



PROFESSIONAL OVERSIGHT BOARD

KEY FACTS AND TRENDS IN THE ACCOUNTANCY PROFESSION

NOVEMBER 2006



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KEY FACTS AND TRENDS IN THE ACCOUNTANCY PROFESSION

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CHAIRMAN'S FOREWORD

This is the fourth edition of 'Key Facts and Trends in the Accountancy Profession'. This document provides statistical information up to 31st December 2005 for the six chartered accountancy bodies¹ who are members of the Consultative Committee of Accountancy Bodies (CCAB). It includes information for many of the largest registered audit firms who audit UK public interest entities.

All members of the CCAB have a Royal Charter and the titles their members use are therefore protected. It is, however, misleading to equate the CCAB to the accountancy profession in the UK. There are a number of other UK bodies whose members provide accountancy and related services and which set regulatory requirements for their members. These include the Association of International Accountants (AIA), the Institute of Financial Accountants (IFA) and the Association of Accounting Technicians (AAT).

This document summarises the main features and trends of the following statistical information

- Members of the six chartered bodies
- Students of the six chartered bodies
- The income, costs and staffing of the six chartered bodies
- Fee income of the largest UK audit firms
- Number and size of audit registered firms

The purpose is simply to provide information, not to offer explanations or interpretations, other than to refer to possible limitations of the data.

The information we are publishing illustrates the underlying health and importance of the accountancy profession in the UK, with the overall numbers of students and members continuing to grow.

Most of the information we are publishing is comparable to the information published in previous editions. However, there are a number of changes, largely reflecting comments received on the information in previous editions. We would welcome comments on what information you think may improve future editions. Your comments should be sent to Tracy Neilson (t.neilson@frc-pob.org.uk).

¹ Association of Chartered Certified Accountants (ACCA)
Chartered Institute of Management Accountants (CIMA)
Chartered Institute of Public Finance and Accountancy (CIPFA)
Institute of Chartered Accountants in England and Wales (ICAEW)
Institute of Chartered Accountants in Ireland (ICAI)
Institute of Chartered Accountants of Scotland (ICAS)

The Financial Reporting Council (FRC) is the unified independent regulator for the accounting, audit and actuarial profession and for accounting, auditing and actuarial standard setting and enforcement. Within the FRC, the Professional Oversight Board is the operating body responsible for:

- Independent oversight of the regulation of the auditing profession by the recognised supervisory and qualifying bodies
- Monitoring of the quality of the auditing function in relation to economically significant entities
- Independent oversight of the regulation of the accountancy profession by the professional accountancy bodies.
- Independent oversight of the regulation of the actuarial profession by the professional actuarial bodies and promoting high quality actuarial work.

There is more information on the FRC and its operating bodies at www.frc.org.uk .

Sir John Bourn
Chairman of the Professional Oversight Board
November 2006

MAIN HIGHLIGHTS

THE SIX CHARTERED ACCOUNTANCY BODIES 2000-2005

- Accountancy continues to flourish and grow in the UK. The six chartered bodies have over 260,000 members and over 155,000 students in the UK and the Republic of Ireland. (Table 1 and Chart 1, and Table 8)
- The six bodies have over 350,000 members and over 365,000 students worldwide. The average growth of members of 3.6% per annum between 2000 and 2005. (Table 2 and Chart 2, and Table 7)
- Student numbers have been growing more quickly (6.7% per year worldwide) than membership (3.6% per year worldwide, 3.0% in the UK and ROI) (Tables 1 and 2 and Table 7). This finding is consistent with the growth of the numbers of members and students in the prior year.
- There are significant differences between the bodies in terms of the number of worldwide members and students, the location of members and students, growth rates of the bodies' populations and the age profile of members and students.
- There has been a steadily rising proportion of female members since 2000 – from 24% to 29% in 2005. (Table 5)
- The percentage of female students has been stable since 2000 but is still considerably higher (48%), than the percentage of female members (29%). (Table 5 and Table 10)

THE AUDIT FIRMS

- The significant decline in the ratio of non-audit services provision to audit clients and to non-audit clients between 2002/3 and 2003/4 (Charts 17 and 18) did not continue in 2004/5, with the proportions of total fee income from audit, non-audit work to audit clients, and non-audit work to non-audit clients similar for 2003/4 and 2004/5 (Charts 18 and 19)
- There has been a significant change in the split of fee income between audit work and non audit work for the major audit firms outside the Big 4 between 2002/3 and 2004/5. Over this period their fee income from non audit work to non-audit clients has been an increasing proportion of total fee income, with a corresponding reduction in the proportion of audit fee income. Fee income from non-audit work to audit clients has remained stable as a percentage of the total (Charts 20-22)
- There was an 11.5% decline in the numbers of firms registered to carry out statutory audit in the UK at most of the Bodies between 2001 and 2005. This is likely to be as a result of changes to the audit thresholds. (Table 17)

**MEMBERS OF THE
CHARTERED ACCOUNTANCY BODIES**

Members in the UK and the Republic of Ireland, 2000-2005:

Table 1 shows the number of members of each of the six chartered accountancy bodies in the UK and the Republic of Ireland, at the 31 December for each of the six years to 31st December 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|---|-------------|-------------|------------|------------|-------------|-------------|----------------|
| 2000 | 45,392 | 42,717 | 13,176 | 103,478 | 10,721 | 12,857 | 228,341 |
| 2001 | 49,085 | 44,979 | 13,192 | 105,804 | 11,196 | 12,870 | 237,126 |
| 2002 | 52,678 | 46,820 | 13,213 | 108,157 | 11,840 | 13,004 | 245,712 |
| 2003 | 54,209 | 48,986 | 13,223 | 110,468 | 12,186 | 13,312 | 252,384 |
| 2004 | 56,837 | 51,386 | 13,266 | 110,776 | 12,757 | 13,811 | 258,833 |
| 2005 | 59,059 | 53,697 | 13,317 | 111,114 | 13,523 | 14,255 | 264,965 |
| % growth (00 – 05) | 30.1 | 25.7 | 1.1 | 7.4 | 26.1 | 10.9 | 16.0 |
| % compound annual growth (00 – 05) | 5.4 | 4.7 | 0.2 | 1.4 | 4.8 | 2.1 | 3.0 |

Table 1

- The total number of members of the six bodies in the UK and ROI has grown steadily in recent years, at an average rate of 3.0%, from just over 228,000 in 2000 to nearly 265,000 at the end of 2005.
- There are significant differences within that overall percentage growth, between the Chartered bodies. The ACCA's membership in the UK and ROI grew most strongly at an average of 5.4% per year in the period, followed by the ICAI and CIMA. The growth pattern displayed is consistent with that seen at the end of 2004.
- The ICAEW is the largest body in terms of its UK and ROI membership – its average growth rate per year in the period 2000-2005 was 1.4%.

Note: The location of members is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.

Members in the UK and Republic of Ireland 2000-2005

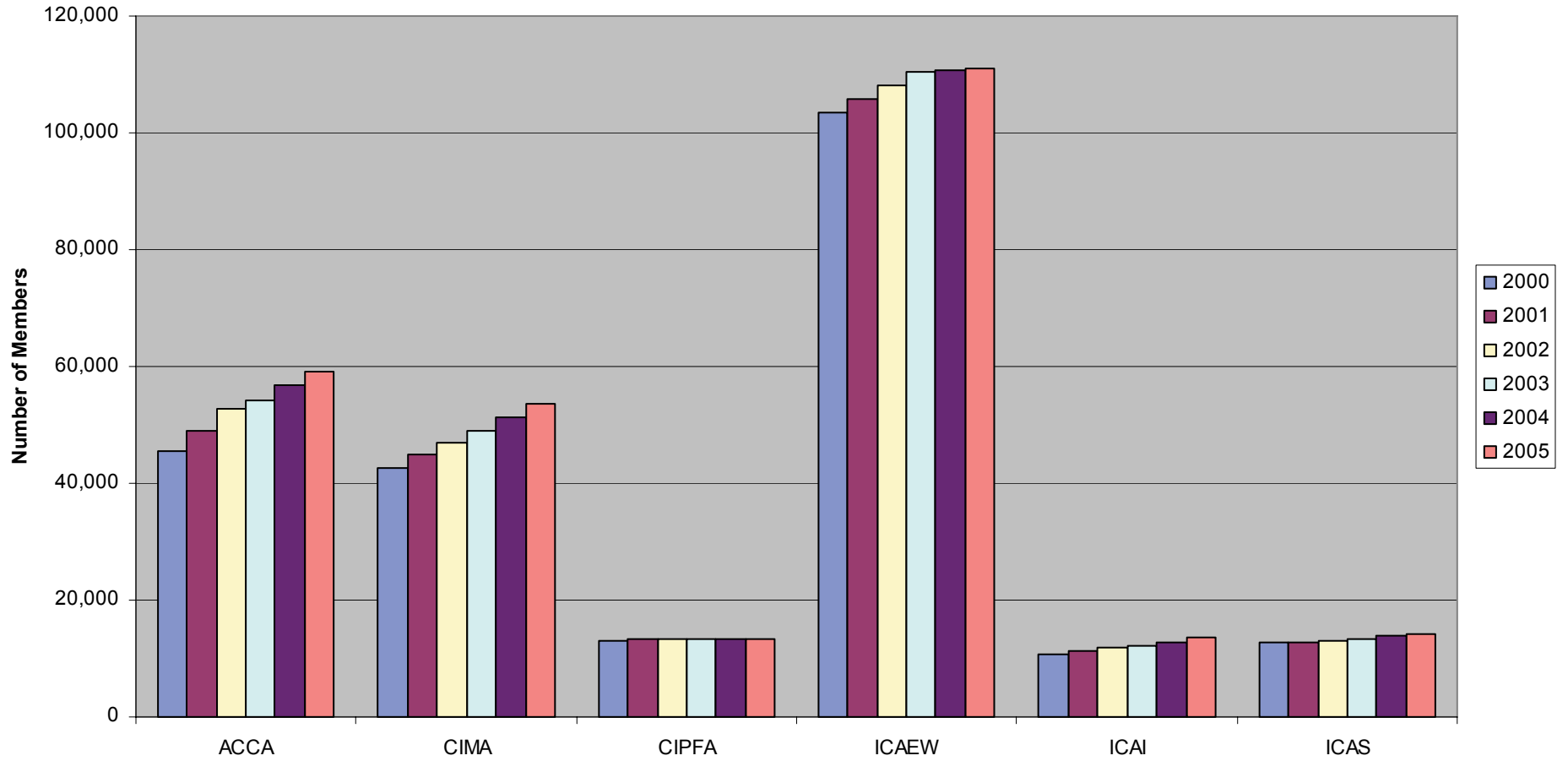


Chart 1

Members Worldwide, 2000-2005:

Table 2 shows the number of members of each of the six chartered accountancy bodies worldwide at the 31 December for each of the six years to 31st December 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|--|-------------|-------------|------------|------------|-------------|-------------|----------------|
| 2000 | 79,027 | 54,934 | 13,396 | 118,771 | 11,828 | 14,888 | 292,844 |
| 2001 | 86,929 | 57,616 | 13,471 | 121,356 | 12,515 | 15,042 | 306,929 |
| 2002 | 95,416 | 59,782 | 13,521 | 123,719 | 13,039 | 15,166 | 320,643 |
| 2003 | 98,293 | 62,361 | 13,510 | 125,643 | 13,551 | 15,749 | 329,107 |
| 2004 | 104,613 | 65,053 | 13,499 | 126,597 | 14,193 | 15,931 | 339,886 |
| 2005 | 109,588 | 67,670 | 13,565 | 127,826 | 14,973 | 16,388 | 350,010 |
| % growth | 38.7 | 23.2 | 1.3 | 7.6 | 26.6 | 10.1 | 19.5 |
| % compound annual growth (00 –05) | 6.8 | 4.3 | 0.3 | 1.5 | 4.8 | 1.9 | 3.6 |

Table 2

- The total membership number of members of the six bodies worldwide has grown on average more quickly than UK/ROI membership alone (3.6% compared with 3.0% compound annual growth)
- This reflects the strong growth of the ACCA globally, which in 2005 had 46% of its members outside UK/ROI (2000: 43%) and had annualised compound growth of 6.8% in the period (5.4% UK/ROI alone).
- The other bodies have a much smaller percentage of their members based overseas (see Table 3). Most of their growth therefore has come from the increases in their UK/ROI membership.

Note: The location of members is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.

