

# Fee income of top 20 firms passes €1 billion

It was another year of strong growth as the top 20 accountancy firms in the Annual Finance Accountancy Survey surpassed fee income of €1 billion for the first time. The top firms returned an annual growth rate of 19.6 per cent while none of the firms reported a drop in fee income. Deloitte, once again, is the most 'efficient' top accountancy firm, returning the most income per employee.

Ireland's top accountancy firms have enjoyed another successful year, with many firms posting growth figures in excess of 15 per cent. However, the overall growth rate of the top 20 firms is 19.6 per cent for the year, making a small gain on last year's growth of 17.9 per cent, and remaining behind the growth rates seen in 2005, when fee income grew by over 20 per cent.

## Profitability

All of the accountancy firms polled recorded strong growth figures for the year, with overall fee income for the firms growing by 19.6 per cent, from €976.3 million in last year's poll to almost €1.2 billion in this year's survey. Once again this year, the Big 4 accounted for the lion's share of fee income, and they maintained their market share from last

year. In 2006, they claimed 73.5 per cent of the market share, and this year, that rose marginally to 75.2 per cent.

The average growth in fee income of the Big 4 this year stood at almost 18 per cent, which was an increase on last year, and this recovery put them right in line with the average of the top 20 firms.

Once again, Deloitte is the third placed firm with €143.6

million in fee income earned, and again finished ahead of Ernst & Young (€138 million in fee income) to round of the placings for the Big 4.

The Big 4 firm that recorded the fastest growth this year was once again KPMG, with fee income growth of 27.4 per cent. It far outpaced its closest rival of the Big 4, E&Y, who recorded growth of almost 18

per cent. Deloitte also enjoyed robust growth of 15 per cent, while PwC had an all-Ireland growth rate of 11 per cent in the last year.

BDO Simpson Xavier once again was 'best of the rest', retaining its fifth place ranking. The firm recorded a solid rate of growth this year, with an all-Ireland fee income of €72 million.

Once again, a series of mergers caused the most movement among the mid-tier companies, although most firms experienced growth in fee income in the last year. Grant Thornton saw its fee income leap from €30 million last year to €50 million this year, thanks in no small way to its acquisition of RSM Robson Rhodes, who was itself a feature on the list of top

Table 1: Fee Income (€ million)

Company	2007 Survey	2006 Survey	% Change	Market Share
1. *PricewaterhouseCoopers	322.0	290.0	11.0	27.7
2. KPMG	269.3	211.2	27.4	23.2
3. Deloitte	143.6	124.9	15.3	12.4
4. Ernst & Young	138.0	117.0	17.9	11.9
5. BDO Simpson Xavier	72.0	60.5	19.0	6.2
6. Grant Thornton	50.0	30.0	66.6	4.3
7. Farrell Grant Sparks	31.3	26.5	18.1	2.7
8. Mazars	26.0	21.0	23.8	2.2
9. Russell Brennan Keane	16.5	13.1	26.0	1.4
10. Horwath Bastow Charleton	16.0	14.0	14.3	1.4
11. Baker Tilly Ryan Glennon	12.0	6.0	100.0	1.0
12. IFAC Accountants	10.7	10.1	5.9	0.9
13. HLB Nathans	10.0	8.1	23.5	0.9
14. Oliver Freaney & Co	9.0	8.0	12.5	0.8
15. UHY O'Connor Leddy Holmes	8.0	6.8	17.6	0.7
16. Moore Stephens	7.9	7.9	0.0	0.7
17. Brenson Lawlor	6.1	5.8	5.2	0.5
18. OSK Accountants & Business Consultants	5.7	5.2	9.6	0.5
19. Ormsby Rhodes	5.4	5.2	3.8	0.4
20. DCA Accountants & Business Advisors	1.4	-	-	0.1
<b>Total</b>	<b>1161.3</b>	<b>976.3</b>	<b>19.6</b>	<b>-</b>

\*The fee income represents net fee income on an all-island basis exclusive of intra-firm income and charges. Note that the 2006 figure has been restated to include all-Ireland figures.

