



The calm before the storm?



As the UK's economic prospects darken, **Liz Fisher** reports on the health of the country's Top 60 accountancy firms

With the fallout from the credit crunch beginning to be seen in many areas of the economy, the next few months should give some indication of how – and by how much – the profession will suffer. Using the results of this year's survey of the Top 60 accountancy firms in the UK as a guide, though, the future is suddenly looking less rosy.

After a couple of years of strong fee income growth, this year's results show an overall increase in fee income among the Top 60 of 6.4%. In any other circumstances this would be a good result, but with nerves jangling over the state of the economy, it may well be taken as an omen of things to come – particularly when compared with overall fee income growth last year, which was 13.8%.

Overall, performance among the Top 60 is still good, with only a handful of firms reporting negative growth (and generally because they have disposed of part of their business). A slowdown in growth in some of the key numbers, however, is a cause for concern.

Tough times ahead

The profession knows only too well how tough a recession can be. If, as some economists are predicting, we are heading for a downturn on the scale of the early 1990s, firms will have to tighten their belts. There are already indications that this could be happening – our figures show that the number of new partners created during the year is almost negligible, with average fees per partner also showing only a very small increase over the year (see p27). Staff numbers generally, though, remained steady, with an overall increase of 6.5% over the year.

Over the past few weeks the profession has been further rocked by the collapse of Wenham Major (see p52), which was one of the star performers in terms of growth in last year's *Accountancy* Top 60 survey.

The largest firms mentioned the credit crunch in their annual reviews for the last

financial year, although all hedged their bets on what it might mean for their businesses. In some respects, a downturn is not all bad news as corporate recovery and restructuring revenues tend to increase, but the lack of available credit is already having a severe effect on merger and acquisition activity in the UK, and therefore on the firms' corporate finance practices.

Merger activity within the profession itself, however, remains healthy. A number of small mergers and acquisitions have been completed during the year (Moore Stephens UK, for example, recently announced its merger with the GBC Partnership in Guildford).

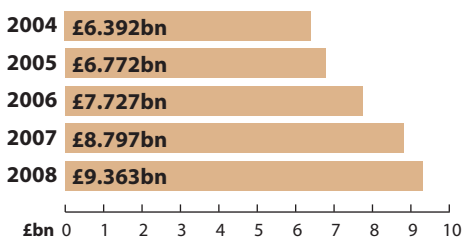
Comparing like with like

A point to note from this year's survey is that comparison between the firms is becoming more difficult year-on-year. Many firms, particularly the Big Four, have restructured their businesses and no longer have readily comparable business divisions. And as an added complication, two of the larger firms have restructured their international business and KPMG Europe, for instance, now includes the UK, German and Swiss firms. In the case of Deloitte, which merged its Swiss and UK practices, this means that figures for the UK business alone are no longer available. If this trend continues, analysis of the UK profession will become extraordinarily difficult.

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Fee income of Top 60 accountancy firms



Note: Total income of all Top 60 firms. Year is year of survey

Notes to table

1. Fee income includes the Swiss practice as the UK and Switzerland now operate as a single entity.
2. Financial information is provided in a pro forma basis to reflect aggregated basis as if the merger with Robson Rhodes, which took place on 2 July 2007, had been in place.
3. Previous year restated to show effect of sale of financial services business.
4. Network of independent firms.
5. Income and profit are broker's estimate.
6. Some partnerships have converted to LLPs, others are incorporated, majority are partnerships.

