

Annual report

The 2022/23 annual report is made up two separate sections:

1. The financial statements and appendices shown in this document from pages 1–27; and
2. The 'A year of stories' which can be accessed via our website – <https://creativehq.co.nz/annual-report/>

RELEASED UNDER THE LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

Financial statements

For the year ended 30 June 2023

RELEASED UNDER THE LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

Directors' Report

The Board of Directors present their annual report for the year ended 30 June 2023.

State of Affairs

The state of the Creative HQs affairs at 30 June 2023:

	Actual 2023	Actual 2022
	\$	\$
Total Assets	4,201,963	4,979,476
<i>Financed by:</i>		
Total Equity	2,580,547	3,082,407
Total Liabilities	1,621,416	1,897,069
	4,201,963	4,979,476
Equity at the beginning of the year	3,082,407	2,490,868
Total comprehensive revenue or expense	(501,860)	591,539
Equity at 30 June	2,580,547	3,082,407

Dividends

The directors recommend that no dividend be paid for the year.

Transfers

It is not proposed to make any transfer to reserves.

As required by section 211 of the Companies Act 1993, we disclose the following information:

Nature of business

Creative HQ aims to be a globally recognised leader in innovation management and innovation discipline for startups, corporates and government, operating a platform business headquartered in Wellington, supporting the Wellington region as well as clients all around New Zealand and overseas. The nature of the Creative HQ's business has not changed during the year.

Use of Company information

The Board received no notices during the year from directors requesting to use company information, received in their capacity as directors, which would not have otherwise been available to them.

Share dealings

No director acquired or disposed of any interest in shares in Creative HQ during the year.

Indemnities

The Company has entered into indemnity insurance in respect of any liability that the directors may incur in their capacity as directors.

Directors' report – continued

Interests register

Please refer to the appendix at the end of this report.

Statement of responsibility

We are responsible for the preparation of Creative HQ's financial statements and statement of performance, and for the judgements made in them.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operation of Creative HQ for the year ended 30 June 2023.

Signed on behalf of the Board



Lance Walker

Chair

29 September 2023



Suse Reynolds

Director

29 September 2023

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Entity's Purpose:

Strategic Vision:

To be a world-leading, thriving, hub of innovation, anchored in Wellington, where leaders and changemakers learn how to solve problems and make bold ideas take flight.

Strategic Mission:

To make the Wellington Region wildly famous for innovation.

Strategic Goals:

- 1) People know who we are and what we do
- 2) People want to work with us and for us
- 3) People want to invest in us

How do we achieve our Vision, Mission and Goals:

- 1) Building Startups
- 2) Placemaking Wellington as a world leader of Government Innovation
- 3) Building talent and capability through our School of Innovation

How we Measure our Vision, Mission and Goals:

	Description and Quantification of outputs	FY23 Actual	FY23 Budget	FY22 Actual
People know who we are and what we do. People want to work with us and for us. People want to invest in us	Number of people through our programmes	1,533	5,336	5,336
	Number of people that attended our events	1,989	1,482	1,482
	Average NPS Score (Average for the full year)	57	53	53
	Marketing indicator - Number of Website visits	103,856	40,000	36,587
Building Startups	Number of Pre-Incubation founders	589	60	96
	Number of Teams Accelerated	26	20	18
	Number of Accelerators	2	2	2
Government Innovation	Number of NZ GovTech Accelerators	1	1	1
	Number of NZ GovTech Accelerator Teams	5	8	8
	Number International GovTech Accelerators	1	1	1
	Number of International GovTech Accelerator Teams	2	1	1
	Number of International Startup Programmes	0	1	1
	Number of Standalone projects	25	70	75
School of Innovation	Number of Individuals receiving Qualifications e.g. Diplomas and Certificates	253	220	113
	Number if Individuals in Programmes e.g Young founder Incubator's, Pakihi and Wellington Innovation Hack	374	212	45
	Number of individuals in Experiences e.g Rollicking Good idea, Executive capability training and networking events, GovTech tasters and teasers	82	51	0