Table 2: Fee income breakdown (% of total by sector)

Company	Audit/Accounting	Tax	Consulting	Corporate Recovery	Corporate Finance	Other
Baker Tilly Ryan Glennon	33	23	19	14	7	4
BDO Simpson Xavier	27	34	4	5	19	11
Brenson Lawlor	41	16	4	1	35	3
DCA Accountants & Business Advisors	65	15	10	0	10	0
Deloitte	45	29	12	0	11	3
Farrell Grant Sparks	27.5	25.2	19.8	10.5	13.7	3.0
Grant Thornton	50	20	5	10	10	5
Horwath Bastow Charleton	30	25	10	1	30	4
HLB Nathans	50	25	15	0	10	0
IFAC Accountants	85	15	0	0	0	0
Mazars	29.5	25.9	17.3	0.61	24.6	2.1
Moore Stephens	54	27	6	2	6	5
Oliver Freaney & Co	38.5	31	26	0.05	0	4.45
Ormsby Rhodes	52	31	15	0	2	0
OSK Accountants & Business Consultants	60	20	0	0	15	5
Russell Brennan Keane	40	20	26	1	6	7
UHY O'Connor Leddy Holmes	44	40	2	10	4	0

Table 3: Partner and Staff numbers

Company	Partners	Non-partner Chargable	Support Staff	Total 2007	Total 2006	% Change	Staff to Partner Ratio
PricewaterhouseCoopers*	116	2180	324	2620	2357	11.2	21.6
KPMG	76	1506	218	1800	1503	19.8	22.7
Ernst & Young	51	804	175	1030	898	14.7	19.2
Deloitte	45	822	77	944	823	14.7	20.0
BDO Simpson Xavier	48	447	75	570	510	11.8	10.9
Grant Thornton	n/a	n/a	n/a	n/a	251	n/a	n/a
Farrell Grant Sparks	21	186	23	230	207	11.1	10.0
Mazars	17	147	12	176	149	18.1	9.4
Russell Brennan Keane	10	139	20	169	149	13.4	15.9
Horwath Bastow Charleton	15	125	23	163	148	10.1	9.9
IFAC Accountants	0	102	21	123	118	4.2	n/a
Baker Tilly Ryan Glennon	8	89	15	112	69	62.3	13.0
HLB Nathans	10	83	25	118	94	25.5	10.8
Moore Stephens	10	80	11	101	108	-6.5	9.1
UHY O'Connor Leddy Holmes	6	51	6	63	48	31.3	9.5
Brenson Lawlor	12	48	3	63	58	8.6	4.3
OSK Accountants & Business Consultants	6	45	6	57	54	5.6	8.5
Ormsby Rhodes	6	11	40	57	n/a	n/a	8.5
DCA Accountants & Business Advisors	4	0	19	23	n/a	n/a	4.8
<b>Total</b>	<b>461</b>	<b>6865</b>	<b>1093</b>	<b>8419</b>	<b>7544</b>	<b>11.6</b>	<b>10.4</b>

\*This year PwC reported its figures on an all-Ireland basis. As it consists of two separate legal entities, the figure reported is exclusive of intra-firm income and charges. The 2006 figure has also been restated to include all-Ireland figures.

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**Table 4: Efficiency**

Company (*000s)	Total Staff 2007	Income 2007 Per Total	Income 2006 Per Total	% Change	Chargeable Staff 2007	Income 2007 Per Chargeable	Income 2006 Per Chargeable	% Change
Deloitte	944	152.1	151.7	0.2	867	165.6	165.9	-1.0
KPMG	1800	149.6	140.5	6.4	1582	170.2	156.1	8.9
Mazars	176	147.7	140.9	4.8	164	158.5	153.3	3.4
Ernst & Young	1030	134.0	130.3	2.8	855	161.4	140.9	14.5
UHY O'Connor Leddy Holmes	63	127.0	140.6	-9.7	57	140.4	160.7	-12.7
BDO Simpson Xavier	570	126.3	118.6	6.5	495	145.4	142.0	2.4
PricewaterhouseCoopers	2620	122.9	123.0	-0.1	2296	140.2	140.6	-0.3
Baker Tilly Ryan Glennon	112	107.1	121.1	-13	97	123.7	135.3	-9.4
OSK Accountants & Business Consultants	57	100.0	96.3	3.9	51	111.8	108.3	3.2
Horwath Bastow Charleton	163	98.1	94.6	3.8	140	114.3	110.2	3.7
Russell Brennan Keane	169	97.6	87.7	11.4	149	110.7	109.7	0.9
Brenson Lawlor	63	96.8	100.0	-3.2	60	101.7	105.5	-3.6
Ormsby Rhodes	57	94.7	-	-	17	317.6	-	-
Farrell Grant Sparks	230	94.6	128.0	-26.1	207	105.1	141.0	-25.4
IFAC Accountants	123	87.0	85.3	1.9	102	104.9	99.7	5.2
HLB Nathans	118	84.7	86.1	-1.7	93	107.5	108.0	-0.4
Moore Stephens	101	78.2	73.1	6.9	90	87.8	79.0	11.1
DCA Accountants & Business Advisors	23	60.1	-	-	4	350.0	0.0	-