A Graph to show Members Worldwide 2000-2005

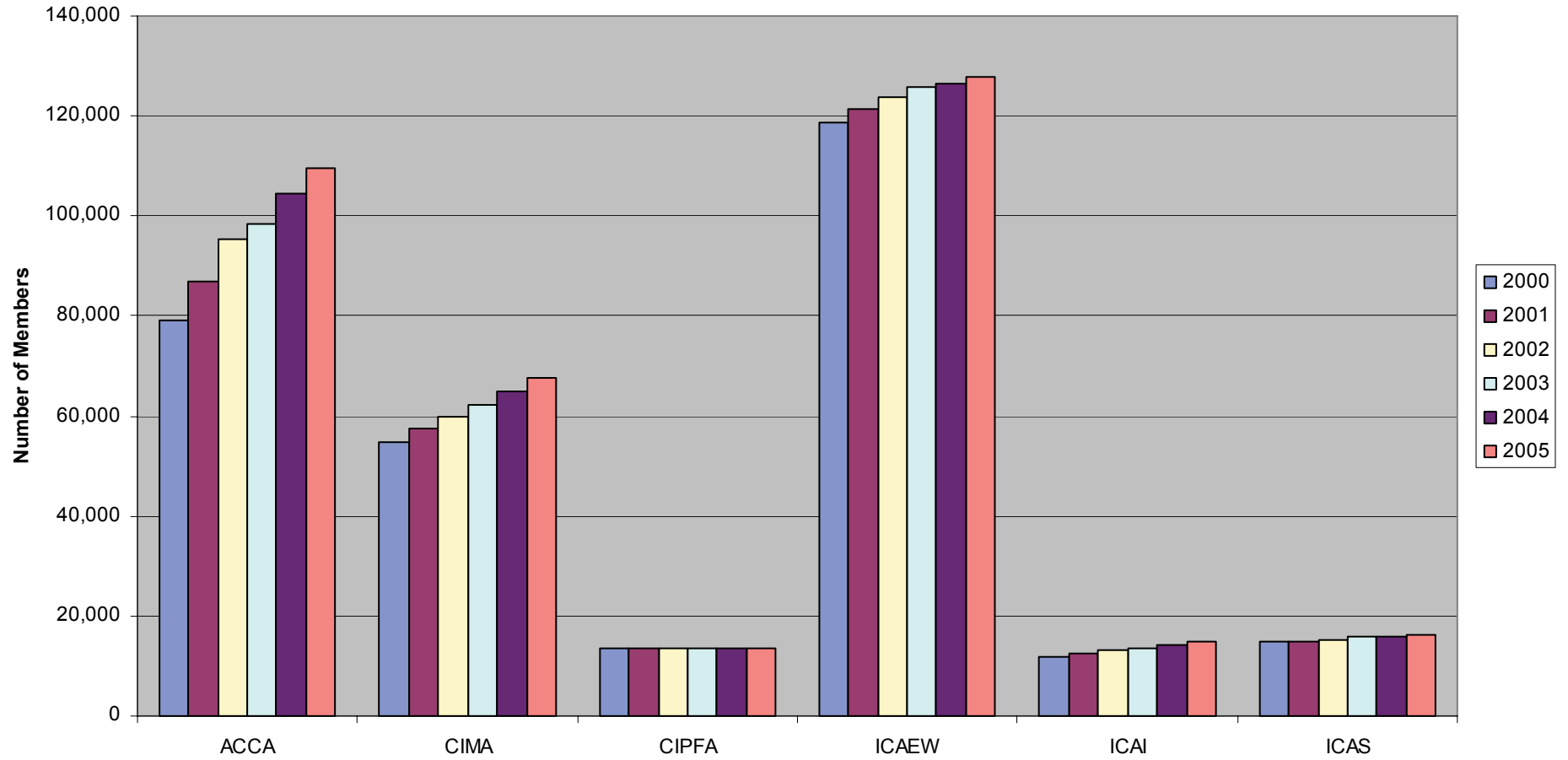


Chart 2

Members outside the UK and the Republic of Ireland, 2000-2005

Table 3 shows the number of members of each of the six chartered accountancy bodies outside the UK and the Republic of Ireland at the 31 December for each of the six years to 31st December 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|---|--------|--------|-------|--------|-------|-------|--------|
| 2000 | 33,635 | 12,217 | 220 | 15,293 | 1,107 | 2,031 | 64,503 |
| 2001 | 37,844 | 12,637 | 279 | 15,552 | 1,319 | 2,172 | 69,803 |
| 2002 | 42,738 | 12,962 | 308 | 15,562 | 1,199 | 2,162 | 74,931 |
| 2003 | 44,084 | 13,375 | 287 | 14,573 | 1,365 | 2,167 | 75,851 |
| 2004 | 47,776 | 13,667 | 233 | 15,821 | 1,436 | 2,120 | 81,053 |
| 2005 | 50,529 | 13,973 | 248 | 16,712 | 1,450 | 2,133 | 85,045 |
| % of total members outside UK/ROI 2005 | 46 | 21 | 2 | 13 | 10 | 13 | 24 |

Table 3

- The ACCA has increased its membership outside UK/ROI by 50% since 2000. This compares to a 30% rise in membership numbers in the UK and ROI for the same period. In 2005 46% of the ACCA's members were registered outside the UK and ROI compared to 43% in 2000.
- Apart from the ACCA, only CIMA has more than 20% of its members based outside UK/ROI.
- The above figures show that the ICAEW's membership is growing faster outside of the UK/ROI than in the UK/ROI. Percentage growth between 2004 and 2005 outside of the UK/ROI was 5.6% compared to 1.0% in the UK/ROI.

Note: The location of members is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.

Sectoral employment of members worldwide, 2005:

Table 4 shows the percentages of members of each of the six chartered accountancy bodies worldwide, according to their sectoral employment at the end of 2005.

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|------------------------------|------------|------------|------------|------------|-----------------|------------|------------|
| Public practice | 28 | 4 | 0 | 43 | 32 | 28 | 23 |
| Industry and Commerce | 54 | 71 | 0 | 40 | 61 ¹ | 41 | 45 |
| Public Sector | 10 | 17 | 67 | 2 | - | 4 | 17 |
| Retired | 4 | 6 | 22 | 12 | 5 | 19 | 11 |
| Other² | 4 | 2 | 11 | 3 | 2 | 8 | 5 |
| TOTAL | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Table 4

- There are no CIPFA members and very few CIMA members employed in public practice in 2005. Over 70% of CIMA members were employed in industry and commerce and 67% of CIPFA members were employed in the public sector.
- The ICAEW is the only body with more members employed in public practice than any other employment category listed in Table 4 above.

Note:

There are variations in the way in which the bodies classify employment.

1. ICAI does not separately identify those employed in the public sector and those employed in industry and commerce. The joint figure is shown under "Industry & Commerce" in table 4 above.
2. "Other" includes those members who are unemployed, taking a career break, undertaking full time study or on maternity leave, and others who are unclassified, for example because they have not provided the information.

Gender of members worldwide, 2000-2005:

Table 5 shows the percentage of female members of each of the six chartered accountancy bodies worldwide at the 31 December for each of the six years to 31st December 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|-------------|------|------|-------|-------|------|------|-------|
| 2000 | 33 | 21 | 23 | 19 | 23 | 20 | 24 |
| 2001 | 35 | 22 | 24 | 19 | 25 | 21 | 25 |
| 2002 | 36 | 23 | 24 | 20 | 24 | 22 | 26 |
| 2003 | 38 | 24 | 25 | 21 | 27 | 23 | 27 |
| 2004 | 39 | 26 | 26 | 21 | 28 | 24 | 28 |
| 2005 | 40 | 27 | 26 | 22 | 29 | 25 | 29 |

Table 5

- The percentage of female members of all six bodies has been rising in recent years.
- Taking all the bodies together the percentage of female members has risen from 24% in 2000 to 29% as at the end of 2005.
- The ACCA had the greatest percentage growth in female members from 33% in 2000 to 40% in 2005.

Age of members worldwide: 2005

Table 6 shows the number of members of each of the six chartered accountancy bodies worldwide by age at 31st December 2005. Chart 3 shows this information in a graphic format. Charts 4 to 9 compare the age distribution for each body at the 31 December for each of the six years to 31st December 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|--------------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|
| under 25 | 582 | 23 | 1 | 157 | 3 | 82 | 848 |
| 25-34 | 36,862 | 13,084 | 1,269 | 25,279 | 4,870 | 3,843 | 85,207 |
| 35-44 | 39,696 | 24,328 | 4,111 | 35,900 | 5,028 | 3,844 | 112,907 |
| 45-54 | 18,795 | 15,493 | 3,682 | 28,677 | 2,770 | 3,446 | 72,863 |
| 55-64 | 8,662 | 8,486 | 2,893 | 21,410 | 1,334 | 2,457 | 45,242 |
| 65 and over | 4,991 | 6,256 | 1,609 | 16,403 | 968 | 2,716 | 32,943 |
| TOTAL | 109,588 | 67,670 | 13,565 | 127,826 | 14,973 | 16,388 | 350,010 |

Table 6

- There are marked differences in the age profile of members of the six bodies. For example, the ACCA has the youngest population of members - 70% of members are below 45. ICAI has the second youngest population with approximately 67% below 45. (Chart 3)
- In contrast 60% of CIPFA's members are 45 and over. The ICAEW and the ICAS both have approximately 50% of their members above the age of 45 (Chart 3).
- The age of the ICAI's members has risen in 2005 compared to 2000 (Chart 3); 67% of members in 2005 were aged 35 and over compared to 58% in 2000 (Chart 8).
- The age profile of members of the ACCA, CIMA, the ICAEW and the ICAS has increased between 2000 and 2005.

Comparison of Age Profiles of Members of Accountancy Bodies 2005

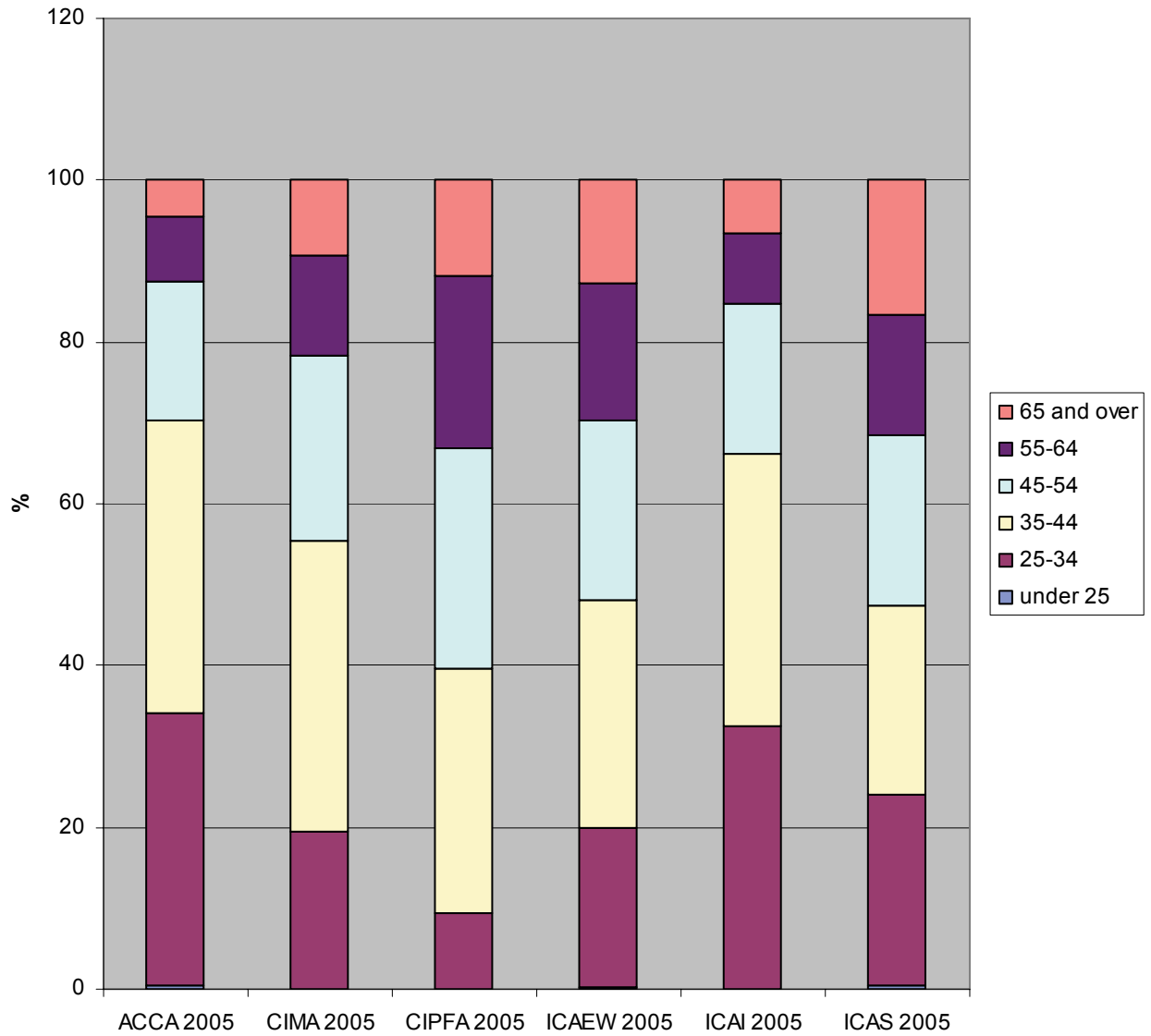


Chart 3

Age of Members of the six Chartered Accountancy Bodies, 2000 and 2005:

The following charts compare the age distribution of members of the bodies for 2000 and 2005.