Creative HQ Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2023

	Notes	Actual 2023	Budget 2023	Actual 2022
		\$	\$	\$
Revenue from non-exchange transactions				
Callaghan Innovation		710,000	700,000	993,800
WellingtonNZ		1,198,068	1,400,350	1,176,875
MSD funding	3	-	38,388	38,388
Hutt and Porirua City Councils		-	884,020	5,000
		1,908,068	3,022,758	2,214,063
Revenue from exchange transactions				
Service revenue	3	2,732,737	5,654,073	4,452,005
Sponsorship		339,922	515,000	584,044
Other revenue	3	8,249	11,169	249,859
		3,080,908	6,180,242	5,285,908
Total revenue		4,988,976	9,203,000	7,499,971
Expenditure				
Personnel costs	4	3,539,564	4,371,572	3,421,002
Depreciation expense		77,991	98,265	77,350
Directors' fees	4	65,000	65,000	64,167
Other expenses	5	1,727,030	4,365,427	3,701,511
Total expenditure		5,409,585	8,900,264	7,264,031
Operating surplus / (deficit) before finance costs, share of surplus / (deficit) of equity accounted investees and tax		(420,609)	302,736	235,940
Net finance cost	5	27,423	9,605	1,749
Share of surplus / (deficit) of equity-accounted investees	9	-	-	(2,749)
Surplus/(deficit) before tax		(393,186)	312,341	234,940
Tax benefit	6	74,892	(53,698)	(39,291)
Surplus/(deficit) after tax		(318,293)	258,643	195,651
Other comprehensive revenue and expense				
Fair value movement of investment in incubator and accelerator companies	8	(183,567)	-	395,888
Total other comprehensive revenue and expense		(183,567)	-	395,888
Total comprehensive revenue and expense		(501,860)	258,643	591,539

Explanations of major variance against budget are provided in note 16.

The accompanying notes form part of these financial statements.

Creative HQ Limited
Statement of Financial Position
As at 30 June 2023

	Notes	Actual 2023	Budget 2023	Actual 2022
		\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents		1,030,053	1,574,742	987,720
Other financial assets	11	1,400	-	803,403
Receivables		1,056,536	1,000,388	935,361
Stock		-	8,000	3,892
Income tax receivable	6	14,829	672	3,592
Total current assets		2,102,818	2,583,802	2,733,968
Non-currents assets				
Property, plant and equipment	7	266,354	323,278	335,849
Investment in incubator and accelerator companies	8	1,695,904	1,437,025	1,879,471
Equity-accounted investees	9	-	-	-
Deferred tax asset	6	136,887	27,392	30,188
Total non-current assets		2,099,145	1,787,695	2,245,508
Total assets		4,201,963	4,371,497	4,979,476
Liabilities				
Current liabilities				
Payables		331,975	375,000	313,645
Employee entitlements	4	151,017	157,090	237,095
GST payable (NZ and Australia)		114,093	100,000	64,454
Creative HQ incubatee bonds		2,000	4,500	1,750
Deferred revenue		622,331	585,397	880,125
Total current liabilities		1,221,416	1,221,987	1,497,069
Non-current liabilities				
Loan from Wellington NZ	12	400,000	400,000	400,000
Total non-current liabilities		400,000	400,000	400,000
Total liabilities		1,621,416	1,621,987	1,897,069
Net assets		2,580,547	2,749,509	3,082,407
Equity				
Accumulated surplus		690,370	993,314	1,008,663
Fair value reserve		1,890,177	1,756,195	2,073,744
Total equity		2,580,547	2,749,509	3,082,407

Explanations of major variance against budget are provided in note 16. The accompanying notes form part of these financial statements.