**Table 5: Areas of strongest growth by sector**

	% of mentions	
	2007	2006
Audit/accounting	10	35
Consulting	25	0
Corporate Finance	20	15
Corporate Recovery	0	0
Other	0	0
Tax	25	35

\*Not all firms responded

**Table 6: Top five fastest movers**

Firm	Annual Growth (%)
Baker Tilly Ryan Glennon	100.0
Grant Thornton	66.6
KPMG	27.4
Russell Breannan Keane	26.0
Mazars	23.8

20 firms before its deal with Grant Thornton. The firm remains in sixth position on the poll, but as a result of its acquisition has closed the gap significantly on fifth placed BDO Simpson Xavier.

Similarly, the newly formed firm, Baker Tilly Ryan Glennon posted fee income figures of €12 million. The firm is the product of a merger this year between Baker Tilly O'Hare and PKF Ryan Glennon & Co. As was the case with RSM Robson Rhodes and Grant Thornton, both of these firms featured on the top 20 fee income earners in the 2006 edition of the FINANCE Accountancy Survey.

The eighth placed firm, Mazars, also enjoyed solid growth this year, posting an impressive 23.8 per cent increase in fee income. Outside of firms involved in mergers and the Big 4, Mazars enjoyed the biggest growth for the year. However, it still experienced a slight drop on last year's growth of 31.3 per cent.

The static Moore Stephens has been overtaken by a couple of firms this year, falling from 14th place in 2006 to 16th position this year. It was overtaken by the merged Baker Tilly Ryan Glennon and UHY O'Connor Leddy Holmes, which enjoyed solid growth of 17.6 per cent.

Ormsby Rhodes was the only firm to record a fee income increase of less than 5 per cent.

With the largest fee income this year, PwC also controls the largest markets share of the top 20 firms, with 20 per cent share of the market. KPMG is the only other firm to have more than a 20 per cent share of the market. The Big 4 once again dominate the majority of the market, with 75.2 per cent

of the total fee income of the top 20.

As a result of the numerous mergers in the past year, DCA Accountants are a new entry to this year's survey, filling the final position on the list.

**Efficiency**

Once again, the survey also compared the firms in terms of efficiency. This was done by examining the income earned per staff member. For the third year running, Deloitte was the most efficient firm, with its 944 members of staff generating an average income of €152,119, a slight increase on last year's figure of €151,701.

KPMG jumped ahead of Mazars and UHY O'Connor Leddy Holmes to reach second place in terms of efficiency, thanks to a 6.4 per cent increase in its efficiency from last year. Mazars also increased its efficiency, but the gain of 4.8 per cent was not enough for it to hold off the challenge of KPMG.

The other mid-tier firms all performed well in this respect, with Russell Brennan Keane increasing its efficiency by 11.4 per cent, while BDO Simpson Xavier increased its efficiency by 6.5 per cent, putting it in sixth position.

UHY O'Connor Leddy Holmes fell back two places in this year's ranking as its efficiency fell from €140,625 in 2006 to €126,984 this year. This can mainly be attributed to the firm's 31 per cent increase in its staff numbers, and sees the firm return to its efficiency level recorded in 2005. This drop sees UHY fall back to fifth spot in the efficiency ranking.

At the other end of the scale, new entrant DCA Accountants footed the table this year with a fee income per employee of

€60,870. The arrival of DCA lifted Moore Stephens off the foot of the table. This year Moore Stephens improved its efficiency by almost 7 per cent, from €73,148 last year to €78,218 in 2007.

Midlands accountant Russell Brennan Keane was the only firm to see a double digit increase in its fee income per employee, increasing its earning by almost €10,000 per member of staff.

Baker Tilly Ryan Glennon saw its efficiency rating drop from €121,100 last year to €107,143 this year. Although this drop is mostly explained by the upheaval caused through the merger of Baker Tilly O'Hare and PKF Ryan Glennon, and the surrounding loss of capabilities that go along with integrating two separate operations.

