOA agencies operate in different niches – financial, healthcare and general – all of which have different growth rates. Any calculation would have to take different sectors into account. However, Companies House data does reveal staff numbers, which has previously allowed *PRWeek* to work out an income per head figure for each SOA agency.

For a detailed explanation of the methodology, refer to the panel, right.



Alex Young
head of public relations, AAR

Esther Carder
partner, Kingston Smith

Adrian Wheeler
former chairman, GCI

Tom Wells
managing director, Gyroscope

Patrick Barrow
director general, PRCA

Daniel Rogers
editor, *PRWeek*

METHODOLOGY FOR SOA AGENCIES

The panel agreed that estimates would be based on the following equation:

- SOA agency fee income = estimated 2005 fee income per head x current headcount.
- The fee income per head figure for each agency was calculated by multiplying the most recent Companies House fee income per head (2004) by the average rise in fee income across non-SOA agencies by sector.
- The average rise in the generalised sector was 11.6 per cent; the financial sector 9.4 per cent and the health sector 11.1 per cent.
- Because the smallest SOA agency had a 2004 turnover

of £2m, only income changes from agencies with a fee income greater than £2million were counted.

- To determine employee numbers *PRWeek* asked two anonymous PR analysts to conduct enquiries on 20 March. Their figures were averaged with data compiled for the latest PRCA year-book.
- Companies subject to this calculation are shaded darker on the finished table.

However, some SOA consultancies do not have an original Companies House figure from which to estimate fee income per head. This is

due to the way parent groups report data.

- For these seven examples, a 2005 fee income figure was calculated by multiplying the average sector annual income per head figure by the current headcount. There were no healthcare agencies in the seven.
- The generalist and financial figures are both extrapolated from 2004 Companies House data.
- *PRWeek* calculated this to be £105,000, for generalists and £195,000 for financial PR agencies.
- Agencies subject to this calculation are also shaded but marked with an asterisk in the table.

United front: *PRWeek* assembled a panel to debate how to reinstate the SOA agencies