Accountancy Top 60 league table of UK accountancy firms 2008

Position (prior year in brackets)	Firm	Fee income £m	Previous year £m	% change	UK offices	Number of partners	Staff	Status (in red if considering conversion)	Annual accounts published?	Auditor	Year end
1 (1)	PricewaterhouseCoopers LLP	2,100	1,980	6.1	28	822	15,462	LLP	Yes	Horwath Clark Whitehill	30.06.07
2 (2)	Deloitte & Touche LLP¹	1,803	1,559	15.7	20	641	10,911	LLP	Yes	Grant Thornton UK	31.05.07
3 (3)	KPMG LLP	1,607	1,454	10.5	22	559	10,331	LLP	Yes	Grant Thornton UK	30.09.07
4 (4)	Ernst & Young LLP	1,226	1,130	8.5	21	473	8,723	LLP	Yes	BDO Stoy Hayward	30.06.07
5 (5)	Grant Thornton UK LLP²	389	352.9	10.2	38	311	4,100	LLP	Yes	PKF	30.06.07
6 (6)	BDO Stoy Hayward LLP	350	317	10.4	15	245	3,000	LLP	Yes	PricewaterhouseCoopers	30.06.08
7 (7)	Baker Tilly³	204.6	187.4	9.2	27	117	2,163	LLP	Yes	Kingston Smith	31.03.08
8 (8)	Smith & Williamson	170.7	152.6	11.9	10	192	1,181	Ltd	Yes	Deloitte & Touche	30.04.08
9 (9)	PKF	143.2	130.4	9.8	23	98	1,814	LLP	Yes	Kingston Smith	31.03.08
10 (10)	Tenon Group plc	137.1	123.6	10.9	49	134	1,519	Plc	Yes	PricewaterhouseCoopers	30.06.07
11 (11)	Moore Stephens UK⁴	120.2	107.2	12.1	43	160	1,371	Network	No		31.12.07
12 (13)	Vantis⁵	97.3	89.7	8.5	20	135	912	Plc	Yes	Ernst & Young	30.04.08
13 (12)	Mazars LLP	91.2	72.3	26.1	18	105	1,148	LLP	Yes	Horwath Clark Whitehill	31.08.07
14 (14)	RSM Bentley Jennison	72.4	63.7	13.6	15	71	977	Part'ship	No		31.05.08
15 (15)	Haines Watts Group⁶	60	54	11.1	45	91	787	Part'ship	No		31.03.08
16 (16)	Saffery Champness	49	44.7	9.6	10	58	438	Part'ship	No		31.03.08
17 (17)	Horwath Clark Whitehill LLP	46.6	41.2	13.1	8	71	552	LLP	Yes	Grant Thornton UK	31.03.08
18 (20)	Begbies Traynor Group plc	44.5	33.2	34	40	87	579	Plc	Yes	Deloitte & Touche	30.04.07
19 (18)	UHY Hacker Young Group	43.4	39.6	9.6	19	86	653	Part'ship	No		30.04.08
20 (19)	Kingston Smith LLP	39	33.1	17.8	6	49	397	LLP	Yes	Price Bailey	30.04.08
21 (21)	Menzies	33	30.2	9.3	8	43	368	Part'ship	No		28.02.08
22 (22)	MacIntyre Hudson LLP	27.1	24.4	11.1	9	50	380	LLP	Yes	Hillier Hopkins	31.03.08
23 (23)	Chantrey Vellacott DFK	24.5	23.8	2.9	8	47	270	LLP	Yes	Grant Thornton UK	30.06.08
24 (28)	Wilkins Kennedy	23.7	17.7	33.9	11	41	253	Part'ship	No		30.04.08
25 (25)	Johnston Carmichael	22.3	20.25	10.1	10	36	398	Part'ship	No		31.05.08
26 (27)	Armstrong Watson	19.1	17.8	7.3	16	36	370	Part'ship	No		31.03.08
27 (29)	Littlejohn	18.1	17.1	5.8	1	30	165	Part'ship	No		31.05.08