OSK Accountants this year joined the group of firms that earn more than €100,000 per employee, its increase of 3.85 per cent pushing it into this category. Examining chargeable staff alone, KPMG overtakes Deloitte. Its chargeable staff have an average income of €170,000. This year KPMG improved its chargeable staff efficiency by almost 9 per cent.

Looking at the average fee income earned per partner, the big firms again take the lead. PwC, Deloitte and KPMG are the only firms to record a fee income per partner of €3 million.

**Staff numbers**

The number of employees in the top 20 firms grew again this year. Compared to the figures of 2006, the total number of employees grew by 11.6 per cent, or an increase of 875 people. PwC once again leads the way in terms of total staff numbers, with 2620 employees, followed closely in second place by KPMG, which has 1800 employees. KPMG is closing the gap on PwC in this respect, with employee figures swelling by almost 20 per cent this year, compared to PwC's growth of 11.2 per cent.

Ernst & Young has retained its lead over Deloitte, with both firms growing their staff by almost 15 per cent.

Outside of the Big 4, Baker Tilly Ryan Glennon posted an impressive increase in staff of 62 per cent, thanks to the merger that formed it this year. Outside of merger and acquisition growth, UHY O'Connor Leddy Holmes was the firm to most

grow its staff figures from last year, hiring 15 new members of staff, giving it growth of 31 per cent. HLB Nathans also showed strong growth in staff number, increasing its employee figures by over 25 per cent compared to 2006.

Moore Stephens was the only firm to see its staff numbers drop from last year, losing seven members of staff, accounting for a drop of 6.5 per cent of its total workforce.

Deloitte was the only other firm to have 20 or more members of staff for every partner. The Big 4 all have a much higher staff to partner ratio than the other firms, with Russell Brennan Keane coming closest with almost 16 staff members per partner.

Although, recruitment is still seen as the major issue in the accountancy sector, staff numbers have grown impressively in the last year. This year's growth of 11.6 per cent in the top 20 firms' workforce is a significant increase on last year's figure of 7.1 per cent. However, the growth in employee numbers is still behind the growth in fee income being recorded by the top accountancy firms.

**Growth areas**

Tax was the strongest area of revenue growth for the top firms with 35 per cent of the votes, followed closely by audit/accounting with 29 per cent. This is a similar finding to last year, where both categories amassed 35 per cent of the votes.

Management consulting made a strong impression this year, accounting for 24 per cent of votes. No-one chose this category in last year's poll. Corporate finance finished bottom of the poll, with 12 per cent of firms choosing this option. This reflects a small drop on last year's figure of 15 per cent.

**Partners**

According to the survey, the majority of partners are between 30 and 50 years old (72.5 per cent), with a slightly larger proportion in the second half of that age group (39.1 per cent). As was the case last year, there are no partners under 30 in the survey, while only five partners surveyed were over the age of 60 (1.6 per cent). Mazars is the firm with the youngest partners, with nine of its 17 partners under 40.

The number of female partners has seen a small rise compared to last years fig-



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ures. There are now 52 female partners with the top 20 accountancy firms, accounting for 13.6 per cent of the total 382. This represents an increase on the figures of the last two years, when the figures for female partners stood at 12 per cent.

Of the Big 4 firms, PwC is one of the most progressive of the firms surveyed in this regard, with 20 female partners in the Republic of Ireland. Elsewhere Baker Tilly O'Hare has an impressive 25 per cent of female partners. However, BDO Simpson Xavier has only two female partners out of a total of 48, while at Farrell Grant Sparks, there is only one female among its 21 partners.

With staffing problems being cited as a major issue in the industry, many would expect retirement ages to be getting pushed back. For partners however, it was found that the average expected retirement age for a partner in one of the top 20 firms is under 60, at 59.75 years old.

Only two of the 16 firms that responded to this question expected their partners to work to the official retirement age of 65. The majority of firms expect their partners to retire at 60, while one quarter of firms see their partners retiring at the age of 55.

The average working week of a partner in a top 20 firm was found to be almost 47 hours. The responses to this question ranged from a working week of 37.5 hours to a high of 55 hours per week. The majority of responses fell in between 45 and 50 hours per week.

A majority of 46 per cent of firms said that they would expect between 61-80 per cent of their partners' working hours to be charged to a client. The lower bracket of 41-60 per cent chargeable hours was what 36 per cent of firms expected from their partners, while 18 per cent expected that 81-100 per cent of their partners working hours would be chargeable.