Age of ACCA Members 2000 and 2005

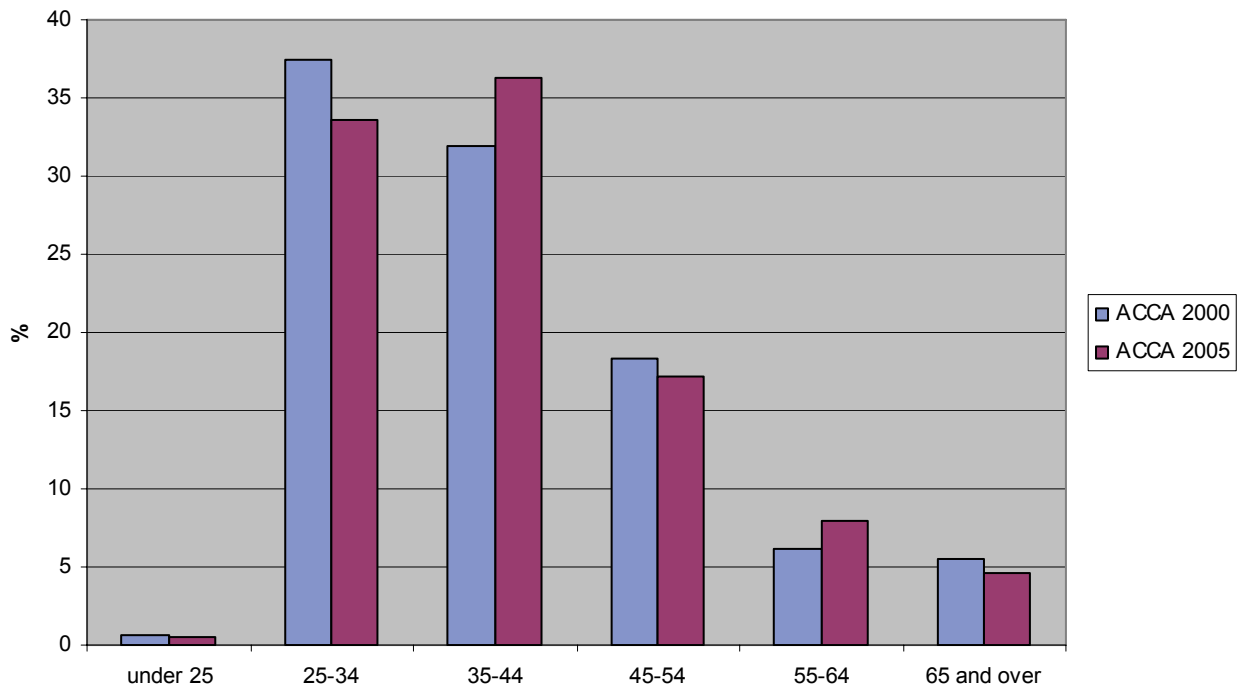


Chart 4

Age of CIMA Members 2000 and 2005

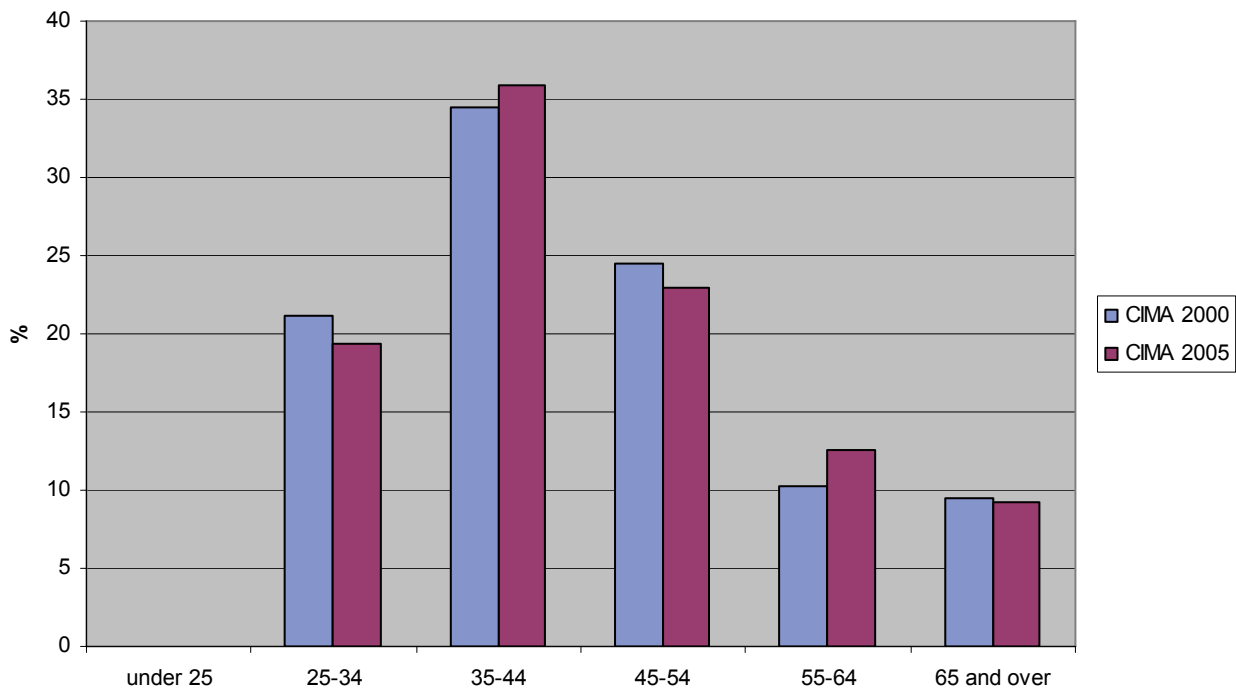


Chart 5

Age of CIPFA Members 2000 and 2005

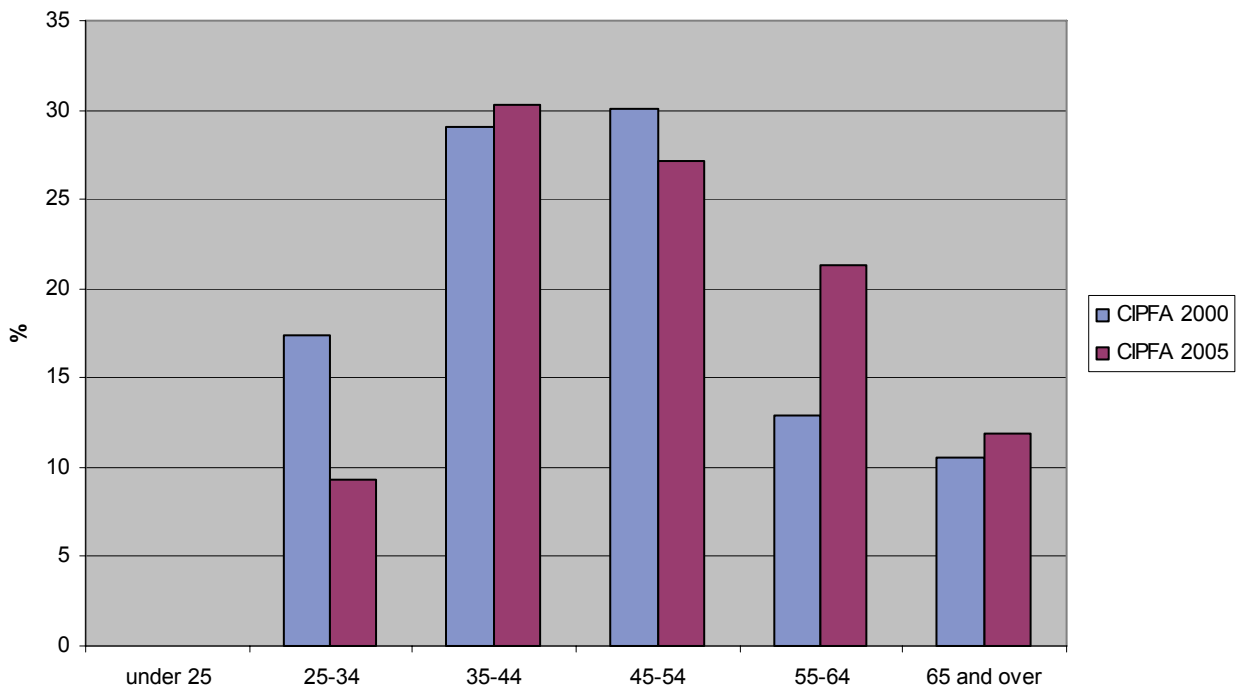


Chart 6

Age of ICAEW members 2000 and 2005

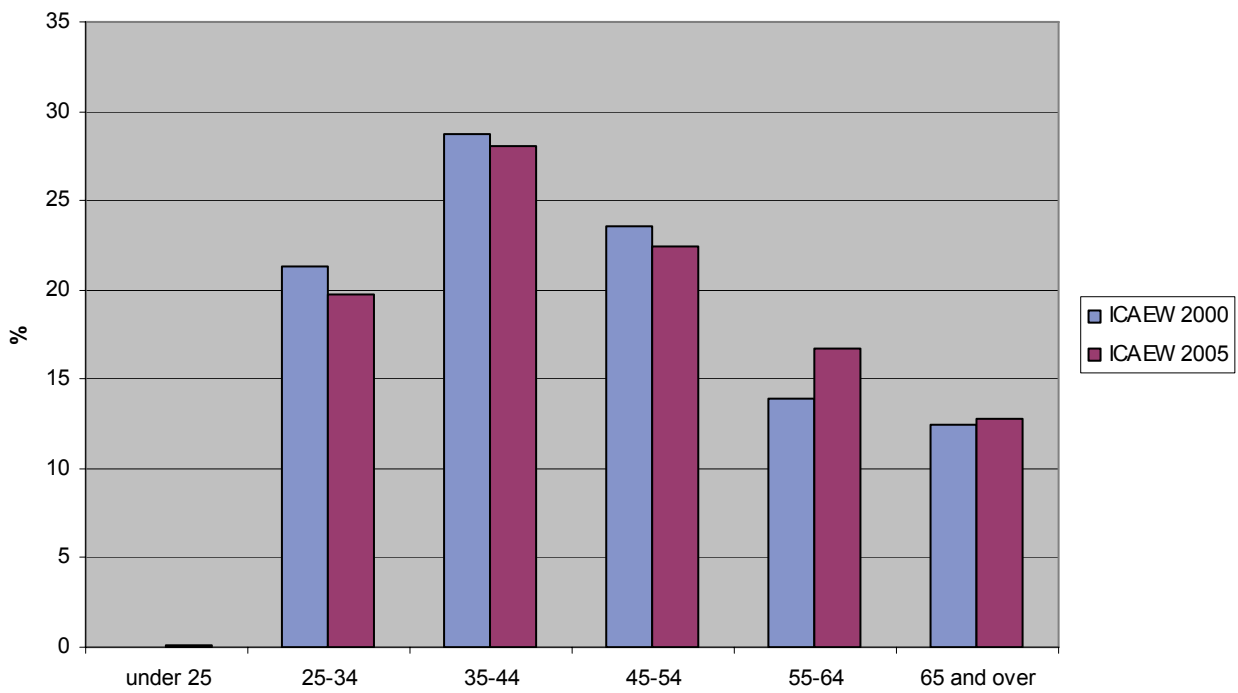


Chart 7

Age of ICAI members 2000 and 2005

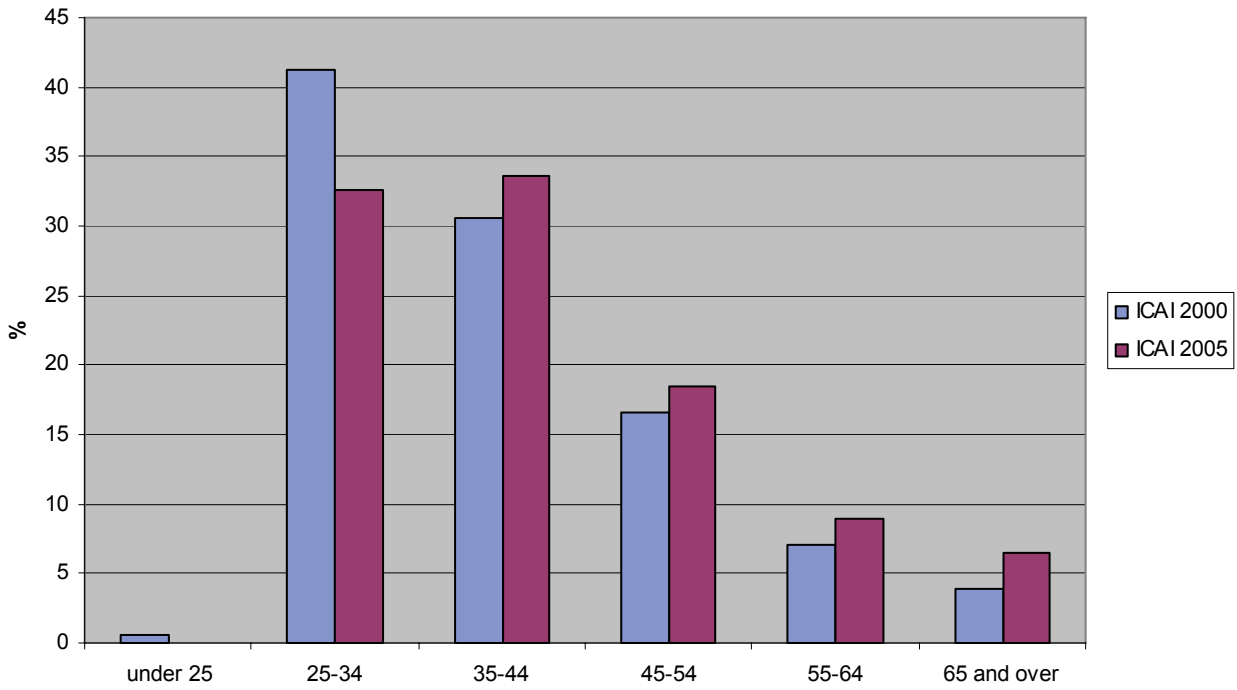


Chart 8

Age of the ICAS members 2000 and 2005

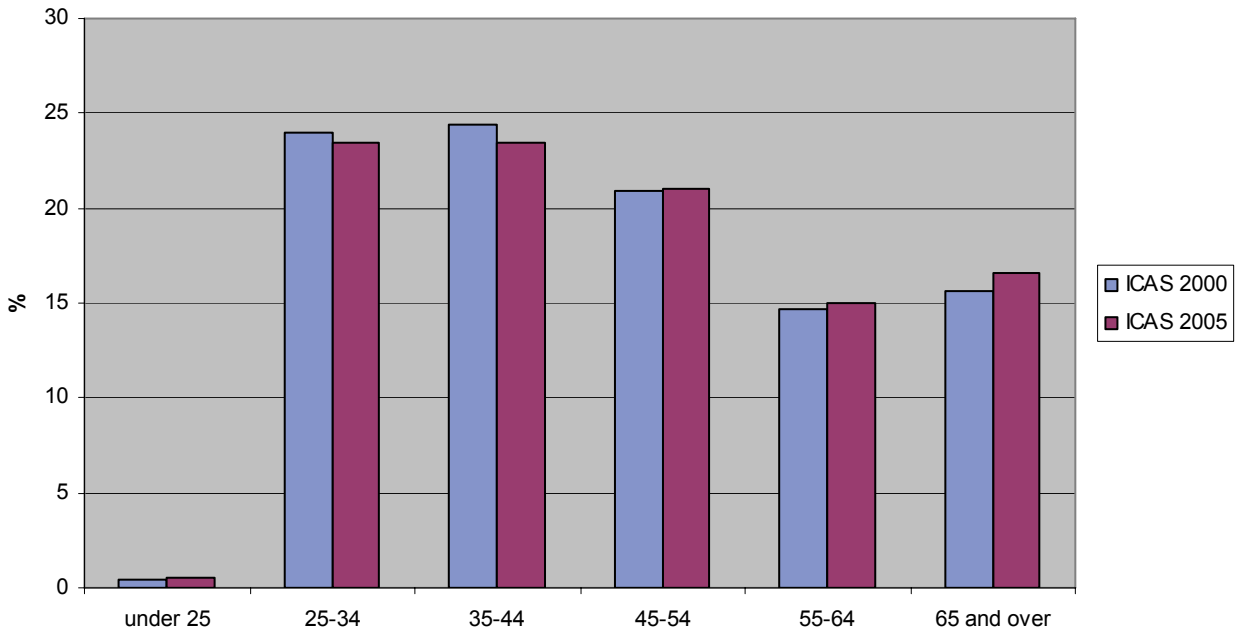


Chart 9

**STUDENTS OF THE
ACCOUNTANCY BODIES**

STUDENTS

Students registered worldwide, 2000-2005:

Table 7 shows the number of students of each of the six chartered accountancy bodies registered worldwide at the 31 December for each of the six years to 31st December 2005:

| | ACCA ¹ | CIMA ² | CIPFA | ICAEW ^{3, 4} | ICAI ³ | ICAS ³ | TOTAL |
|---|-------------------|-------------------|-------------|-----------------------|-------------------|-------------------|----------------|
| 2000 | 174,201 | 73,761 | 2,213 | 10,727 | 2,789 | 1,652 | 265,343 |
| 2001 | 185,392 | 75,263 | 2,322 | 10,114 | 3,008 | 2,080 | 278,179 |
| 2002 | 205,099 | 77,923 | 2,484 | 9,648 | 3,392 | 2,327 | 300,801 |
| 2003 | 221,261 | 81,590 | 2,782 | 8,694 | 3,000 | 2,431 | 319,683 |
| 2004 | 240,741 | 84,868 | 2,954 | 8,910 | 3,167 | 2,497 | 343,137 |
| 2005 | 260,644 | 86,565 | 3,194 | 10,406 | 3,880 | 2,636 | 367,325 |
| % growth (00 – 05) | 49.6 | 17.4 | 44.3 | -3.0 | 39.1 | 59.6 | 38.4 |
| % compound annual growth (00 – 05) | 8.4 | 3.3 | 7.6 | -0.6 | 6.8 | 9.8 | 6.7 |

Table 7

- There are wide differences in the numbers and rates of growth in the student membership worldwide of the accountancy bodies.
- It should be noted that the figures for the different bodies are not all strictly comparable see footnotes below.
- Overall student numbers continue to grow (7% in 2005) reflecting the health of the profession. The ICAS and the ACCA continue to experience the highest growth rates over the period as a whole.

Note:

1. The ACCA student numbers include Certified Accounting Technicians (CAT) students and affiliates
2. CIMA figures includes students who have passed their final examination but have not been admitted to membership.
3. The ICAEW, the ICAI and the ICAS refer to the number of students in registered training contracts.
4. The 2005 figures for the ICAEW include those students who have passed the final exam but have not been admitted to membership. The percentage growth figures for the ICAEW shown in the table should therefore be treated with caution. The percentage compound annual growth for the period 2000 to 2004 was -4.7%.

Location of students, 2005:

Table 8 shows the location (UK, Republic of Ireland and the rest of the world) of students of the six chartered accountancy bodies at 31st December 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|-------------------------------------|----------------|---------------|--------------|---------------|--------------|--------------|----------------|
| UK & Republic of Ireland | 79,513 | 57,197 | 3,122 | 9,928 | 3,880 | 2,633 | 156,273 |
| Rest of the world | 181,131 | 29,368 | 72 | 478 | - | 3 | 211,052 |
| TOTAL | 260,644 | 86,565 | 3,194 | 10,406 | 3,880 | 2,636 | 367,325 |

Table 8

- The overwhelming majority (greater than 95%) of students of four of the bodies – CIPFA, the ICAEW, the ICAI and the ICAS are based in the UK and the ROI.
- In contrast the ACCA and CIMA have a significantly higher proportion of students outside the UK and the ROI (69.5% and 33.9% respectively) compared to the proportion of members outside UK and the ROI (the ACCA = 46.1% and CIMA = 20.6% - see Table 3).

Note: The location of students is based on the registered address supplied to the accountancy bodies. This may be either the place of employment or the place of residence.

Age of Students of the six Chartered Accountancy Bodies worldwide, 2005:

This chart compares the age distributions for the six chartered accountancy bodies.

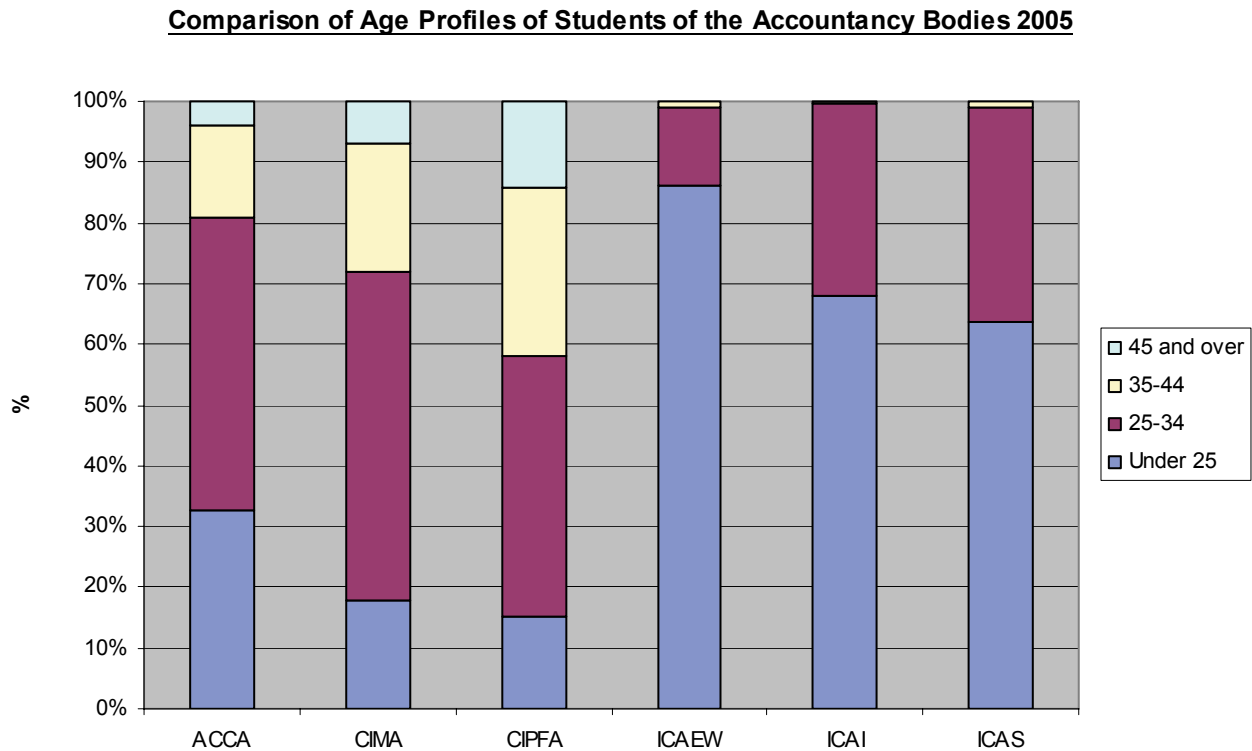


Chart 10

- The chart above shows that CIPFA and CIMA have an older student age profile than the other bodies. Both bodies have over 25% of students 35 years and over. ACCA has the next oldest student profile with just under 20% 35 years and older.
- In contrast, at least 99% of students at the ICAEW, the ICAI and the ICAS are younger than 35.
- Charts 11-13 compare the age distribution of students for 2000 and 2005 for the ACCA, CIPFA and CIMA. This data is not available for the year 2000 for the other bodies.
- The number of CIPFA students aged 35 and over was higher in 2005 than 2000 by 12 percentage points. The ACCA has also seen a significant increase (9 percentage points) in students aged 35 and over (Charts 11 and 13).

Notes

1. ACCA and ICAEW figures relate to the age of the student intake, not the ages of all students. .

Age of Students of three of the Chartered Accountancy Bodies, 2000 and 2005:

The following charts compare the age distribution of students of three bodies at 31st December 2000 and 2005. Data as at December 2000 are not available for the remaining bodies.

