



2018.

Annual Report



**Barristers'
Chambers**
Limited

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Our purpose is to be the home of the Victorian Bar, open to all.



Level 9, Castan Chambers, 460 Lonsdale Street



Client Focused

- To reengineer our operating model through effective systems, processes and people.
- To ensure the permanent resolution of systemic issues.
- To have the best people focused on being efficient, low cost, responsive, proactive and decisive.



Strong Property Portfolio

- To effectively manage our current property portfolio through a longer term property investment strategy.
- To be commercial, efficient and control the costs passed onto barristers.



Innovative Technology

- To provide price competitive innovative technology solutions now and into the future that are relevant, reliable and reduce risk.

BCL's initial objective was to provide accommodation to barristers without the financial impediments found in other states. BCL's ability to offer affordable and well located chambers encouraged a diverse range of individuals to pursue a career in law, not just those from wealth.

Since that time, BCL has grown and now provides chambers for barristers across seven locations in the Melbourne CBD legal precinct. Coupled with a suite of integrated service solutions including IT and Telecommunications, Facilities Management, Practice Support Services and a Business Centre, BCL provides a full range of services to the Victorian Bar.

BCL's strategy is to be an efficient services organisation based on three key areas; innovative price-competitive technology, modern affordable chambers and fast and responsive solutions. It is focused on re-investment back into the business to improve and deliver the fundamental services a barrister needs to be successful. It aims to be responsive, decisive and provide these services at the lowest possible cost.

Business



7

Buildings

77

Floors

1,294

Chambers



\$21m



Capital investment into
improving facilities and services

\$242.9m

Property value for 3
owned buildings
(\$37m increase on FY2017)



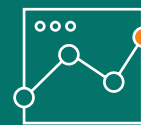
\$39.8m

FY2018 Revenue



1,431

Total number of
clients in chambers



\$2.7m

Increase on
FY2017/2018

Cash flow



\$17.5m

Net cash generated
(including landlord
incentives)



\$21m

Capital investment
in business



-\$3.5m

Cash shortfall
(funded by additional borrowings
in FY2017 and FY2018)

Capital investment

\$9.7m

New floors
at Castan
Chambers



\$7.1m

New floors and
refurbishment at
Aickin Chambers



\$4.2m

IT Network



\$21m

Total



Paul Anastassiou QC, Chairman

FY2018 has been a year of significant change for BCL, with new leadership and a new strategy.



Board & Management Changes

The first half of FY2018 saw changes to the BCL Board, including the resignation of our CEO and Managing Director Ian Whitehead in September 2017 and the retirement of Chairman Michael Wyles QC in December 2017.

Michael was originally appointed to the Board in October 2010 and took on the role of Chairman in December 2012. Michael's outstanding contribution to BCL and the Bar has been illustrated by his dedication to the advancement of BCL, to ensure it continues to meet the diverse needs of barristers.

During Michael's term as Chairman, BCL's many achievements included the acquisition of a serviced office business located at 200 Queen Street, now known as Opus Workspaces and the redevelopment of new and existing floors at Aickin Chambers, Castan Chambers, Owen Dixon West Chambers and East. Key technology highlights during Michael's term included the successful delivery of a robust

and future proof server infrastructure – supporting the internet and email services and the final delivery of the BCL telephone system, re-architecture of the entire BCL network and the migration of BCL's telephone and internet services to Telstra.

On behalf of the Board, I thank Michael for his leadership and his service to BCL. I would also like to take this opportunity to thank both Daniel Crennan QC and Michael Malone who left the Board during the financial year.

I shall step down as Chairman this month and say farewell to BCL and the Bar. It has been a great honour to have served as a director and as Chairman of BCL.

In my view, the BCL model is the single most distinguishing feature of the Victorian Bar when compared to all other independent Bars. Since its inception, the core remit of BCL has been to provide open access to the Victorian Bar. The effective removal of economic barriers to entry through the

BCL monthly tenancy policy has made it possible for a great many members to come to the Bar. Without the BCL model it is likely that many would have been unable to come to the Bar or would have been discouraged from doing so. BCL exists to provide the physical infrastructure of the Bar and to promote at a practical level the collegiality of the Bar. BCL does not exist merely to hold real estate investments for the Bar but rather to deploy those accumulated assets towards the advancement of the culture of the Bar and the common interests of its members.

This year BCL undertook a thorough review of its activities and developed a new strategic plan. The starting point of this review was to identify the key purpose of BCL. That key purpose, consistent with the core remit of BCL, has been re stated as: "BCL's purpose is to be the home of the Victorian Bar, open to all."