Creative HQ Limited
Statement of Changes in Equity
For the year ended 30 June 2023

	Actual 2023	Budget 2023	Actual 2022
	\$	\$	\$
Balance at 1 July	3,082,407	2,490,866	2,490,868
Total comprehensive revenue and expense for the year	(501,860)	258,643	591,539
Balance at 30 June	2,580,547	2,749,509	3,082,407
Components of Equity			
Fair value reserve			
Balance at 1 July	2,073,744	1,756,195	1,677,856
Other comprehensive revenue and expense for the year	(183,567)	-	395,888
Balance at 30 June	1,890,177	1,756,195	2,073,744
Accumulated comprehensive revenue and expense			
Balance at 01 July	1,008,663	734,671	813,012
Net surplus for the year	(318,293)	258,643	195,651
Balance at 30 June	690,370	993,314	1,008,663
Total Equity	2,580,547	2,749,509	3,082,407

Explanations of major variance against budget are provided in note 16.

The accompanying notes form part of these financial statements.

Creative HQ Limited
Statement of Cash Flows
For the year ended 30 June 2023

Cash flows from operating activities	Actual 2023	Budget 2023	Actual 2022
	\$	\$	\$
Cash was received from:			
Grant revenue	1,880,668	2,960,738	2,248,213
Other revenue	2,700,783	6,488,239	5,549,282
Tax refund	3,592	717	717
GST	49,639	-	-
Cash was paid to:			
Suppliers	(1,777,581)	(4,398,519)	(3,717,947)
Employees	(3,625,642)	(4,442,560)	(3,399,488)
Net GST payable	-	(16,391)	(51,938)
Net tax payments	(14,829)	(672)	(3,592)
Net cash flow from operating activities	(783,370)	591,552	625,247
Cash flows from investing activities			
Cash was received from:			
Interest	49,932	20,400	15,939
Sale of investments	4,000	52,729	234,697
Proceeds from sale of property, plant and equipment	1,596	-	687
Proceeds from term deposits	802,402	-	-
Cash was paid to:			
Loan to subsidiary	(400)	-	(1,000)
Investment in term deposits	-	-	(802,402)
Purchase of property, plant and equipment	(10,038)	(67,301)	(59,415)
Net cash flow from investing activities	847,492	5,818	(611,494)
Cash flows from financing activities			
Cash was paid to			
Interest on the loan	(21,789)	(10,795)	(9,409)
Finance lease repayments	-	(20,561)	(20,561)
Interest on finance leases	-	-	(4,781)
Net cash flow from financing activities	(21,789)	(31,356)	(34,751)
Net increase / (decrease) in cash and cash equivalents	42,333	566,024	(20,998)
Cash and cash equivalents at the beginning of the year	987,720	1,008,718	1,008,718
Cash and cash equivalents at the end of the year	1,030,053	1,574,742	987,720

Explanations of major variance against budget are provided in note 16.

1. Reporting entity

The financial statements presented are for Creative HQ Limited ("Creative HQ").

Creative HQ is a company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand and operates from Wellington. Creative HQ is wholly owned by the Wellington Regional Economic Development Agency Limited (trading as WellingtonNZ) and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002.

The primary objective of the Company is to encourage, promote and support the establishment and growth of business investment and employment opportunities within the region, rather than make a financial return.

The registered office of Creative HQ is Level 1, 7 Dixon Street, Te Aro, Wellington, New Zealand.

The financial statements are for the year ended 30 June 2023. The financial statements were authorised for issue by the Board on 29 September 2023.

Venture Studios Limited (VSL) is a wholly owned subsidiary. This company is currently dormant and non-trading. Due to immateriality the financials have not been consolidated with Creative HQ Limited

2. Statement of accounting policies

Accounting policies are included in the note to which they relate. Accounting policies that do not relate to a specific note are outlined below.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The financial statements have also been prepared in accordance with the requirements of the Companies Act 1993.

The primary objective of Creative HQ is to encourage, promote and support the establishment and growth of business investment and employment opportunities within the region, rather than to make a financial return. Therefore, Creative HQ is a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied. Creative HQ meets the requirements for Tier 2 PBE accounting standards as its expenses are less than \$30 million, but greater than \$2 million and is not defined as publicly accountable in accordance with the PBE accounting standards. These financial statements comply with Tier 2 PBE Standards.

