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Treasurers Report - Financial statements for the year ended 31 March 2018 for the Annual General Meeting on 6 October 2018

We're presenting today the Guild's financial statements for the year ended 31 March 2018.

Starting with the Profit and Loss Statement on pages 5-6, the bottom line on page 6 is the Guild made a net loss for the year before tax of \$15,302. This compares with a net profit for the previous 2017 year of \$42,079. I note we flagged at last year's AGM that we expected we would have a loss in the 2018 year - so this result is as expected and planned. However, we'll go into more detail below the reasons for the variance.

Back to the top of page 5, looking at the individual lines of income, the income from issuing letters of non-objection to productions for overseas crew members, membership fees, interest received and other revenue (being sponsorship from Pieter Holl & Associates and a production levy from the production Ash vs Evil Dead) are all at similar levels to the 2017 year (although membership income was down a little).

You'll then see we have a stream of funding from the NZ Film Commission called Infrastructure Funding - this is a grant of \$85,000 (same as 2017) which goes towards covering the Guild's infrastructure costs (i.e. our rent, our core staff being our Executive Director, Tui and Tema for running the Guild on a day-to-day basis and our accounts person, Caroline and our other overheads).

The Guild then currently has 2 streams of funding for its professional development programs – from the NZ Film Commission and from both the NZFC and the Vista Foundation for the Emerging Women Filmmakers Incubator program. However, financially, these activities don't really impact on the Guild's result for the year (at least not directly). Basically, everything we spend in relation to these professional development events is covered by the above funding. Therefore, you'll see there are corresponding amounts of expenditure in the Cost of Sales section i.e. the income and expenditure offset each other.

I note we actually received \$81,000 funding from NZFC for professional development in the 2018 financial year. As also flagged at the last AGM, this compares to the previous situation where the Guild received almost \$400,000 over a contracted period of 3 years these activities. So you can see the NZFC has significantly cut back its funding in this area, not only to the Guild, but to all bodies providing training in the industry. This funding is now also more contestable and it's allocated out on an annual basis i.e. we need to apply for it each year.

If we haven't spent all the professional development funding we've received during the year from these sources, we treat this unspent amount as income in advance or Deferred Income and we 'park' this amount in the balance sheet for future events. The Guild currently has nearly \$155,000 in Deferred Income or income in advance. We'll then match up the expenditure on those events with a corresponding amount of funding i.e. we'll transfer the appropriate amount of funding from the Deferred Income account to the Profit and Loss Statement as income to offset the expenditure in the appropriate year.

The net result of all the income sources and the professional development expenditure is a gross profit of \$142,096 – which is approximately \$4,000 down from the previous year (and this is largely made up of the reduction in membership income).

Then running down the expenses and overheads for the year, you'll see these total \$157,000 on page 6, compared to \$104,000 – so the reduction in the net profit is due to a reduction in income of \$4,000 and an increase in expenses of \$53,000.

You'll see that many of the expenses and overheads are of a similar level to last year. However, there are some exceptions and most of these are due to a conscious decision by the board to commit funds during the 2018 financial year to certain areas or issues that we recognised needed investing in - some of which had been put on hold for some years as the Guild built up sufficient funds. I've highlighted some of the main areas and issues below. Again, these investments were touched on at the last AGM....but the actual costs are reflected in the 2018 accounts.

Consulting Fees – these fees were all paid to a PR firm, Blackland Public Relations. The Guild engaged this firm to assist in advocating for copyright for directors. This has been an important ongoing issue for the Guild and the board decided it needed some specialised advice and expertise to best promote the Guild's views in order to bring about change to the current law.

Legal fees - these fees were all paid to Dominion Law and were largely incurred in relation to preparing the standard directors agreement, which is now available to all members on the Guild's website.

Survey expenses \$8,000 of this amount was paid to a market research firm, Trace Research. It was recognised that for the Guild to understand better its members' needs and requirements, it would again need to obtain expert advice in this area. You will recall the Guild conducted a survey mid-last year with its members and this is the fee for the survey and, more importantly, analysing the results – and the wish of the majority of the members to consider unionising the Guild is one of the key results of that survey.

Contractors – this amount largely represents the fees we pay to our team running the Guild on a day-to-day basis. However, the budgets we provide to the NZFC for the workshops includes a portion of our team's fees to reflect the time they need to spend organising and co-ordinating these events. Therefore, we're also allocating some of their fees to the workshop costs above.

On the face of it, the amount of approx. \$90,000 represents an increase of 50% on the contractors' fees we paid last year. However, this is not actually indicative that we paid our team 50% more...it's more indicative that the professional development funding and corresponding activity has decreased – particularly in the area of international masterclasses – and therefore less of the team's time and fees have been allocated to that area and they have been more involved in other, equally important areas e.g. advocacy, and, in the case of Tema in particular, getting the Guild's revamped website up and running.

Although the Guild has an accounting loss for the year, it actually has taxable income of approx. \$16,000 for the year. And you will see on page 6 that it has an income tax expense for the year of \$4,480. You'll see there is a note number 7 besides this amount. The tax calculation is briefly explained in the Notes to the Accounts (see note 7 on the last pages 13 and 14).

Basically, incorporated societies and clubs are not assessable on member transactions. Therefore, the Guild's membership income is not taxable income and, conversely, it can't claim the expenditure it incurs in earning this income. As a result of these and some other minor tax adjustments (such as non-deductible entertainment), we end up with taxable income of \$15,998 and tax payable on that amount of \$4,480 – which has already been paid by way of RWT deductions and provisional tax payments.

Moving on to the Balance Sheet on page 7, this report represents what the Guild owns (its assets) and what it owes (its liabilities) as at 31 March 2018. You'll see towards the bottom of the page that the Guild has net assets or equity of \$118,977, compared to \$138,779 at 31 March 2017. The decrease of \$20,000 represents the net loss after tax for the 2018 year. So this means the Guild has \$119,000 in its reserves. This is an "after tax" amount. In other words, if the Guild had to close down at 31 March 2018, after paying all its debts (including all the funding received in advance mentioned earlier totalling nearly \$155,000 which you can sitting under current liabilities) it would have \$119,000 in funds left over.

Going forward, firstly, the NZFC infrastructure funding from the NZFC of \$85,000 is in place again for the 2019 financial year and we will be making our bid shortly for professional development funding from the NZFC.

Secondly, we're not budgeting to make a profit in this financial year either. By keeping a tight rein on our expenditure over recent years, the Guild has managed to build up its reserves over this time (and as noted

last year, the reserves were only \$13,000 in 2011). So as discussed above, the Guild has been investing its funds in the last financial year in those areas where it is been most needed...and this approach has continued into this financial year e.g. we've had some further assistance from Blackland Public Relations in relation to the copyright issue. Another major and new issue this year has been the proposed changes to the so-called Hobbit Law – and the Guild has engaged an employment law firm, Cullen Law, to provide us with expert advice and assist in formulating the Guild's view on this issue.

We're still fine-tuning our forecast but, at this stage, we're expecting there will be another loss in the 2019 financial year. However, the Guild should still have a healthy balance in its reserves and be in good financial shape at the end of the 2019 financial year.

Phil Gore

Treasurer - DEGNZ