I am delighted to say that I am retiring as Chairman at a time when the strategic direction of BCL has been thoughtfully reviewed and clearly set in a direction that will allow this and future generations of barristers to enjoy the benefits of the BCL model.

I am confident that the BCL model will continue to thrive under the leadership of my successor John Karkar QC and BCL's excellent CEO and Managing Director Paul Clark. BCL and the Bar is fortunate that a barrister of John's standing and experience is prepared to serve as Chairman. I have no doubt that John will be an outstanding Chairman. He will bring his wide and long experience of the Bar and of commerce more generally, along with his impeccable judgment, to bear in guiding BCL to prosper and to advance the broad interests of the Bar. I congratulate John Karkar on his impending appointment as Chairman of BCL.

I have had the privilege of working with Paul Clark over the last year. I say without reservation that Paul Clark has exceeded my expectations as CEO by a considerable margin. Paul grasped the nuances of the the many interests that are engaged and mediated by BCL on a daily basis with incredible speed and astuteness. Paul is a highly effective manager able to identify problems and issues and, importantly, to then address them thoughtfully and effectively. Paul has contributed his extensive experience as a CEO to managing BCL and, where necessary, to effecting change. He has effected change swiftly while maintaining and improving BCL's relationships with the many barristers, as well as with the broader Bar interests, BCL serves.

Needless to say, I wish BCL and the Bar continued success.

Strategic Changes

Our new strategy is underpinned by BCL's purpose which is to be the home of the Victorian Bar, open to all. Our strategy will focus on three key areas: Services, Property, and Technology. BCL must understand the needs of the barristers and deliver the fundamental services a barrister needs to be successful. It needs to be more responsive and decisive and provide these services at the lowest possible cost. All cash generated by the company will be reinvested back into improving the services provided to the Bar.

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Services

Our core purpose is to provide services to the Victorian Bar. We have recently restructured our team and introduced new systems to ensure that we are more responsive. We receive an average of 1,000 service calls a month (12,000 annual) from barristers. The new systems we have introduced have allowed us to monitor how quickly they are resolved and determine why these issues are occurring so that we can develop permanent solutions. This analysis, feedback from a number of barristers, the Victorian Bar and the clerks along with the recent barrister satisfaction survey has influenced where we will focus in FY2019.

In July 2018 the average time to resolve property service issues reduced to 1.9 days, down from 8.5 days in January 2018. The average time to resolve a technology service issue was reduced to 1 day, down from 1.6 days (peak 2.2 days) in January 2018. The total number of calls per month has fallen to 902 from an average of 1,028 per month. Our focus is to continue to reduce the number of calls through permanent solutions and improving our response times.

A recent barrister satisfaction survey feedback highlighted that we need to improve. 20% of Barristers responses thought that our service had improved, 65% thought it has stayed the same and 15% thought it had deteriorated. It is important to note that our strategic initiatives identified and in place are aligned to this feedback.

Whilst response times have improved there is still more that can be done to improve the quality of services to barristers. Our focus is to continue to reduce the number of calls through permanent solutions and improving our response times.





Property

We currently own three buildings and rent floors in four leased buildings. The costs of operating and maintaining these buildings and the continuing renewal programme is funded by the rents paid by the barristers.

During FY2018 we continued to invest in improving the quality of the accommodation provided to the Bar.

These investments included:

- The delivery of eight new floors across Aickin Chambers and Castan Chambers to accommodate 175 barristers, including a purpose-built floor for much of the criminal bar, housing over 60 barristers.
- The Aickin Chambers refurbishment programme commenced with Levels 32 and 33 delivered in March 2018.
- The acquisition, in March 2018, of Redmon Group's Queen Street serviced office business. The acquisition of this business was in line with our strategic objective to increase our footprint in the building and move into non-barrister revenue streams still aligned with our core capability.

During the year we responded to over 5,000 property service calls and spend \$3 million on property maintenance and repairs. FY2019 will see a focus on improving the standard of our chambers and developing a long-term property investment strategy.

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FY2019 major property initiatives will include:

- The refurbishment of a further four floors at Aickin Chambers (with a remainder of three floors to be delivered early FY2020);
- The resolution of several long outstanding structural issues in Douglas Menzies Chambers and Owen Dixon Chambers East and West.
- Additional works at Douglas Menzies Chambers and Owen Dixon Chambers East and West;
- The extension of the Peter O'Callaghan QC Gallery at Owen Dixon Chambers West.