Basis of measurement

The financial statements have been prepared on an historical cost basis, except for certain financial assets that have been measured at fair value. The financial statements are presented in New Zealand dollars (\$) . This is the functional currency.

Budget figures

The budget figures are derived from the statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

- Note 7 provides information about the estimates and assumptions applied in determining the fair value of property, plant and equipment, and intangible assets.
- Note 8 provides information about the estimates and assumptions applied in determining the fair value of investments.

Critical judgements in applying accounting policies

Management has exercised critical judgements in applying accounting policies in the following areas.

- Grants – see note 3 for explanation
- Leases – see note 10 for explanation

Comparatives

To ensure consistency with the current year, certain comparative information has been reclassified where appropriate. This has occurred:

- where Creative HQ has made additional disclosures in the current year, and where a greater degree of disclosure of prior year amounts and balances is required; and
- where there has been a change in accounting policy (there has been no change in the 2022/23 year that affects prior year comparatives).

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Deferred revenue

Revenue that spans balance date has been recognised as conditions pertaining to eligible expenditure or milestones have been fulfilled. The balance has been recorded as deferred revenue.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated surplus/(deficit)
- fair value through other comprehensive revenue and expense reserves.

Fair value through other comprehensive revenue and expense reserves

This reserve comprises the cumulative net change of financial assets classified as fair value through other comprehensive revenue and expense.

3. Revenue

Accounting policy

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Exchange revenue

Service Revenue

Revenue received from services provided is recognised in proportion to the stage of completion at balance date.

Sponsorship

Sponsorship is recognised as revenue when received and all associated obligations have been met. Sponsorship received for which the requirements and services have not been met are treated as "deferred revenue" under current liabilities.

Non-exchange revenue

Wellington Regional Economic Development Agency (trading as WellingtonNZ)

WellingtonNZ contributions are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Grants

Grant revenue is recognised upon entitlement as conditions pertaining to eligible expenditure or milestones are achieved. Creative HQ must exercise judgement when recognising grant revenue to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each contract.

Donated goods or services received not recognised

Creative HQ receives significant support from business mentors, coaches and guest speakers who provide their time free of charge to our programmes including Accelerators and Incubators.

Service revenue	2023	2022
Government (New Zealand)	882,100	2,821,825
International	262,184	976,507
School of innovation	1,174,708	419,406
Enterprise	364,981	190,674
Other	48,764	43,593
Total service revenue	2,732,737	4,452,005

Other revenue	2023	2022
Gain on sale of investments	4,000	234,697
Gain on sale of fixed assets	42	637
Other income	4,207	14,525
Total other revenue	8,249	249,859

MSD funding	2023	2022
Venture Up Programme funding	-	38,388
Total MSD funding	-	38,388

4. Personnel costs and employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits, that are due to be settled within 12 months after the end of the period in which the employee renders the related service, are measured based on accrued entitlements at current rates of pay. These include salaries, accrued up to balance date, and annual leave earned but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Presentation of employee entitlements

Annual leave is classified as a current liability. All other employment entitlements are classified as a non-current liability.

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Analysis of personnel costs

	2023	2022
Salaries and wages	3,437,212	3,334,062
Defined contributions plan employer Kiwisaver contributions	102,352	93,226
Kiwisaver contributions refunded from prior year	-	(6,286)
Total personnel costs	3,539,564	3,421,002

Employee remuneration

Total remuneration paid to employees during the year:

	2023	2022
< \$100,000	21	33
\$100,000-\$109,999	4	2
\$110,000-\$119,999	-	-
\$120,000-\$129,999	2	1
\$130,000-\$139,999	2	3
\$140,000-\$149,999	4	2
\$150,000-\$159,999	5	2
\$170,000-\$179,999	3	-
\$190,000-\$199,999	-	1
\$200,000-\$209,000	1	-
\$230,000-\$239,999	-	1
\$240,000-\$249,999	1	-
Total employees during the year	43	45

At balance date, CreativeHQ employed 25 (2022: 23) full-time and 0 part-time employees (2022:7 part-time employees, equalling 5.6 full-time equivalent). A full-time employee is determined on the basis of a 40-hour working week.

