

## PRESS CUTTING

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### **Eversheds Suspends Profit Payout for Two Quarters**

Claire Ruckin

Legal Week

Eversheds has suspended two quarterly profit distributions to partners as more evidence emerges of law firms battenning down the hatches for a full-blown recession. *Legal Week* has learned that profit distributions have been delayed in a move that will see all equity partners miss out on two quarterly payments due in November and February 2009.

Eversheds said the unusual move was aimed at encouraging partners to improve lock-up -- work in progress and the length of time taken for clients to settle bills -- after a number of cash management targets had been missed.

Eversheds chief executive David Gray told *Legal Week*: "We are being prudent in relation to partner capital. If we do not keep working capital at the targets we have set, we will not pay distributions. It is hard-edged management but we will not increase our borrowings to pay partners when it is the partners that can do something about the lock-up."

Eversheds distributes a small percentage of the profits to equity partners on a monthly basis and pays the rest in four bulk payments on a quarterly basis in February, June, August and November. The decision to defer the payments, which was taken by Eversheds' senior management, will be reviewed in March when the firm looks at capital requirements for next year.

Partnership specialist Ronnie Fox commented: "A lot of firms are in for a hard time. [Eversheds] is doing a logical and correct thing by delaying drawings and distributions where cash flow does not permit."

Eversheds has also been implementing a number of cost-cutting measures recently, including imposing travel restrictions and promoting the increased use of video and telephone conferences instead.

Last month the firm announced a redundancy consultation which is likely to affect 33 fee earners and a number of support staff in its real estate group across six offices. At the same time the firm revealed it was closing its Norwich office and transferring its operations to its Cambridge office. Former partners of the firm have also cited the heavy investment made in its new Wood Street offices in London as a factor. However, Eversheds said that the London investment was focused in 2007-08.

The move also underlines the drive by U.K. firms to position their finances for a tougher business environment, with legalweek.com this month revealing a plan by Halliwells to restructure its finances.

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