Technology

Understanding how critical reliable technology is to every barrister's practice, we improved the reliability of our service through a continued investment into our infrastructure.

In FY2018 we:

- Migrated our telephone and internet services to Telstra, providing increased reliability and speed.
- Re-architected our network to improve our voice and data services.
- Redesigned the network that connects all buildings providing more streamlined and efficient network traffic and a dedicated section of the network for voice services further enhancing the call experience.
- Initiated the development and execution of a comprehensive cyber security strategy aimed at enabling barristers to be secure in an increasingly threat prone cyber space.

In FY2018 we improved the reliability of our service through a continued investment in our infrastructure. During the year we responded to 6,587 technology service calls and spent \$1.2million on local data hosting. We are reviewing how we can reduce the cost of providing IT services.

During the year we responded to over 6,500 technology service calls and spent \$1.2 million on local data hosting and the 24-hour 7 day a week service desk. This is a more expensive solution than other commercially available alternatives that are cloud based which do not provide the same level of security and support. Prices for both internet and email services were increased to partially recover these costs. We are reviewing how we can reduce the cost of providing these services and potentially providing a lower cost service with no support desk capability to those barristers who do not require or value this service.

In FY2019 we will:

- Focus on cyber security, with initiatives introduced to
 - > Prevent unauthorised access to the BCL network and provide better security for barristers.
 - > Enhance the email filtering capability to provide more secure email service.
- Increase the capacity of our internet service to provide a faster browsing and downloading experience.
- Launch managed support service packages to provide a more holistic approach to servicing all barristers' IT+T requirements including secure cloud file sharing and virus protection.

Financial Performance

Profit before Tax (excluding the impact of property revaluations) decreased to \$1.8m, down from \$8.1m and Loss after Tax increased to \$6.2m, down from a Profit after Tax \$1.8m in the previous year. The decrease in profit resulted from the full year impact of the new leases for Aickin and Castan Chambers, a significant increase in property outgoings costs, consultancy fees paid to the Boston Consulting Digital Ventures Group and staff restructuring costs.

During the year we generated \$6.1 million in operating cash flow, received \$12.3 million in fit out incentives from landlords and used additional bank debt of \$1.3million to fund over \$21 million in the continued re-investment in providing new chambers, refurbishing existing chambers and improving our technology. These investments included the delivery of eight new floor fit-outs in Aickin Chambers and Castan Chambers and significant technology upgrades to the network infrastructure, security, capability and stability. All the operating cash flow generated by BCL in FY2018 and again in FY2019 will be reinvested into improving the services we provide to the Bar.

Our Profit after Tax as reported in our financial statements is \$29.6m, up from \$23.6m in the previous year, including the increase in the value of our buildings of \$28.3m after tax.

Net assets have increased from \$159.2m in FY2017 to \$188.2m in FY2018, largely because of the revaluation of our properties.

There was a 3.75% rental increase to all BCL's tenants, except where contractually bound otherwise, on 1st July 2018. This was the first rental increase in 18 months and was driven by a significant increase in the costs of operating our owned and leased buildings and to fund further property and technology projects. Increases in rates, land tax and utilities increased our operating costs and have seen commercial office rents in the Melbourne CBD increase by on average 9-11%.

On a final note, I am pleased to say that a dividend of \$550K was paid to the Shareholder in February 2018. I'd like to take this opportunity to thank both the Board and BCL team for their efforts during the year. FY2019 will see the company focus on becoming a faster, more responsive and more efficient business solely focused on providing better value services to the Victorian Bar.

Paul Anastassiou

Paul Anastassiou QC **Chairman**

During the year we re-invested over \$21 million into providing new chambers, refurbishing existing chambers and improving our technology. All operating cash flow generated by BCL in FY2019 will be reinvested into improving the services we provide to the Bar. In February 2018 we paid the Shareholder a dividend of \$550k.