Analysis of employee entitlements

	2023	2022
Accrued salaries and wages	11,963	-
Accrued annual leave	139,054	195,639
Accrued bonuses	-	41,456
Total employee entitlements	151,017	237,095

4. Personnel costs (continued)

Board member remuneration

The total value of remuneration paid or payable to each Board member during the year was:

	2023	2022
Independent Directors		
Lance Walker	20,000	19,167
Susan Reynolds	10,000	10,000
Wayne Mulligan	10,000	10,000
Diana Siew	10,000	10,000
Trent Mankelow	10,000	10,000
Chief Executive of WellingtonNZ		
John Allen	5,000	5,000
Total Board member remuneration	65,000	64,167

Director fees are \$10,000 per annum. The Chair receives \$20,000 and the Chief Executive of WellingtonNZ receives \$5,000 per annum.

Key management personnel compensation

	2023	2022
Board of Directors		
Remuneration	65,000	64,167
Full time equivalent members	6.0	6.0
Leadership team		
Remuneration	1,502,335	1,339,086
Full time equivalent members	9.0	8.3
Total key management personnel remuneration	1,567,335	1,403,253
Total full time equivalent members	15.0	14.3

Board members are calculated as full-time equivalents based on the amount of time served on the board.

5. Other expenses

Analysis of other expenses	2023	2022
Contractors	458,941	1,397,084
Marketing and events	295,549	428,402
Premises rental	228,000	222,930
Travel	207,228	101,980
Technology	150,821	163,317
Other expenses	120,700	1,014,343
Training and recruitment	85,078	94,429
Office expenses	81,481	81,467
Legal and professional fees	35,990	133,776
Operating lease expense	6,6569	7,251
Memberships	1,395	11,270
Fees to auditor for Creative HQ financial statement audit	37,760	38,095
Other foreign exchange gains and losses	17,506	(919)
Impairment to investments	-	4,819
Loss on sale of assets	11	3,267
Total other expenses	1,727,030	3,701,511

Net finance costs	2023	2022
Interest income	49,932	15,939
Interest expense on loan with WellingtonNZ	(22,509)	(7,814)
Interest expense on leases	-	(6,376)
Total net finance costs	27,423	1,749

6. Tax expense

Accounting policy

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or receivable in respect of the taxable profit or tax loss for the period, adjusted for any difference between the estimated and actual revenue tax payable in prior periods. It is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date. Current tax for current and prior periods is recognised as a liability or (asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when Creative HQ has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

Tax expense/(benefit) comprises:	2023	2022
Current tax expense / (income)	-	16,557
(Over)/under provision of income tax in previous period	(879)	1,719
Overseas withholding tax	31,807	25,530
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(105,821)	(4,515)
Total income tax expense / (benefit) is attributable to continuing operations	(74,892)	39,291

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Net surplus before tax	(393,186)	234,940
Income tax expense calculated at 28%	(110,091)	65,780
Tax effect of:		
Permanent differences – current year	4,271	(53,741)
	(105,820)	12,042
(Over)/under provision of income tax in previous period	(879)	1,719
Overseas withholding tax	31,807	25,530
Income tax expense / (benefit)	(74,892)	39,291

Current tax

Opening balance	3,592	717
Tax refunds received	(3,592)	(717)
Resident withholding tax	14,829	3,592
Income tax refund	14,829	3,592

6. Tax expense (continued)

Accounting policy

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from the difference between the carrying amounts for assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all tax temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as the result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Creative HQ expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income taxes levied by the same taxation authority and Creative HQ intends to settle its current tax assets and liabilities on a net basis.