The Change in Age Profile for ACCA students 2000 and 2005

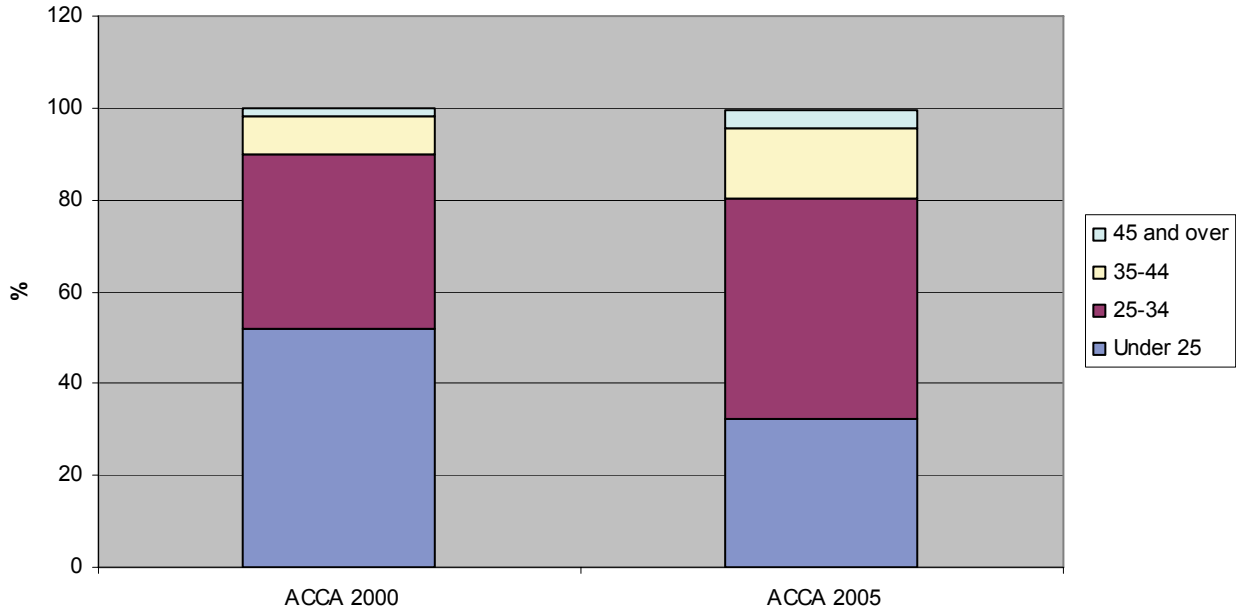


Chart 11

The Change in Age Profile of CIMA Students for 2000 and 2005

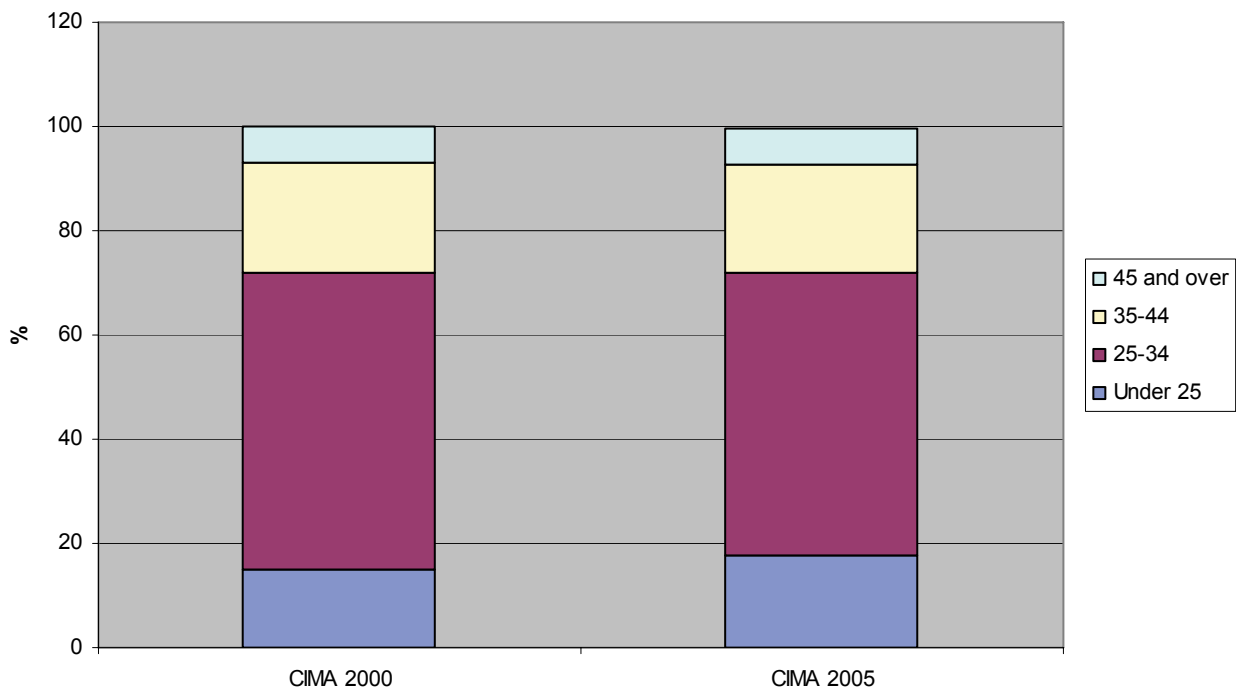


Chart 12

The Change in Age Profile of CIPFA Students for 2000 and 2005

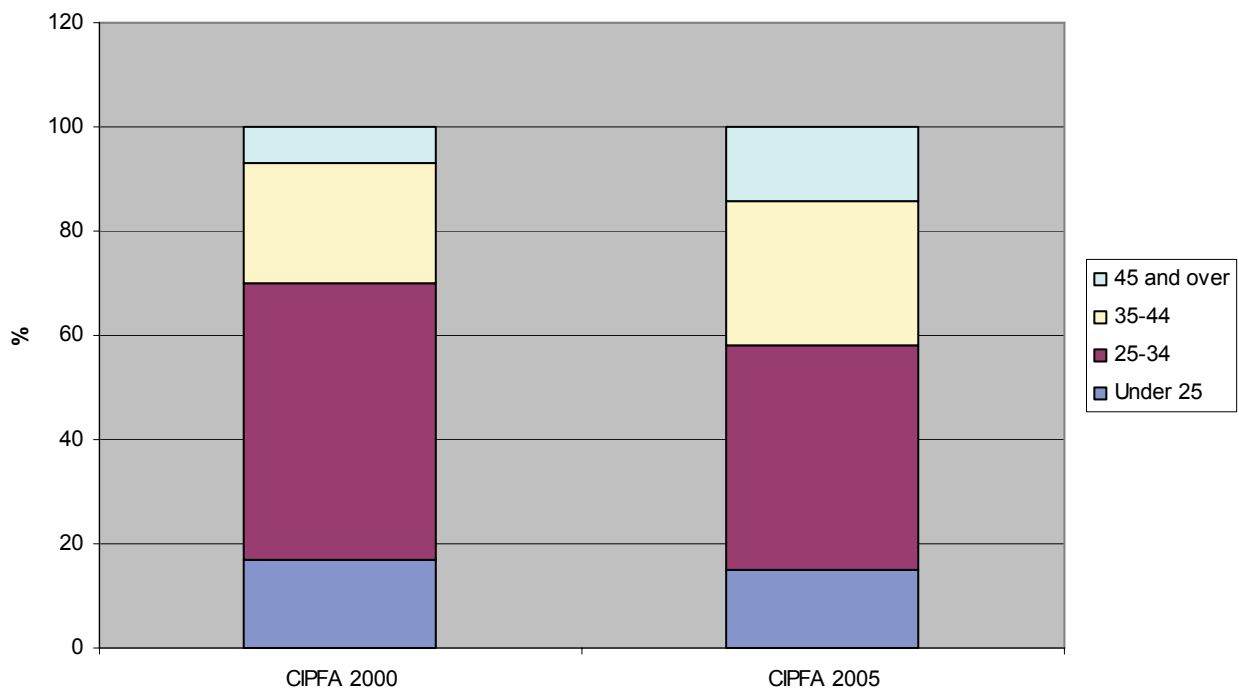


Chart 13

Sectoral employment of students worldwide, 2005:

Table 9 shows the sectoral employment of students of each of the accountancy bodies worldwide at 31st December 2005:

| | ACCA | CIMA ¹ | CIPFA ³ | ICAEW ² | ICAI | ICAS ² | TOTAL |
|------------------------------|----------------|-------------------|--------------------|--------------------|--------------|-------------------|----------------|
| Public practice | 74,804 | | - | 9,525 | 3,788 | 2,545 | 90,662 |
| Industry and commerce | 151,514 | 73,701 | - | 285 | 77 | 91 | 225,668 |
| Public sector | 27,497 | 10,062 | 3,052 | - | 15 | - | 40,626 |
| Other⁴ | 6,829 | 2,802 | 142 | 596 | - | - | 10,369 |
| TOTAL | 260,644 | 86,565 | 3,194 | 10,406 | 3,880 | 2,636 | 367,325 |

Table 9

- Over 90% of the student members of the ICAEW, the ICAI and the ICAS are employed in public practice. This compares to 29% of the ACCA's student population.
- In contrast 96% of CIPFA students are employed in the public sector.
- ACCA students are the most widely spread across the different sectors of the profession.

Notes:

1. No information was available on the Sectoral employment of CIMA students.
2. The ICAEW and the ICAS give a combined figure for students employed in industry and commerce and the public sector. For the purposes of the table these are simply shown as 'industry and commerce'.
3. CIPFA does not separately identify students employed in public practice and they are included within 'Other' in the table above.
4. 'Other' includes students not in employment. 'Other' for the ICAEW relates to independent students for whom no information on their employment is available.

Gender of students worldwide, 2000-2005:

Table 10 shows the percentage of female students of each of the accountancy bodies worldwide at the 31 December for each of the six years to 31st December 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|-------------|------|------|-------|-------|------|------|-------|
| 2000 | 51 | 42 | 46 | 45 | 49 | 46 | 48 |
| 2001 | 51 | 42 | 47 | 45 | 54 | 46 | 48 |
| 2002 | 51 | 43 | 48 | 45 | 52 | 46 | 49 |
| 2003 | 51 | 43 | 49 | 45 | 54 | 43 | 49 |
| 2004 | 50 | 43 | 50 | 44 | 54 | 44 | 48 |
| 2005 | 50 | 44 | 49 | 41 | 54 | 44 | 48 |

Table 10

- The proportion of female students worldwide has remained stable between 2000 and 2005 for all Chartered bodies. The most notable movement is for the ICAI where the number of female students has increased by 5% over the five year period.

Note: ICAI and ICAS figures refer to the proportion of females in the student intake, not in the student body as a whole.

Graduate entrants to training with the Six Chartered Accountancy Bodies

Chart 14 shows the percentages of students of each body who, at the time of registration as students, respectively (i) were graduates and (ii) were graduates and held a relevant degree.

It should be noted that differences in the educational qualifications of those entering the various training schemes are often a reflection of the selection policies adopted by different employers rather than the result of the strategy of a body.

Percentage of students holding a degree and those holding a relevant degree¹

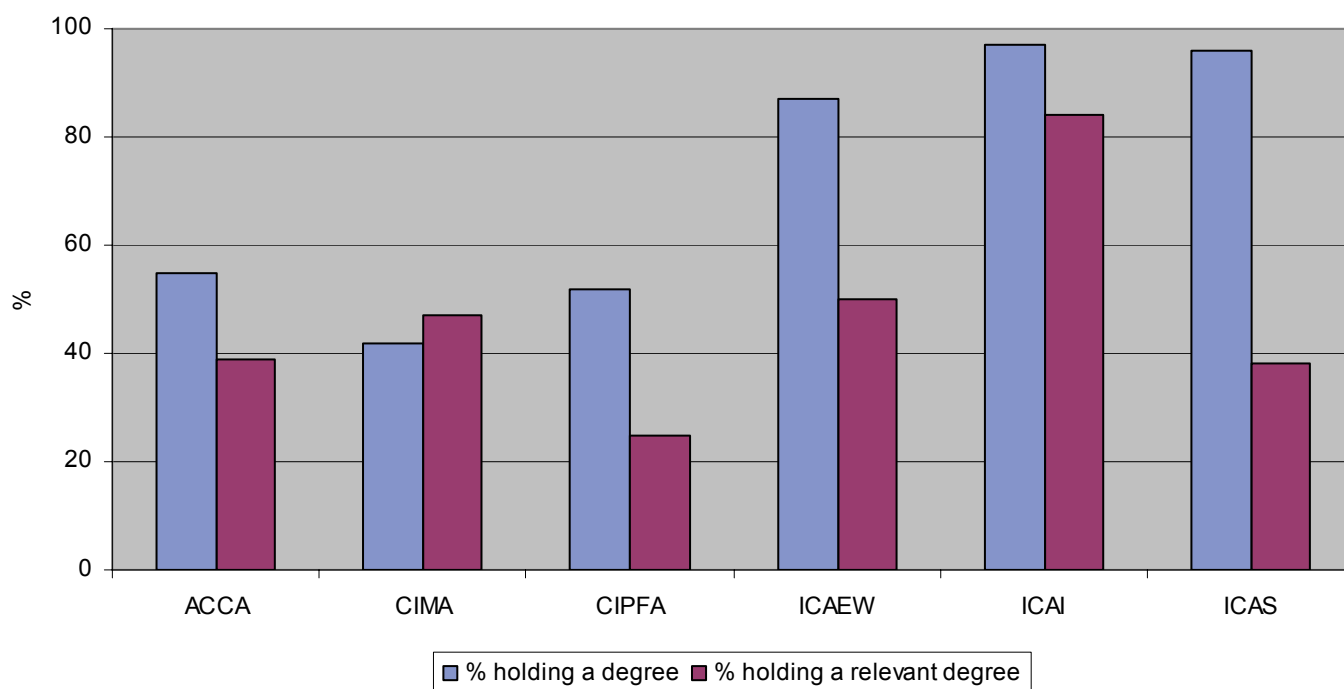


Chart 14

Notes

1. The figures are based on students worldwide
2. The accountancy bodies' definitions of a "relevant degree" are as follows:

| | |
|-------|---|
| ACCA | Accountancy, Business |
| CIMA | Business Studies, Business Administration, Finance, Accountancy |
| CIPFA | Accountancy |
| ICAEW | Accountancy, Business Degrees, Finance |
| ICAI | Accountancy, Business & Commerce, Finance |
| ICAS | Accountancy. |

- The ICAEW, the ICAI and the ICAS have a significantly higher percentage of students with a degree than the other accountancy bodies.
- Comparisons of the percentage of students holding "relevant degrees" are difficult to make, because the accountancy bodies use different definitions of a "relevant degree" (see above)

Pass Rates

Table 11 shows:

- (1) the percentage of overall passes at the final examination stage for the year 2005
- (2) the percentage of those overall passes at the final examination stage which are first time passes
- (3) of those first time passes the number of students who have had at least one exemption at any stage of the process

| | ACCA | CIPFA | CIMA | ICAEW | ICAI | ICAS |
|---|------|---------------|------|---------------|------|---------------|
| Proportion of overall passes at the final examination | 59% | 65% | 39% | 73% | 81% | 72% |
| Proportion of overall passes that are first time passes | 63% | 69% | 45% | 76% | 77% | Not available |
| Proportion of students with first time passes who took advantage of one or more exemption | 80% | Not available | 80% | Not available | 88% | Not available |

Table 11

- The percentage of overall passes is higher for the ICAI and the ICAS than for the other bodies.
- For all bodies where information is available over half of the passes at the final examination were first time passes.
- Of those with first time passes a significant majority had at least one exemption for an examination at an earlier stage of the process.

Notes

1. CIPFA, ICAEW and ICAS do not produce information on the number of first time passers who had at least one exemption.
2. Information is not generally available on pass rates at earlier stages of the examination process.

**OTHER INFORMATION ON THE SIX
CHARTERED ACCOUNTANCY BODIES**

Income of the Six Chartered Accountancy Bodies, 2000-2005

Table 12 shows the income of each of the six chartered accountancy bodies over the period 2000 to 2005

| | ACCA | CIMA | CIPFA | ICAEW | ICAI ¹ | ICAS | TOTAL |
|-------------|------|------|-------|-------|-------------------|------|-------|
| 2000 | 34.9 | 23 | 24.8 | 53.8 | 7.6 | 10.7 | 154.8 |
| 2001 | 41 | 25.6 | 29 | 54 | 8.1 | 13.3 | 171 |
| 2002 | 46 | 27.1 | 32.8 | 44.3 | 10.6 | 13.9 | 174.7 |
| 2003 | 55.5 | 27.2 | 36.1 | 47.1 | 12.8 | 14.1 | 192.8 |
| 2004 | 59.7 | 29.8 | 37.2 | 52.2 | 13.9 | 14.1 | 206.9 |
| 2005 | 72.1 | 33.8 | 37.5 | 60.9 | 15.7 | 15.7 | 235.7 |

Table 12

Notes

1. The ICAI income has been converted from Euros at the year end rates
2. All income figures are £m

Income of the Six Chartered Bodies between 2000 and 2005

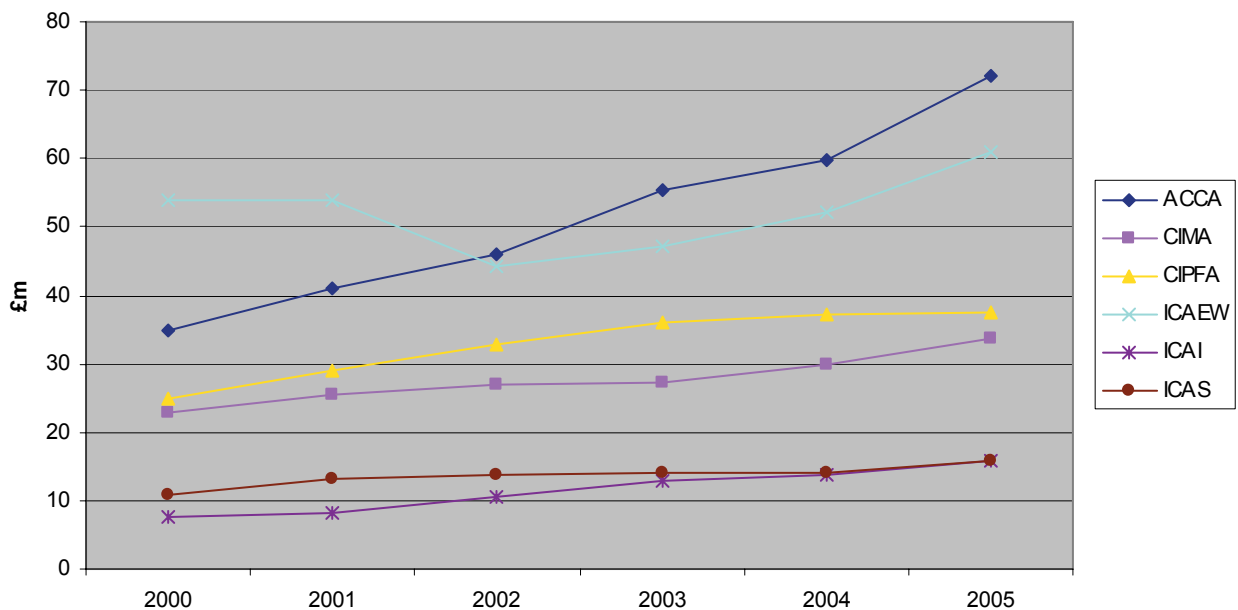


Chart 15

- The fall in the ICAEW's income between 2001 and 2002 was as a result of the sale of ABG Professional information.
- Chart 16 and Table 12 show the most significant increase in income is for the ACCA where income has risen at a rate of 15.6% each year. This is in large part explained by the increase in number of members and students by 6.8% and 8.4% per annum respectively.