Profit & Loss	2018 \$'000	2017 \$'000	Note
Revenue from continuing operations	39,843	37,129	1
Gain on revaluation of investment properties	35,825	21,779	2
Employee benefits expense	(5,715)	(4,409)	3
Depreciation and amortisation expense	(2,241)	(1,764)	4
Write-off of fixed assets	-	(181)	
Lease expenses	(12,618)	(9,372)	5
Utilities	(2,575)	(2,149)	5
Administrative expenses	(5,029)	(3,390)	6
Building management expenses	(6,887)	(5,303)	7
Technology expenses	(1,051)	(705)	8
Finance expenses	(1,937)	(1,782)	9
Profit before income tax	37,615	29,853	
Income tax expense	(8,003)	(6,282)	
Profit after income tax	29,612	23,571	
Total comprehensive income for the year	29,612	23,571	

Notes:

- 1. FY2018 average occupancy of 98.1% versus FY2017 of 97.1%. Addition of new floors at Aickin and Castan Chambers.
- 2. Market value gain on owned properties increased 18%.
- 3. Increase due to staff restructuring and annualisation of FY2017 salaries. Recruitment of new CEO.
- 4. Increase due to adjustment of depreciation of old leased assets.
- 5. Increase due to 8 new floors at Aickin and Castan Chambers.
- 6. Increase due to one off consulting costs.
- 7. Due to increase in outgoings costs for new floors at Aickin and Castan Chambers, make good provision to reflect updated market costs, property rates and taxes due to higher valuations.
- 8. Improvements across IT network.
- 9. Increased borrowings to part fund new floors at Aickin and Castan Chambers.

Balance Sheet	2018 \$'000	2017 \$'000	Note
Current assets			
Cash and cash equivalents	6,237	7,744	1
Trade and other receivables	1,692	1,611	
Current tax receivables	942	52	2
Other current assets	1,730	655	3
Total current assets	10,601	10,062	
Non-current assets			
Property, plant and equipment	13,849	8,429	4
Intangible assets	153	-	5
Investment properties	242,900	205,900	6
Other non-current assets	13,429	5,535	3
Total non-current assets	270,331	219,864	
Total assets	280,932	229,926	
Current liabilities			
Trace and other payables	7,329	5,756	7
Deferred revenue	6,867	5,234	8
Provisions	163	466	
Total current liabilities	14,359	11,456	
Non-current liabilities			
Trace and other payables	13,959	6,107	7
Borrowings	46,392	44,492	9
Deferred tax liabilities	17,221	8,694	10
Provisions	776	14	11
Total non-current liabilities	78,348	59,307	
Total liabilities	92,707	70,763	
Net assets	188,225	159,163	
Contributed equity	10,187	10,187	
Retained earnings	178,038	148,976	
Total equity	188,225	159,163	
Notes:			
1. Decrease due to borrowings not yet spent within the financial year.			
2. Increase in tax receivable due to tax loss.			
3. Increase in lease incentives received for Aickin and Castan Chambers. Offset by same amount included in Liabilities.			
4. Investment in new floor fit-outs, owned properties and IT network infrastructure.			
5. Goodwill on the purchase of Redmon Group's Queen Street serviced office business (now known as Opus Workspaces Pty Ltd.)			
6. Gain on the revaluation of properties.			
7. Increase in lease incentives received for Aickin and Castan Chambers. Offset by same amount included in Assets.			
8. Prepaid revenue.			
9. Increased borrowings to fund Aickin and Castan chambers. \$900k repaid in July 2018			
10. Tax timing difference related to revalued properties; will become taxable when properties are disposed			
11. Increased make good provision.			

Cash Flow Statement

	2018 \$'000	2017 \$'000	Note
Cash flow from operating activities			
Receipts from customers	43,525	40,374	1
Payments to suppliers and employees	(35,072)	(26,034)	2
	8,453	14,340	
Interest received	12	14	
Interest and other costs of finance paid	(1,912)	(1,784)	3
Income taxes paid	(421)	(2,124)	4
Net cash inflow from operating activities	6,132	10,446	
Cash flows from investing activities			
Payments to acquire a business	(153)	-	5
Payments for property, plant and equipment	(7,661)	(2,540)	6
Payments for investment property improvements	(1,175)	(7,189)	7
Net cash (outflow) from investing activities	(8,989)	(9,729)	
Cash flows from financing activities			
Proceeds from borrowings	1,900	4,000	8
Repayment of borrowings	(550)	-	9
Net cash inflow from financial activities	1,350	4,000	
Net (decrease) increase in cash and cash equivalents	(1,507)	4,717	
Cash and cash equivalents at the beginning of the financial year	7,744	3,027	10
Cash and cash equivalents at the end of the financial year	6,237	7,744	
Notes: 1. FY2018 average occupancy of 98.1% versus FY2017 of 97.1%. Addition of new floors at Aickin and Castan Chambers. 2. One off consulting costs. Staff restructure and CEO recruitment. IT network improvements. 3. Increased borrowings to part fund new floors at Aickin and Castan Chambers. 4. Decrease in taxes paid due to drop in taxable profit. 5. Purchase of Redmon Group's Queen Street serviced office business (now known as Opus Workspaces Pty Ltd.) 6. Investment in new floor fit-outs and IT network infrastructure. 7. Investment in owned properties. 8. Additional borrowings to part fund new floors at Aickin and Castan Chambers. 9. Dividend paid to the Victorian Bar Inc. 10. Includes \$4m of borrowings not yet spent.			