Deferred tax	2023	2022
The balance comprises temporary differences attributable to:		
Tax losses	100,055	-
Temporary differences	36,832	30,188
Balance at 30 June	136,887	30,188

Movements	Employee Provisions	Property, plant and equipment	Sundry Creditors	Losses	Total
At 1 July 2022	39,624	(9,437)	-	-	30,188
Charged to income	(690)	2,747	4,587	100,055	106,699
At 30 June 2023	38,934	(6,690)	4,587	100,055	136,887

Movements	Employee Provisions	Property, plant and equipment	Intangibles	Losses	Total
At 1 July 2021	40,258	(12,866)	-	-	27,392
Charged to income	(634)	3,430	-	-	2,796
At 30 June 2022	39,624	(9,437)	-	-	30,188

7. Property, plant and equipment, and intangible assets.

Accounting policy

Property, plant and equipment consists of the following asset classes: equipment, office furniture and fittings and computer software. Intangible assets consist of software. Asset classes are measured at cost, less accumulated depreciation and impairment losses.

Additions and Disposals

The cost of an item of property, plant and equipment or intangible asset is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Creative HQ and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment, or intangible asset is initially recognised at its cost. Where an asset is acquired through non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Creative HQ and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation and Amortisation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major property, plant, and equipment have been estimated as follows:

- Computer Hardware 1–7.5 years
- Equipment 1.5–12 years
- Furniture 5–12 years
- Office fit out 3–14.5 years

Amortisation is provided on a straight-line basis on all intangible assets, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives of major intangible assets been estimated as follows:

- Software 3 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Impairment of property, plant and equipment, and intangible assets

Creative HQ does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its own recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Estimating useful lives and residual values of property, plant and equipment, and intangible assets

At each balance date, the useful lives and residual values of property, plant and equipment, and intangible assets are reviewed. Assessing the appropriateness of useful life and residual estimates of property, plant and equipment, and intangible assets requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by Creative HQ, and expected disposal proceeds from the future sale of asset.

An incorrect estimate of the useful life or residual value will affect the depreciation or amortisation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. Creative HQ minimises the risk of this estimation uncertainty by physical inspection of assets, asset replacement programs, review of second-hand market prices for similar assets and analysis of prior assets sales.

Creative HQ has not made significant changes to past assumptions concerning useful lives and residual values for property, plant and equipment.

7. Property, plant and equipment, and intangible assets (continued)

2023	Equipment	Office furniture and fittings	Computer hardware	TOTAL
Opening net book value				
Cost or deemed cost 1 July 2022	110,735	444,229	74,435	629,399
Accumulated depreciation	(54,929)	(186,029)	(52,593)	(293,550)
Net carrying value 1 July 2022	55,806	258,200	21,843	335,849
Additions	-	-	10,061	10,061
Disposals	(4,606)	-	(5,063)	(9,669)
Depreciation	(22,426)	(41,737)	(13,828)	(77,991)
Elimination on disposal - current year	3,041	-	5,063	8,104
Net movement	(23,991)	(41,737)	(3,767)	(69,495)
Closing net book value				
Cost or deemed cost 30 June 2023	106,130	444,229	79,433	629,792
Accumulated depreciation	(74,314)	(227,766)	(61,358)	(363,438)
Net carrying value 30 June 2023	31,816	216,463	18,075	266,354
2022				
Opening net book value				
Cost or deemed cost 1 July 2020	79,382	432,896	58,164	570,442
Accumulated depreciation	(32,661)	(143,535)	(40,003)	(216,199)
Net carrying value 1 July 2020	46,721	289,361	18,161	354,243
Additions	31,353	11,333	16,271	58,957
Disposals	(5,720)	(5,340)	(12,000)	(23,060)
Depreciation	(22,268)	(42,493)	(12,589)	(77,350)
Elimination on disposal	5,720	5,340	12,000	23,060
Net movement	9,085	(31,160)	3,682	(18,393)
Closing net book value				
Cost or deemed cost 30 June 2022	110,735	444,229	74,435	629,399
Accumulated depreciation	(54,929)	(186,029)	(52,593)	(293,550)
Net carrying value 30 June 2022	55,806	258,200	21,843	335,849

8. Investments in incubator and accelerator companies

Accounting policy

Investments in incubator and accelerator companies

The measurement of financial assets depends on their classification based on the purpose for which financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Creative HQ receives shares from clients involved in its incubation programme as part consideration for the services and support provided by Creative HQ and the Lightning Lab to the client. The shares received represent a small proportion of the total equity of the client company. These shares are investments in equity instruments that do not have a quoted market price in an active market and are designated as available for sale.