28 (30)	Buzzacott LLP	17.1	15.02	14	1	20	205	LLP	No		30.09.07
29 (26)	DTE Group	16.8	18.1	-7.2	7	10	195	Ltd	Yes	Harold Sharp	30.04.08
30 (31)	Cooper Parry LLP	16.6	15	10.7	3	24	259	LLP	Yes	Buzzacott	30.04.08
31 (34)	Francis Clark	16.1	13.6	18.4	8	31	235	Part'ship	No		31.03.08
32 (32)	Haysmacintyre	15.8	14	12.8	1	24	147	Part'ship	No		31.03.08
33 (47)	Streets	15.1	11.1	36	9	21	170	LLP	No		30.06.08
34 (48)	Target Chartered Accountants	15.1	10.1	49.5	4	12	190	Ltd	Yes	Berkeley Hall Marshall	31.03.08
35 (35)	Duncan & Toplis	15.06	13.4	12.7	10	27	307	Part'ship	No		31.03.08
36 (38)	Hazlewoods LLP	14.13	12.5	12.8	3	16	194	LLP	Yes	Princecroft Willis	30.04.08
37 (46)	Shipleys LLP	14.1	10.5	34.2	3	18	137	LLP	Yes	Steele Robertson Goddard	30.04.08
38 (36)	Haslers	14.03	13	7.7	2	17	110	Part'ship	No		31.12.07
39 (33)	Lovewell Blake	14	13.7	2.2	5	20	205	Part'ship	No		30.09.07
40 (42)	Price Bailey LLP	13.5	11.5	17.3	6	23	187	LLP	Yes	Horwath Clark Whitehill	31.03.08
41 (37)	Scott-Moncrieff	13.1	12.6	4	2	22	171	Part'ship	No		30.04.08
42 (40)	Larking Gowen	12.5	11.7	6.8	9	24	273	Part'ship	No		31.03.08
43 (43)	Reeves + Neylan LLP	12.47	11.1	12.6	5	24	198	LLP	Yes	Clive Owen & Co	31.03.08
44 (44)	Campbell Dallas	12	10.7	12.1	5	17	194	LLP	No		31.05.08
45 (45)	Mercer & Hole	11.2	10.6	5.7	4	18	133	Part'ship	No		31.03.08
46 (58)	Simmons Gainsford LLP	10.8	7.8	38.5	2	17	102	LLP	Yes	Ivan Sopher & Co	31.03.08
47 (49)	Bishop Fleming	10.5	10.27	1.9	6	18	179	Part'ship	No		30.03.08
48 (51)	Barnes Roffe LLP	10.43	9.3	11.8	4	15	112	LLP	Yes	SB Jones & Co	31.12.07
49 (41)	Berg Kaprow Lewis LLP	10.4	11.7	-11.1	1	13	105	LLP	Yes	Leslie Woolfson & Co	31.03.08
50 (39)	Rothman Pantall & Co	9.8	12.3	-20.3	14	24	155	Part'ship	No		31.03.08
51 (50)	Beever & Struthers	9.6	6.3	52.3	3	19	153	Part'ship	No		30.09.07
52 (52)	Morley and Scott	9.5	9.2	3.3	4	17	123	Part'ship	No		31.03.08
53 (53)	James Cowper	9.46	8.7	9.2	4	16	133	Part'ship	No		30.04.08
54 (54)	Hillier Hopkins LLP	9.18	8.7	5.5	3	17	105	LLP	Yes	Price Bailey	31.03.08
55 (59)	Barber Harrison & Platt	9.13	7.6	19.7	2	10	162	Part'ship	No		31.12.07
56 (55)	Gerald Edelman	9.1	8.1	12.3	4	15	86	Part'ship	No		30.06.07
57 (56)	Silver Levene	9.1	8.1	12.3	1	17	103	Part'ship	No		31.05.08
58	SJD Accountancy	8.6	4.7	83	9	8	130	Ltd	No		31.03.08
59 (60)	Spofforths LLP	8.5	7.7	14.3	5	21	145	LLP	Yes	Critchleys	31.12.07
60 (56)	Forrester Boyd	8.4	8.1	3.7	3	13	150	Part'ship	No		31.03.08
Totals		9,363.19	8,473.64		692	5,396	74,675				



