

Partners, young and old

An ambitious young firm has relied on social and professional networks to attract a wealth of accounting experience. By **Bruce Andrews**

THE MERGER OF ACCOUNTING firm Kelly + Partners with the principal partner of Pritchard Adams is a salutary lesson for all young partners. If they are waiting for their baby-boomer colleagues to get close to retirement before making an offer for their equity, the lesson is: don't wait. There are ambitious, young accountants who may just step in ahead of them and buy the firm.

Sydney firm Pritchard Adams has been a mainstay in the second half of the BRW Top 100 Accounting

Firms list for many years. In 2005-06, its five partners and 58 staff produced \$5.16 million in revenue – down almost 4 per cent on the previous year – which ranked it 76th among the highest-earning firms. The firm had more than 50 years of history. But this year, the name will not appear. Its five partners have gone their separate ways to other firms, with the longest-serving, Rex Hoeben, joining the fledgling K+P.

Hoeben, 62, is approaching retirement. He could not come to

terms with his more junior partners on the value of the practice and was seeking to merge it with one of the largest 25 accounting firms. When the talks fell through, managing director Brett Kelly quickly made Hoeben an offer in May to join K+P.

For Kelly, Hoeben's experience of more than 30 years in public practice is an invaluable asset for his firm. "We look at senior practitioners and know that they know a lot. They may not run as fast. They don't have to because they know the route."

How Kelly and Hoeben came together shows the power of informal networks.

K+P and another North Sydney firm, Nexus Financial Group, were about to cement a merger in May this year. Kelly says he heard through Nexus partner David Simmons, whose wife is a friend of Hoeben's wife, that the Pritchard Adams merger talks were not going well.

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"I picked the phone up straight away and rang Rex. I said, 'Rex, I've heard you have been thinking about what the future might look like and I think you should come over here'."

Kelly worked at Pritchard Adams for three years until 2003 when he moved to Lawler Partners. During that time, he formed a view on the worth of Hoeben's client base. With that knowledge, he was able to make an offer the day after he made a follow-up call to Hoeben.

Hoeben accepted and joined K+P less than two weeks after the merger with Nexus. Kelly also tried to acquire the Pritchard Adams name but the other partners would not give their consent, Kelly says.

Kelly, 32, started small but has big plans for his firm. He and Craig Bullock, 31, founded K+P together in June last year with just two staff and a client list of four that earned them

\$400,000 in annual fees. Following the mergers, he expects the firm's revenue to top \$5 million in 2007-08.

Kelly and Bullock have had their own share of disputes over equity in a practice. After leaving Lawler Partners they joined PDY Partners, but after more than a year they could not come to an agreement with its partners on buying into the partnership.

Kelly says one partner told him: "You guys could always go across the street and start your own show. You wouldn't eat for a year."

Instead, their firm is likely to soon join the BRW Top 100 Accounting Firm list. K+P now has 36 clients, five partners and another office at Erina on the New South Wales Central Coast. Kelly has just opened a new office in Melbourne, and is investigating an office at Penrith in Sydney's western suburbs.

His next move is to ensure that all the new partners, which the firm calls senior client directors, are trained in offering financial planning services. This includes Hoeben.

Hoeben will continue in K+P for at least two years and intends to stay longer. Of the two partners from Nexus – one is aged 62 and the other 57 – and Hoeben, Kelly says: "We love having them and would hate for them to go under any circumstances."

"Our view is this is a place where they can continue to do what they have always done, and we hope to engage with their existing clients and new clients."

"We've got flexibility because we have a bunch of young people who work hard to free [the three partners] up and give them the working environment they want that suits their lifestyle." ●



Brett Kelly and Rex Hoeben.
'We look at senior practitioners and know they know a lot'

NICOLAS WALKER

KELLY + PARTNERS*			
	Revenue	Partners	Total staff (excluding partners)
2006-07	\$4.2 million	5	35

* Combined results from mergers of partners of Pritchard Adams, Nexus Financial Group and Kelly + Partners Source: BRW