Creative HQ recognises the initial investment in the companies according to the programme the company is involved in, incubator programme or accelerator programme. Companies in the incubator programme do not have a value on initial recognition as no external investment has yet occurred and therefore the fair value of the initial investment is valued at nil. Companies in the accelerator programme have initial recognition at fair value through other comprehensive revenue and expense.

The valuation of these investments is undertaken by Creative HQ using accepted industry guidelines. The International Private Equity and Venture Capital Valuation Guidelines (IPEV) have been accepted as the industry standard valuation guidelines and are based on the principle of 'fair value' and are reviewed following any relevant changes in accounting standards or market practices. The IPEV Guidelines provide a framework for private equity and venture capital investors to arrive at a fair value for their investments. The IPEV are of the view that compliance with PBE accounting standards can be achieved by following the guidelines.

IPEV Guidelines recommend that for early-stage investments, where it is difficult to assess the future profitability of the company, fair value is generally determined by the price of the most recent investment. This methodology is appropriate until the circumstances of the company change such that an alternative valuation methodology (such as, but not limited to price/earnings analysis or discounted cash flow) is appropriate or there is evidence that the value of the investment should be adjusted. An adjustment is considered necessary where the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value. The level of adjustment can range from nil to 100% of the value.

A significant or prolonged decline in fair value of the investment below its cost is considered to be objective evidence of impairment. Where the asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the Fair value reserve is reclassified from equity to surplus or deficit as a reclassification or adjustment. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive revenue and expense and accumulated as a separate component of equity in the Fair value reserve.

As at 30 June 2023, the valuation of Creative HQ's investments is based on the price of the most recent investment made by external investors, unless there is evidence that the value of the investment should be adjusted as the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value. Creative HQ is reliant on receiving recent investment information from incubator and accelerator companies directly through yearly information requests.

<i>Investment in incubator and accelerator companies</i>	2023	2022
Opening balance	1,879,471	1,437,024
Additions	-	46,559
Movement in fair value of accelerator and incubator companies	(183,567)	395,888
Total investment in incubator and accelerator companies	1,695,904	1,879,471

Creative HQ invests in unlisted early-stage companies. Unlisted investments are generally not publicly traded. As there may be no open market to establish an independent value for certain unlisted investments, there can be no assurance that a determination of fair value for an unlisted investment will be obtainable in the market, or that there will be a market for the unlisted investment.

Notwithstanding the uncertainty of the valuation of the investment, the Board is of the view that the fair values of the unlisted investments in these financial statements represent the best available information.

Creative HQ's exposure to changes in investment value could be material to the financial statements. As Creative HQ is not reliant on the cash flows from the investments, changes in value do not impact the underlying viability of Creative HQ. In the event that an investment will be considered to be impaired, it will have a non-cash effect on the surplus / (deficit) of Creative HQ.

9. Equity accounted investments

Accounting policy

Joint Venture

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity. The results and assets and liabilities of the joint venture are incorporated in these financial statements using the equity method of accounting.

Joint Venture/Wholly owned subsidiary

Venture Studio Limited (VSL) was a joint venture in which Creative HQ had joint control and held a 33.33% ownership interest. VSL was incorporated on 21 June 2019 and prepared its first set of financial statements on 31 March 2020. VSL is not publicly listed.

VSL was created to support projects from the Creative HQ government accelerator program, which present a commercial opportunity outside of government.

There were no active projects in VSL and it was in the process of being shut down when Creative HQ identified a number of future opportunities that may require a separate legal entity to be established. Therefore, Creative HQ decided to acquire VSL as a 100% wholly owned subsidiary. As there was no value left in the entity, the other two shareholders agreed to transfer their shares to Creative HQ (at nil cost), which took place on 3 November 2021

The following table summarises the financial information of VSL as included in its own financial statements to 31 March 2023.