Income versus costs for the Bodies for the year ended 31st December 2005

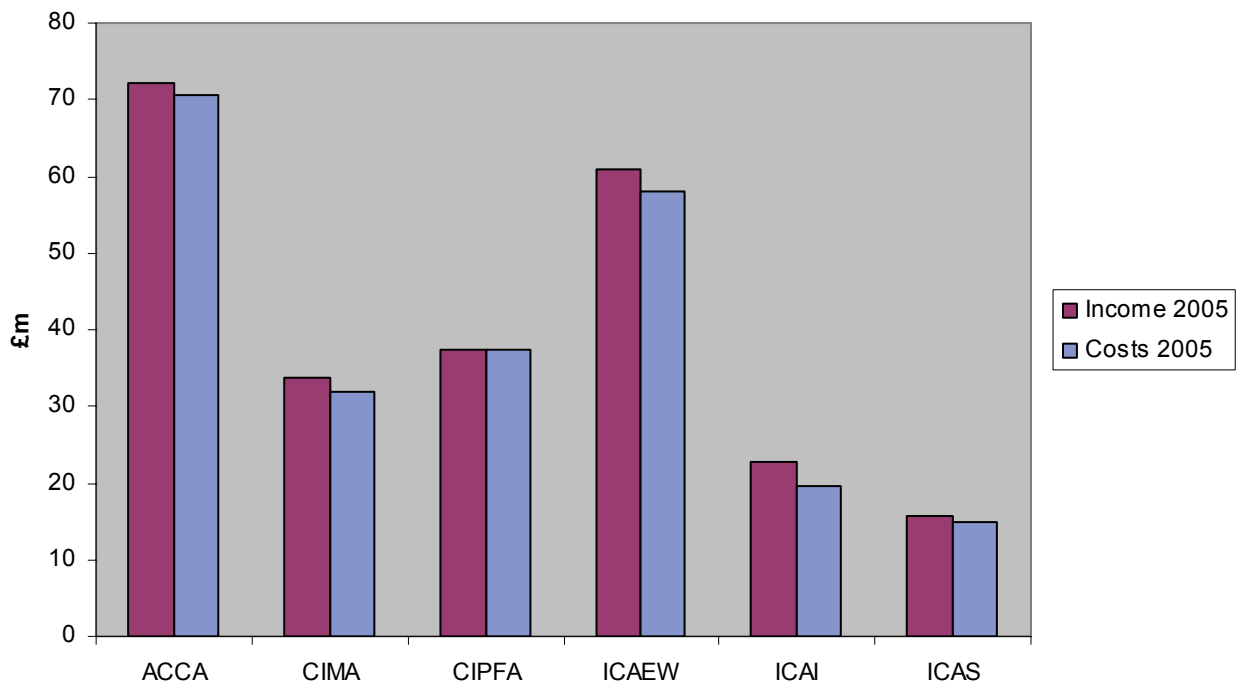


Chart 16

Staffing of the Six Chartered Accountancy Bodies, 2000–2005:

Table 13 shows the number of staff (full time equivalent) employed by the six chartered accountancy bodies over the period 2000 to 2005:

| | ACCA | CIMA | CIPFA | ICAEW | ICAI | ICAS | TOTAL |
|-------------|------|------|-------|------------------|------|------|--------------|
| 2000 | 295 | 223 | 242 | 471 | 84 | 132 | 1,447 |
| 2001 | 348 | 240 | 278 | 541 | 87 | 137 | 1,631 |
| 2002 | 487 | 235 | 302 | 425 | 95 | 137 | 1,681 |
| 2003 | 571 | 239 | 335 | 428 ¹ | 104 | 135 | 1,812 |
| 2004 | 640 | 238 | 321 | 491 | 104 | 137 | 1,931 |
| 2005 | 694 | 246 | 313 | 538 | 104 | 135 | 2,030 |

Table 13

- The total number of staff employed by the six accountancy bodies in the UK and ROI has increased by 40% since 2000. Most of that increase is accounted for by ACCA which has more than doubled its headcount.

Notes:

1. Figures for ICAEW up to and including 2003 do not include staff whose employment costs are borne by the Quality Assurance Directorate, or staff whose employment costs are borne by the Chartered Accountants' Trust for Education and Research, which together total 58 staff as at the end of 2003.
2. The drop in staff numbers for ICAEW between 2001 and 2002 is due to its sale of ABG Professional Information.

AUDIT FIRMS

Introductory Note: Major Audit Firms

Tables 14 to 16 show fee income for audit and non-audit services for many of the largest registered audit firms with clients who are defined as UK public interest entities. That information is analysed in Charts 17 to 22, differentiating the “Big 4” from the other large audit firms. Firms have been listed in order of fee income from audit, rather than total fee income.

The information has been provided on a voluntary basis and we would like to thank all the firms who responded to our requests. Some of this information is otherwise publicly available – for example those firms which have adopted LLP status must publish accounts which meet the requirements of the Limited Liability Partnerships Act 2000.

The tables should not be seen as league tables. Not all the firms we approached were willing to disclose information on fee income or considered that they could provide reliable enough information in the desired form. It is likely therefore that there are firms not included in the tables which have a higher audit fee income than some of those which are shown. Also, we have not included accountancy firms which are not registered as statutory auditors.

One issue which led to public debate and consideration following the US accountancy scandals of Enron and WorldCom was the provision of non audit services to audit clients. This led to a new ethical standard on non-audit services produced by the Auditing Practices Board and to new guidance for listed companies in the Combined Code on the purchase of non audit services from a company’s auditors.

Against that background we think that it is in the public interest to try to provide an analysis of the fee income of the large audit firms into three categories: income from audit, income from the provision of non-audit services to audit clients and income from the provision of non-audit services to non-audit clients.

It would be wrong, however, to make detailed comparisons between firms using the information in Tables 14 to 16. Some firms do not analyse their fee income in this manner and have made an informed estimate of the figures. In addition firms may have classified their audit and non-audit income in slightly different ways.

Key Points: Major Audit Firms

- Charts 17-19 show the changes in the split of fee income for Big 4 firms for the three years to 2004/5, based on the detailed information in the fee income tables. Charts 20-22 show the equivalent percentages for the major audit firms outside the Big 4.
- There was a significant decline between 2002/3 and 2003/4 for the Big 4 firms in the proportion of their total income from the provision of non-audit services to audit clients. There was a corresponding increase in the proportion derived from the provision of non-audit services to non-audit clients, with audit fee income remaining as a constant proportion. (Charts 17 and 18).
- However, there was not a further shift in 2004/5. The proportions of total fee income for the Big 4 from audit, non-audit work to audit clients, and non-audit work to non-audit clients did not change significantly between 2003/4 and 2004/5 (Charts 18 and 19)
- There was a significant change in the split of fee income between audit work and non audit work for the major audit firms outside the Big 4 between 2002/3 and 2004/5 with the provision of non-audit services to non-audit clients increasing from 46% of total income to 52%. (Charts 20 to 22)
- There was a corresponding reduction in the proportion of total fee income from audit for the major audit firms outside the Big 4, with fee income from non-audit work to audit clients remaining stable as a percentage of the total (Charts 20 to 22).
- The percentage growth of total fee income for the Big 4 was greater between 2004 and 2005 than between 2003 and 2004, reflecting in particular a large percentage growth in Big 4 fee income. (Table 17)

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2005 (By fee income from audit)

| Firm Name | Structure | Year End | No of Principals ¹ | No of Audit Principals | No of responsible individuals ² | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non- Audit Clients (£m) |
|------------------------|------------------|------------|-------------------------------------|------------------------------|---|-----------------------------|------------------------------|---|---|
| PricewaterhouseCoopers | LLP | 30-Jun-05 | 755 | 267 | 346 | 1,780.0 | 496.0 | 456.0 | 828.0 |
| KPMG ³ | LLP | 30-Sept-05 | 560 | 256 | 328 | 1,280.0 | 357.0 | 295.0 | 629.0 |
| Ernst & Young | LLP | 30-Jun-05 | 408 | 147 | 201 | 945.0 | 299.0 ⁴ | 154.0 | 492.0 |
| Deloitte & Touche | LLP | 31-May-05 | 591 | 193 | 197 | 1,355.5 | 290.7 | 194.4 | 870.4 |
| Grant Thornton | LLP | 30-Jun-05 | 240 | 99 | 106 | 255.8 | 55.8 | 36.1 | 163.9 |
| BDO Stoy Hayward | LLP | 30-Jun-05 | 209 | 102 | 130 | 208.4 | 51.9 | 51.4 | 105.1 |
| PKF | LLP ⁵ | 31-Mar-05 | 98 | NA ⁶ | 52 | 113.7 | 47.5 | 30.9 | 35.3 |
| Baker Tilly | Partnership | 31-Mar-05 | 258 | 155 | 155 | 165.4 | 46.2 | 36.3 | 82.9 |

¹ Principals are partners or members of an LLP

² Responsible Individuals are those individuals who are able to sign audit reports

³ Includes both KPMG LLP and KPMG Audit Plc

⁴ Included US GAAP/GAAS opinion on dual registered clients and regulatory return work on financial services clients.

⁵ At 31 March 2005 PKF were a partnership. Subsequent to this PKF became an LLP called PKF(UK)LLP

⁶ 'NA' means the information was 'Not Available'

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2005 (By fee income from audit)

| Firm Name | Structure | Year End | No of Principals ¹ | No of Audit Principals | No of responsible individuals ² | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|------------------------------------|------------------|-------------------------|-------------------------------|------------------------|--|-----------------------|------------------------|--|--|
| Mazars | LLP | 31-Aug-05 | 80 | 54 | 54 | 64.9 | 27.0 | 10.0 | 27.9 |
| RSM Robson Rhodes | LLP | 30-Apr-05 | 85 | 36 | 39 | 85.6 | 19.2 | 11.1 | 55.3 |
| Horwath Clark Whitehill | LLP | 31-Mar-05 | 60 | 41 | 41 | 35.3 | 12.7 | 13.8 | 8.8 |
| Moore Stephens | LLP ⁷ | 30-Apr-05 | 59 | 26 | 26 | 37.3 | 11.9 | 3.4 | 22.0 |
| Tenon Audit ⁸ | Ltd Company | 30-Jun-05 | 4 | 3 | 57 | 10.7 | 10.7 | 0.0 ⁹ | 0.0 |
| Bentley Jennison | Partnership | 31-Dec-05 | 64 | 29 | 40 | 44.4 | 10.5 | 7.5 | 26.4 |
| HLB Vantis Audit plc ¹⁰ | Plc | 31-May-05 ¹¹ | 11 | 8 | 25 | 9.1 | 9.1 | 0.0 ⁹ | 0.0 |
| Smith & Williamson ¹² | Ltd Company | 30-Apr-05 | 78 | 21 | 21 | 45.8 | 8.6 | NA | 37.2 |

⁷ All amounts relate to previous partnership (Changed 3 October 2005)

⁸ Name changed from Blueprint Audit Limited with effect from 28 February 2005

⁹ Tenon Audit and HLB Vantis Audit's fee income for non-audit work is nil as these firms only provide audit work

¹⁰ Name changed from HLB AV Audit plc with effect from 31 May 2005

¹¹ 14 Month period

¹² Name changed to Nexia Smith & Williamson Audit Ltd with effect from 1 May 2006

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2005
(By fee income from audit)

| Firm Name | Structure | Year End | No of Principals ¹ | No of Audit Principals | No of responsible individuals ² | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|--------------------|-----------------------|-----------------|--|-------------------------------|---|------------------------------|-------------------------------|---|---|
| Macintyre Hudson | LLP | 31-Mar-05 | 41 | 30 | NA | 21.3 | 8.4 | NA | NA |
| Chantrey Vellacott | Partnership | 30-Jun-05 | 48 | 25 | 25 | 22.9 | 8.2 | 2.7 | 12.0 |
| Kingston Smith | Partnership | 30-Apr-05 | 41 | 38 | NA | 22.5 | 7.0 | 5.8 | 9.7 |
| UHY Hacker Young | Group of Partnerships | 30-Apr-05 | 63 | 45 | 47 | 26.2 | 6.9 | 3.7 | 15.6 |
| Menzies | Partnership | 31-Mar-05 | 32 | 25 | 23 | 22.4 | 4.5 | 8.5 | 9.4 |
| Scott Moncrieff | Partnership | 30-Apr-05 | 21 | 11 | 11 | 10.9 | 4.3 | 1.5 | 5.1 |
| Cooper Parry | LLP | 30-Apr-05 | 22 | 11 | 13 ¹³ | 12.3 | 3.9 | 3.2 | 5.2 |
| Saffery Champness | Partnership | 31-Mar-05 | 53 | 32 | 32 | 24.7 | 3.0 | 7.0 | 14.7 |
| Wilkins Kennedy | Partnership | 30-Apr-05 | 34 | 26 | 26 | 15.1 | 2.9 | 3.4 | 8.8 |
| Chiene & Tait | Scottish Partnership | 30-Sept-05 | 7 | 4 | 4 | 5.7 | 1.6 | 0.5 | 3.6 |

¹³ Including audit principals

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2005
(By fee income from audit)

| Firm Name | Structure | Year End | No of Principals¹ | No of Audit Principals | No of responsible individuals² | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|---------------------------------------|-------------------|-----------------|-------------------------------------|-------------------------------|--|------------------------------|-------------------------------|---|---|
| Jeffreys Henry | LLP ¹⁴ | 30-Apr-05 | 8 | 5 | 5 | 3.8 | 1.0 | 0.6 | 2.2 |
| Armstrong Watson | Partnership | 31-Mar-05 | 34 | 6 | 0 | 15.5 | 0.89 | NA | NA |
| Begbies Everett Chettle ¹⁵ | Partnership | 31-Mar-05 | 5 | 3 | 3 | 0.89 | 0.34 | NA | 0.53 |

Table 14

¹⁴ LLP From 1st May 2004

¹⁵ Name changed to Begbies Chettle Agar with effect from 01 April 2006

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2004 (By fee income from audit)

| Firm Name | Structure | Year End | No of Principals ¹⁶ | No of Audit Principals | No of responsible individuals ¹⁷ | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|--------------------------------------|-------------|-----------|--------------------------------|------------------------|---|-----------------------|------------------------|--|--|
| PricewaterhouseCoopers ¹⁸ | LLP | 30-Jun-04 | 752 | 269 | 350 | 1583.0 | 438.0 | 405.0 | 740.0 |
| KPMG ¹⁹ | LLP | 30-Sep-04 | 549 | 247 | 353 | 1,066.0 | 306.0 | 270.0 | 490.0 |
| Deloitte & Touche | LLP | 31-May-04 | 589 | 201 | 205 | 1,246.3 | 259.0 | 177.2 | 810.1 |
| Ernst & Young | LLP | 30-Jun-04 | 391 | 148 | 195 | 825.0 ²⁰ | 241.0 | 168.0 | 416.0 |
| BDO Stoy Hayward | LLP | 30-Jun-04 | 209 | 105 ²¹ | 115 ²² | 187.9 | 84.1 | 33.7 | 70.1 |
| Grant Thornton | LLP | 30-Jun-04 | 241 | 106 | 108 | 234.0 | 58.0 | 41.0 | 135.0 |
| Baker Tilly | Partnership | 31-Mar-04 | 261 | NA ²³ | NA | 160.0 | 50.0 | 30.0 | 80.0 |

¹⁶ Principals are partners or members of an LLP

¹⁷ Responsible Individuals are those individuals who are able to sign audit reports

¹⁸ Fee income figures re-stated in comparison to the 3rd Edition of Key Facts & Trends in line with the change of accounting policy for revenue recognition and a review of the definitions in the APB Ethical Standards 5.