CASE STUDIES

Deloitte is Big Four star performer

Deloitte is the strongest performer among the Big Four this year, reporting a rise in fee income of 15.6%, to £1,803m. Senior partner John Connolly said the firm's performance 'reflects strong markets' over the previous 12 months, as well as (at the time) a healthy level of merger and acquisition activity.

It is clear, though, that the credit crunch and general economic downturn will have an impact on the profession at all levels. Connolly added that 'credit availability and confidence generally has been affected' since the firm announced its year-end results in September 2007. 'Undoubtedly we will have a more cautious environment going forward, with particular impact on some parts of the merger and acquisitions market.' But he added that the underlying economy remained strong and business levels during the first months of the firm's following financial year were good.



Connolly: Benefited from strong markets

'Undoubtedly we will have a more cautious environment going forward'

Wilkins Kennedy leaps four places

Wilkins Kennedy jumps from 28th to 24th place in the table this year, reporting an impressive growth rate of 33.9%. The firm has been on the acquisition trail over the past few months. In 2007, it announced mergers with Hampshire firm Jordan Brookes and with Bridgers, a Reading-based insolvency practice, followed by a merger with the Kent firm Finn-Kelcey & Chapman in May this year (which is not reflected in this year's results).

'The mergers have accounted for about £3m of fee income but our organic growth has been strong, at about 16%,' said managing partner Colin Wiseman. 'We had a flat year about three years ago but we made some changes, consolidating our areas of expertise into services to clients, and they have really paid off.' He added that there were no immediate signs of a downturn in business. 'There are a few more enquiries on the insolvency side but the general practice is fine. Firms with large corporate finance divisions may suffer but we are not that exposed. Things are looking very good for us at the moment.'



Wiseman: 'Things are looking very good'

How we compile the table

Information about the firms is gathered from a questionnaire sent out by *Accountancy*. Wherever possible, we adhere to the firms' description of their service areas and structure. The exception is Vantis plc, which is currently in its closed period and so cannot release details of its results. We have instead gathered information from brokers' reports.

Comparison of firms in the Top 60 is becoming more complicated by the year, thanks to the differing structure of firms in terms of their business divisions, but also due to the emergence of consolidators, business advisory companies and specialist firms.

There have also been concerns expressed to *Accountancy* that our Top 60 survey includes a few firms that are more in the nature of jointly-branded networks than profit-sharing firms. While we have some sympathy with these views, we have decided not to exclude any firms on this basis for reasons of presenting a fair picture of the market, year-on-year consistency, the wide variation in structures, and because many firm structures are opaque, making it difficult to make judgments in this regard.

For the purposes of this survey we have included organisations that could reasonably be described as an accountancy firm. In practical terms this means that they compete with 'traditional' accountancy partnerships and have a large proportion of qualified accountants on their payroll.

Target aims to stand out

It's difficult to believe that Target, which appears at number 33 in this year's table, a rise from 48th place last year, is barely 10 years old. The firm began life as a niche tax consultancy in 1998, but has emerged as an ambitious multi-disciplinary adviser following a series of acquisitions. The group added the London-based firm Winters to its business in July 2007 and has completed three other mergers in recent years – Limehouse (based in Rugby), Ernest Francis (based in Reading) and DNP (based in Bath).

Managing director Keith Seeley says the firm's success proves that clients are looking for more than the 'usual' accountancy services. 'What clients are happy to pay for are accountants who are going to make a difference to their business,' he says. 'Owner-managers, in particular, are looking for someone who understands what they are doing and what they are trying to achieve.' He adds that the firm is not expecting to see any slowdown in its growth over the coming year. 'If you're a well-known name and you're used to work just walking through the door, a downturn is tough, but we don't have a big brand yet and so we have always had to get off our backsides and find the work. A recession just means you have to repackage what you offer because clients have different needs. We're on a roll.'



Seeley: 'On a roll'