Chairman

Paul Anastassiou, Chairman BA, LLB (Hons)

BCL welcomed Paul Anastassiou back to the Board in September 2017 and he was elected as Chairman in December 2017. Paul was a member of the Board of BCL between 1993 and 2008, including as Chairman between 2003 and 2008. Paul has been a member of the Victorian Bar Council in the senior category for a total of 6 years and was the President of the Bar Council in 2015-16. Paul has also served on various committees of the Bar, including as Chairman of the Audit and Finance Committee.

Paul has served on a number of committees and boards outside the Bar, including the Human Research and Ethics Committee of The Royal Women's Hospital. He is currently a member of the Melbourne University Law School Foundation.

Paul has over 30 years' experience as a barrister and practises broadly in the commercial jurisdiction. He came to the Bar in 1987 and was appointed Senior Counsel in 2002.



Jacob (Jack) I Fajgenbaum QC

(Deputy Chairman), BA (Hons), LLB (Hons), JD, LLM

Sub-committees:

Audit and Risk Management

With a broad practice and almost 50 years at the Bar, Jack brings a wealth of experience in litigation and dispute resolution.



Adrian J Finanzio SC

BA, LLB

Sub-committees:

Audit and Risk Management

Directorships:

Non-Executive Director Legal Practitioners' Liability Committee Board (2016 to present)

Non-Executive Director of Assisi Centre Incorporated (2017 to present)

Adrian practices in the field of planning and environment. He has taught extensively at the University of Melbourne in those fields and in advocacy at Monash University. Adrian is Vice Chair of the Readers' Course Committee at the Victorian Bar, and has sat on the Victorian Bar Council between 2011 and 2013.



Alice J M Williams

B.Com, FCPA, FAICD, CFA, ASFA, AIF

Sub-committees:

Audit and Risk Management

Directorships:

Non-Executive Director Cooper Energy (2013 to present)

Non-Executive Director Djerriwarrh Investments (2010 to present)

Non-Executive Director Defence Health (2010 to present)

Non-Executive Director Victorian Funds Management Corporation (2008 to present)

Non-Executive Director Equity Trustees (2007 to present)

Director Foreign Investment Review Board (2015 to present)

A chartered financial analyst, Alice has specialist experience in capital markets and as an advisor for major Australian and international corporations. She is a director on a range of public, government and private boards including Djerriwarrh Investments Limited, Equity Trustees Limited, Victorian Funds Management Corporation and Defence Health and is a Council Member of the Cancer Council of Victoria.



Penelope A Neskovic QC

BEC, LLB (Hons)

Penny practices primarily in the areas of corporate and commercial law, bankruptcy and insolvency, trade practices, administrative law and tax and superannuation law. Penny came to the Bar in 2002, having previously been a Senior Associate at Allens Arthur Robinson, and took silk in 2016.



Paul Clark

CEO and Managing Director, B Bus (Acc), FCA, EMBA (AGSM), GAICD, SF FINSIA

Directorships:

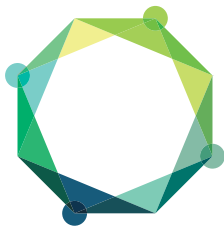
Chairman Salta Properties

Paul has led large teams across a diverse range of industries ranging from large banks and government utilities to an ASX listed global technology company. He has over thirty years experience in improving the performance of these businesses through significant cultural and structural change.

Paul is a fellow of the Institute of Chartered Accountants and FINSIA and is a graduate of the Australian Institute of Company Directors course and the INSEAD AVIRA programme. He has a Bachelor of Business (Accounting) from RMIT and an Executive MBA from the University of New South Wales.

Directors who resigned in FY2018: Michael D Wyles QC, FAICD, Daniel J Crennan QC, BA, LLB (Hons), MAICD Michael M Malone, BSc, DipEd, FACS, FAICD, FAIM, Ian Whitehead, BBus, PGradDip, GAICD

Directors appointed in FY2018: Paul Anastassiou, BA, LLB (Hons) Paul Clark, B Bus (Acc), FCA, EMBA (AGSM), GAICD, SF FINSIA



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Limited

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