¹⁹ Includes both KPMG LLP and KPMG Audit Plc

²⁰ Fee income figures re-stated in comparison to the 3rd Edition of Key Facts & Trends following a change in accounting policy regarding exclusion of unrealised profit in year end work in progress.

²¹ As at 30 November 2004

²² As at 30 November 2004

²³ 'NA' means the information was 'Not Available'

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2004 (By fee income from audit)

| Firm Name | Structure | Year End | No of Principals ¹⁶ | No of Audit Principals | No of responsible individuals ¹⁷ | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|--------------------------------|-------------------|-----------|--------------------------------|------------------------|---|-----------------------|------------------------|--|--|
| PKF | LLP ²⁴ | 31-Mar-04 | 101 | NA | NA | 110.0 | 46.5 | 30.0 | 33.5 |
| Mazars | LLP | 31-Aug-04 | 75 | 54 | 54 | 62.8 ²⁵ | 24.8 | 10.1 | 28.6 |
| RSM Robson Rhodes | LLP | 30-Apr-04 | 93 | 30 | 33 | 75.2 | 14.1 | 7.3 | 53.9 |
| Horwath Clark Whitehill | LLP | 31-Mar-04 | 59 | NA | NA | 35.6 | 13.9 | 12.2 | 9.5 |
| Moore Stephens | LLP ²⁶ | 30-Apr-04 | 60 | 26 | 26 | 36.9 | 10.6 | 3.5 | 22.8 |
| Tenon Audit ²⁷ | Ltd Company | 30-Jun-04 | 9 | NA | NA | 10.0 | 10.0 | 0.0 ²⁸ | 0.0 |
| Bentley Jennison | Partnership | 31-Dec-04 | 56 | NA | NA | 38.1 | 9.5 | 6.5 | 22.1 |
| HLB Vantis Audit ²⁹ | Plc | 31-Mar-04 | 11 | 8 | 25 | 8.4 | 8.4 | 0.0 ²⁸ | 0.0 |

²⁴ At 31 March 2005 PKF were a partnership. Subsequent to this PKF became an LLP called PKF(UK)LLP

²⁵ Re-states for application of UITF40

²⁶ All amounts relate to previous partnership (Changed 3 October 2005)

²⁷ Name changed from Blueprint Audit Limited with effect from 28 February 2005

²⁸ Tenon Audit and HLB Vantis Audit's fee income is nil as these firms only provide audit work

²⁹ Name changed from HLB AV Audit plc with effect from 31 May 2005

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2004
(By fee income from audit)

| Firm Name | Structure | Year End | No of Principals¹⁶ | No of Audit Principals | No of responsible individuals¹⁷ | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|----------------------------------|-----------------------|-----------------|--------------------------------------|-------------------------------|---|------------------------------|-------------------------------|---|---|
| Smith & Williamson ³⁰ | Company | 30-Apr-04 | 77 | 23 | 23 | 46.6 | 8.3 | NA | 38.3 |
| Macintyre Hudson | LLP | 31-Mar-04 | 41 | 30 | NA | 20.0 | 8.3 | NA | NA |
| Chantrey Vellacott | Partnership | 30-Jun-04 | 50 | NA | NA | 19.9 | 7.5 | 2.5 | 10.0 |
| UHY Hacker Young | Group of Partnerships | 30-Apr-04 | 67 | NA | NA | 24.0 | 6.9 | 2.8 | 14.3 |
| Kingston Smith | Partnership | 30-Apr-04 | 42 | NA | NA | 20.3 | 6.5 | 5.3 | 8.5 |
| Menzies | Partnership | 31-Mar-04 | 31 | 27 | 22 | 21.5 | 4.3 | 8.0 | 9.2 |
| Scott Moncrieff | Partnership | 30-Apr-04 | 32 | 13 | 13 | 10.5 | 4.3 | 1.4 | 4.8 |
| Cooper Parry | LLP | 30-Apr-04 | 20 | 7 | 9 | 11.3 | 3.8 | 3.2 | 4.4 |
| Wilkins Kennedy | Partnership | 30-Apr-04 | 33 | 26 | 27 | 14.3 | 3.4 | 3.1 | 7.8 |
| Saffery Champness | Partnership | 31-Mar04 | 50 | 28 | 28 | 23.7 | 2.8 | 6.9 | 13.8 |
| Chiene & Tait | Scottish | 30-Sept-04 | 7 | 4 | 4 | 5.3 | 1.5 | 0.4 | 3.4 |

³⁰ Name changed to Nexia Smith & Williamson Audit Ltd with effect from 1 May 2006

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2004
(By fee income from audit)

| Firm Name | Structure | Year End | No of Principals ¹⁶ | No of Audit Principals | No of responsible individuals ¹⁷ | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|---------------------------------------|-------------------|-----------|--------------------------------|------------------------|---|-----------------------|------------------------|--|--|
| | Partnership | | | | | | | | |
| Armstrong Watson | Partnership | 31-Mar-04 | 34 | NA | NA | 11.9 | 0.85 | 0.85 | 10.2 |
| Jeffreys Henry | LLP ³¹ | 30-Apr-04 | 8 | 5 | 5 | 3.4 | 0.8 | 0.6 | 2.0 |
| Begbies Everett Chettle ³² | Partnership | 31-Mar-04 | 5 | 3 | 3 | 0.91 | 0.34 | NA | 0.56 |

Table 15

³¹ LLP from 1st May 2004

³² Name changed to Begbies Chettle Agar with effect from 01 April 2006

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2003 (By fee income from audit)

| Firm Name | Structure | Year End | No of Principals ³³ | No of Audit Principals | No of responsible individuals ³⁴ | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|--------------------------------------|-------------|-----------|--------------------------------|------------------------|---|-----------------------|------------------------|--|--|
| PricewaterhouseCoopers ³⁵ | LLP | 30-Jun-03 | 779 | 280 | 360 | 1,505.0 | 426.0 | 429.0 | 650.0 |
| KPMG ³⁶ | LLP | 30-Sep-03 | 551 | 255 | 346 | 1,008.0 | 291.0 | 282.0 | 435.0 |
| Deloitte & Touche | LLP | 31-May-03 | 575 | 215 | 222 | 1,187.9 | 260.0 | 211.9 | 716.0 |
| Ernst & Young | LLP | 30-Jun-03 | 400 | 151 | 192 | 812.0 | 226.0 | 197.0 | 389.0 |
| BDO Stoy Hayward | LLP | 30-Jun-03 | 199 | 106 ³⁷ | 113 ³⁸ | 169.4 | 82.2 | 37.1 | 50.1 |
| Baker Tilly | Partnership | 31-Mar-03 | NA ³⁹ | NA | NA | 150.0 | 59.0 | 35.0 | 56.0 |
| Grant Thornton | LLP | 30-Jun-03 | NA | NA | NA | 216.0 | 58.0 | 37.0 | 121.0 |

³³ Principals are partners or members of an LLP

³⁴ Responsible Individuals are those individuals who are able to sign audit reports

³⁵ Fee income figures re-stated in comparison to the 3rd Edition of Key Facts & Trends in line with the change of accounting policy for revenue recognition and a review of the definitions in the APB Ethical Standards 5.

³⁶ Includes both KPMG LLP and KPMG Audit Plc

³⁷ As at 30 September 2003

³⁸ As at 30 September 2003

³⁹ 'NA' means the information was 'Not Available'

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2003
(By fee income from audit)

| Firm Name | Structure | Year End | No of Principals <small>33</small> | No of Audit Principals | No of responsible individuals <small>34</small> | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|--------------------------------|-----------------------|-----------|---------------------------------------|------------------------|--|-----------------------|------------------------|--|--|
| PKF | LLP ⁴⁰ | 31-Mar-03 | NA | NA | NA | 107.4 | 45.6 | 29.6 | 32.2 |
| Mazars | LLP | 31-Aug-03 | 80 | 53 | 53 | 60.8 | 23.5 | 10.9 | 26.3 |
| Moore Stephens | LLP ⁴¹ | 30-Apr-03 | 60 | 27 | 27 | 35.3 | 10.2 | 3.7 | 21.4 |
| Tenon Audit ⁴² | Ltd Company | 30-Jun-03 | NA | NA | NA | 10.0 | 10.0 | 0.0 ⁴³ | 0.0 |
| RSM Robson Rhodes | LLP | 30-Apr-03 | NA | NA | NA | 65.8 | 10.0 | 5.8 | 50.1 |
| HLB Vantis Audit ⁴⁴ | Plc | 31-Mar-03 | 11 | 8 | 25 | NA | 7.2 | 0.0 ⁴³ | 0.0 |
| Chantrey Vellacott | Partnership | 30-Jun-03 | NA | NA | NA | 19.0 | 7.1 | 2.4 | 9.5 |
| Kingston Smith | Partnership | 30-Apr-03 | NA | NA | NA | 20.0 | 6.6 | 5.4 | 8.0 |
| UHY Hacker Young | Group of Partnerships | 30-Apr-03 | NA | NA | NA | 22.5 | 6.5 | 2.6 | 13.4 |

⁴⁰ At 31 March 2005 PKF were a partnership. Subsequent to this PKF became an LLP called PKF(UK)LLP

⁴¹ All amounts relate to previous partnership (Changed 3 October 2005)

⁴² Name changed from Blueprint Audit Limited with effect from 28 February 2005

⁴³ Tenon Audit and HLB Vantis Audit's fee income is nil as these firms only provide audit work

⁴⁴ Name changed from HLB AV Audit plc with effect from 31 May 2005

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2003
(By fee income from audit)

| Firm Name | Structure | Year End | No of Principals <small>33</small> | No of Audit Principals | No of responsible individuals <small>34</small> | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|----------------------------------|----------------------|-----------|---------------------------------------|------------------------|--|-----------------------|------------------------|--|--|
| Bentley Jennison | Partnership | 31-Dec-03 | NA | NA | NA | 27.0 | 6.0 | 4.0 | 17.0 |
| Cooper Parry | LLP | 30-Apr-03 | 21 | 9 | 11 ⁴⁵ | 10.4 | 4.0 | 3.1 | 3.4 |
| Menzies | Partnership | 31-Mar-03 | 31 | 28 | 24 | 18.6 | 3.9 | 7.0 | 7.7 |
| Wilkins Kennedy | Partnership | 30-Apr-03 | 30 | 24 | 25 | 12.5 | 3.6 | 2.6 | 6.3 |
| Saffery Champness | Partnership | 31-Mar-03 | 48 | 26 | 26 | 23.2 | 3.5 | 5.3 | 13.4 |
| Smith & Williamson ⁴⁶ | Company | 30-Apr-03 | 81 | 25 | 25 | 20.2 | 3.3 | NA | 16.9 |
| Chiene & Tait | Scottish Partnership | 30-Sep-03 | 6 | 3 | 3 | 4.9 | 1.7 | 0.4 | 2.8 |
| Armstrong Watson | Partnership | 31-Mar-03 | NA | NA | NA | 11.6 | 1.2 | 1.2 | 9.1 |
| Jeffreys Henry | LLP ⁴⁷ | 30-Apr-03 | 10 | 7 | 7 | 3.5 | 0.8 | 0.6 | 2.1 |
| Horwath Clark Whitehill | LLP | 31-Mar-03 | NA | NA | NA | NA | NA | NA | NA |

⁴⁵ Including audit principals

⁴⁶ Name changed to Nexia Smith & Williamson Audit Ltd with effect from 1 May 2006

⁴⁷ From 1st May 2004

FEE INCOME OF MAJOR AUDIT FIRMS YEAR ENDED 2003
(By fee income from audit)

| Firm Name | Structure | Year End | No of Principals³³ | No of Audit Principals | No of responsible individuals³⁴ | Total Fee Income (£m) | Fee Income: Audit (£m) | Fee Income: Non-Audit Work to Audit Clients (£m) | Fee Income: Non-Audit Work to Non-Audit Clients (£m) |
|---------------------------------------|------------------|-----------------|--------------------------------------|-------------------------------|---|------------------------------|-------------------------------|---|---|
| Macintyre Hudson | LLP | 31-Mar-03 | NA | NA | NA | NA | NA | NA | NA |
| Begbies Everett Chettle ⁴⁸ | Partnership | 31-Mar-03 | NA | NA | NA | NA | NA | NA | NA |
| Scott Moncrieff | Partnership | 30-Apr-03 | NA | NA | NA | NA | NA | NA | NA |

Table 16

⁴⁸ Name changed from Begbies Chettle Agar with effect from 01 April 2006

BIG FOUR FIRMS

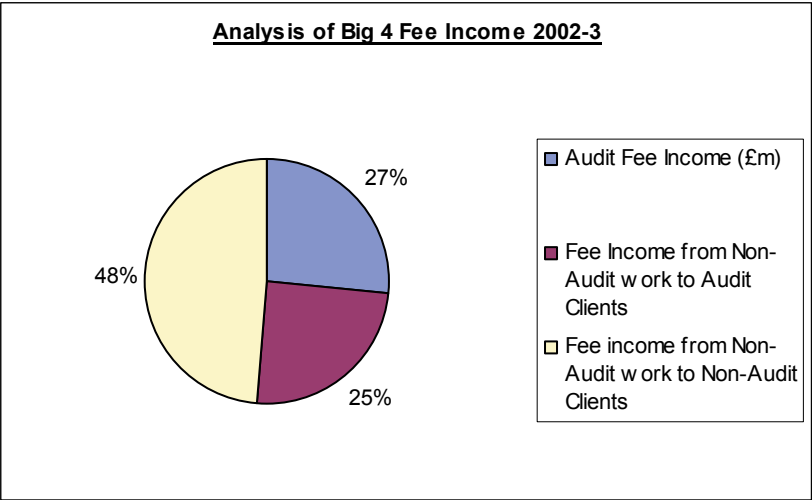


Chart 17

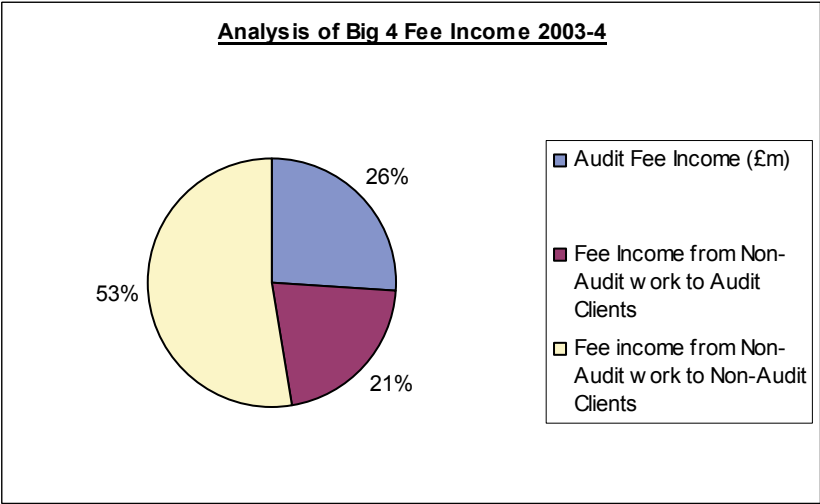


Chart 18

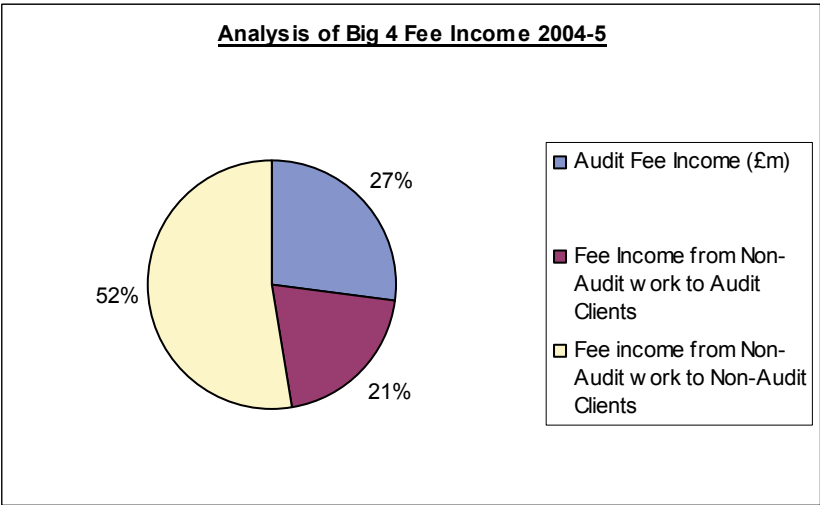


Chart 19

NON BIG FOUR FIRMS WHO AUDIT UK PUBLIC INTEREST ENTITIES

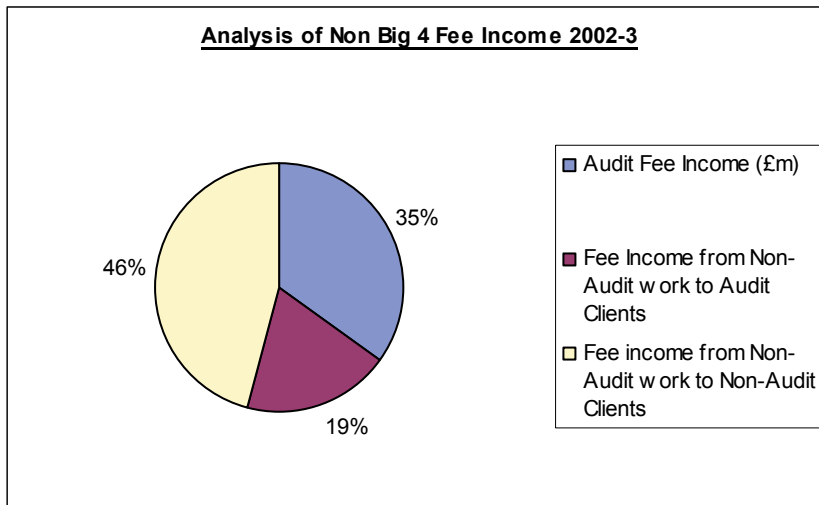


Chart 20

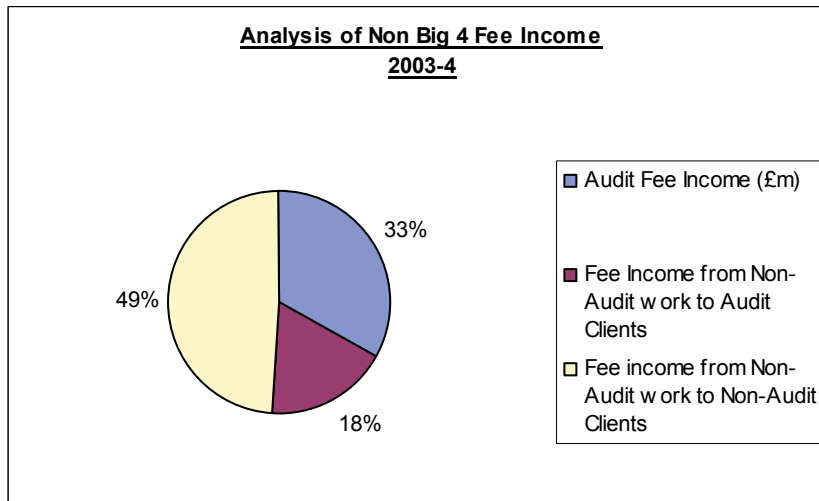


Chart 21

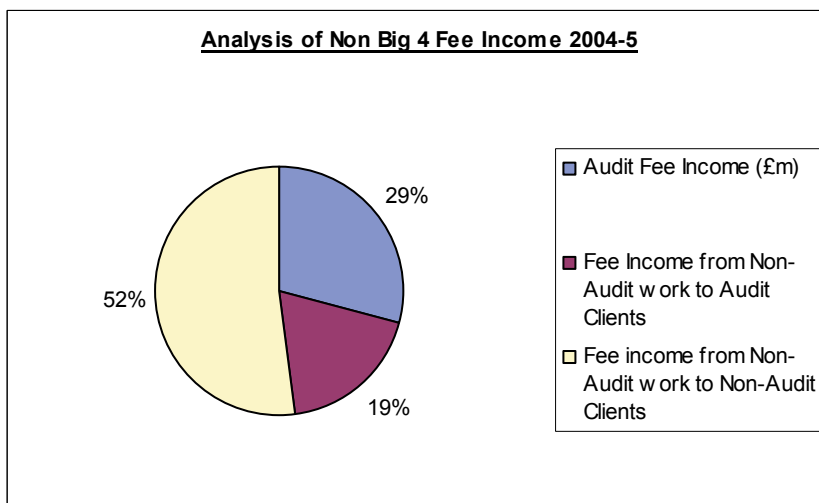


Chart 22

Growth of Total Fee Income:

Table 17 shows the growth rate of total fee income between 2003 and 2004 and 2004 and 2005 for many of the largest registered audit firms with clients who are defined as UK public interest entities. This information is split further between the Big 4 audit firms and the largest firms outside the Big 4.

| | 2004 - 2005 | 2003 – 2004 |
|---|-------------|-------------|
| Percentage growth rate of total fee income for the largest registered audit firms with UK public interest entities as clients ⁴⁹ | 12.38 | 5.79 |
| Percentage growth rate of total fee income for the Big 4 firms | 13.49 | 4.66 |
| Percentage growth rate of total fee income for the non Big 4 firms | 7.70 | 10.81 |

Table 17

- The overall growth rate of total fee income was higher between 2004 and 2005 than between 2003 and 2004. This reflects the percentage growth of total fee income of the Big 4.
- The percentage growth rate for the Big 4 firms between 2004 and 2005 is nearly double that of the non Big 4.
- The percentage growth rate for the non Big 4 firms between 2003 and 2004 is more than double that of the Big 4.

⁴⁹ This is based on the information which firms provided to the Oversight Board, and which is shown in the detailed tables on fee income of major audit firms. A few firms did not provide the information.

Audit Fee Income per Responsible Individual:

Table 18 illustrates audit fee generated per Responsible Individual (RI) for 2003 to 2005. This information is split further between the Big 4 audit firms and the largest firms outside the Big 4.

| £M | 2005 | 2004 | 2003 |
|--|------|------|------|
| Audit fee income per RI for largest registered audit firms with UK public interest entities as clients ⁵⁰ | 0.55 | 0.53 | 0.51 |
| Audit fee income per RI for the Big 4 firms | 1.37 | 1.23 | 1.09 |
| Audit fee income per RI for the non Big 4 firms | 0.32 | 0.33 | 0.32 |

Table 18

- Audit fee income generated per responsible individual has grown between 2003 and 2005. Table 18 shows this growth is greater for the Big 4 firms than for other firms
- The audit fee income generated per responsible individual for the non Big 4 firms remained more or less constant between 2003 and 2005.

⁵⁰ This is based on the information which firms provided to the Oversight Board, and which is shown in the detailed tables on fee income of major audit firms. A few firms did not provide the information.

Concentration of Listed Companies' Audits:

Table 19 illustrates the percentages of the number of audits undertaken by the Big 4, the next 5 firms and other audit firms for UK equity listed companies as at March 2005 and March 2006.

| | Big 4 | | NEXT 5 | | others | |
|-------------------|--------|--------|--------|--------|--------|--------|
| | % | | % | | % | |
| | Mar 05 | Mar 06 | Mar 05 | Mar 06 | Mar 05 | Mar 06 |
| FTSE 100 | 100 | 99.0 | 0 | 1.0 | 0 | 0 |
| FTSE 250 | 96.8 | 96.4 | 2.0 | 3.2 | 1.2 | 0.4 |
| Other Main Market | 78.7 | 77.2 | 14.5 | 15.7 | 6.7 | 7.1 |
| All Main Market | 83.5 | 83.0 | 11.2 | 11.9 | 5.3 | 5.1 |

Table 19

Source: Audit Inspection Unit

**NUMBER OF FIRMS REGISTERED WITH RECOGNISED
SUPERVISORY BODIES**

| No of Principals in Firm | ACCA | ICAEW | ICAI | ICAS | TOTAL |
|-----------------------------|--------------|--------------|--------------|------------|---------------|
| 1 | 2,170 | 2,822 | 679 | 166 | 5,837 |
| 2-6 | 771 | 2,111 | 341 | 157 | 3,721 |
| 7-10 | 21 | 147 | 12 | 12 | 192 |
| 11-50 | 6 | 99 | 9 | 7 | 121 |
| 50+ | 0 | 14 | 3 | 1 | 18 |
| Total as at 31.12.05 | 2,968 | 5,193 | 1,044 | 343 | 9,889 |
| Total as at 31.12.04 | 3,053 | 5,475 | 1,048 | 374 | 9,950 |
| Total as at 31.12.03 | 3,083 | 6,336 | 1,046 | 423 | 10,888 |
| Total as at 31.12.02 | 3,112 | 6,478 | 1,044 | 453 | 11,087 |
| Total as at 31.12.01 | 2,975 | 6,671 | 1,044 | 482 | 11,172 |
| | | | | | |

Table 20

- The statistics illustrate the continuing large number of sole practitioners and small firms providing audit services in the UK and ROI.
- There was an 11.5% decline in the numbers of firms registered to carry out statutory audit in the UK between 2001 and 2005. The overall fall in the number of registered firms reflects the increase in the audit threshold, with a decrease in the number of firms requiring audit registration, and also mergers of firms. The exception to this decline is in the numbers registered with the ICAI which have remained constant for the past five years. Changes in the audit threshold in Ireland have been less significant than in the UK. (Table 20).

Note

1. Principals = partners in a partnership; members in an LLP; directors in a company.

Table 21 analyses fee income of audit firms registered with the ICAEW by size. Note this information is solely for firms registered with the ICAEW.

| Audit Firms Registered with ICAEW (August 2006) | | |
|--|-------------------------------------|-----------------------------------|
| Firms ranked by size | Average Total Fee Income (£) | Fee Income Per Partner (£) |
| 1 to 4 | 1,206,985 | 1,914 |
| 5 to 10 | 122,266 | 859 |
| 11 to 30 | 11,533 | 382 |
| 31 to 100 | 5,525 | 428 |
| 101 to 500 | 2,467 | 407 |
| 501 to 1000 | 905 | 257 |
| 1001 to 2000 | 464 | 212 |
| 2001 to 3000 | 415 | 320 |
| 3000 to 4000 | 140 | 140 |
| 4001 to 4977 | 186 | 186 |

Table 21

Table 21 shows the concentration of the largest firms with regard to total fee income and supports the data included in tables 14-16. Over 89% of the total fee income of firm's registered with the ICAEW is attributable to the Big 4.



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