VSL's comprehensive revenue for 2023 is considered immaterial to the results of Creative HQ and so has not been included as consolidated financial statements.

Net assets	2023	2022
Current assets	-	-
Current liabilities	-	-
Net assets (100%)	-	-
Creative HQ's share of net assets (33.33%) and carrying amount of investment in JV	-	-

Comprehensive revenue and expense	2023	2022
Revenue	7	-
Cost of sales	-	-
Operating expenses	(506)	(214)
Surplus / (deficit) and total comprehensive revenue and expense (100%)	(499)	(214)
Creative HQ'S share of surplus and comprehensive revenue and expense (33.33%)	(499)	(214)

9. Equity accounted investments (continued)

Associate

Creative HQ had a direct holding of 73.08% interest in the Lightning Lab Fintech 2017 Limited Partnership (LP). Creative HQ was also the General Partner for this partnership. The LP invests in early-stage companies and these are measured at fair value consistent with Creative HQ's accounting policy as shown in note 8.

During the prior year, the limited partners agreed to transfer the remaining investment, Tapi Limited, to direct shareholdings for each of the limited partners and to progress with the disestablishment of the LP. The transfer of the Tapi Limited shares took place on 27 October 2021 and the final audit for the entity for the year end 31 March 2021 was completed in May 2022. The General Partner completed the final set of financial statements for the 13 months ended 30 April 2022 and started the formal process for closing the limited partnership. The partnership was officially de-registered on 7 September 2022.

The following table summarises the financial information of the LP as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of Creative HQ's interest in the LP.

	2023	2022
Percentage ownership interest	73.08%	73.08%
Non-current assets	-	-
Current assets	-	-
Current liabilities (see prior year adjustment note below)	-	-
Net assets (100%)	-	-
Creative HQ share of net assets - based on 20% carry for General Partner	-	-
Creative HQ share of net assets - based on remaining 80%	-	-
Carrying amount of interest in associate	-	-
Reclassification adjustment for transfer of shares	-	(43,700)
Expenses	-	(1,723)
Prior year adjustment (see note below)	-	(1,781)
Surplus from continuing operations	-	(47,204)
Distribution to partners	-	43,700
Net (deficit) / surplus after distribution (100%)	-	(3,504)
Creative HQ share of net (deficit) / surplus based on 20% carry for General Partner	-	(701)
Creative HQ share of net (deficit) / surplus based on remaining 80%	-	(2,048)
Creative HQ total share of associate's net (deficit) / surplus	-	(2,749)
Reconciliation of carrying value		
Opening balance	-	52,729
Share transfer to direct holding by Creative HQ	-	(49,980)
	-	2,749
Creative HQ share of net (deficit)/surplus	-	(2,749)
Creative HQ share of other comprehensive income and expense	-	-
Total Investment in Associate	-	-

10. Leases as lessee

Accounting policy

Operating lease payments

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lease. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Critical judgments in applying accounting policies

Lease classification

Determining whether a lease agreement is a financial lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to Creative HQ.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

Operating leases as lessee

Non-cancellable operating leases	2023	2022
Not later than one year	96,227	229,227
Later than one year and not later than five years	2,044	98,271
Later than five years	-	-
Total non-cancellable operating leases	98,271	327,498

These operating leases relate to the office space at 7 Dixon Street and the copier lease. The office lease commenced in December 2014, with 2 rights of renewal of 3 years each. The market rent review date was December 2020, when the lease was extended for a further three years. The lease renewal negotiations allowed for the rent to be held at the same level as 2019/20 for a 12 month period and then increased for the remainder of the lease term. The final expiry date is December 2023. The copier lease commenced in March 2022 for a 5 year period. Fixed monthly payments are made for both leases.

11. Other financial assets and liabilities

Accounting policy

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Other financial assets

Other financial assets include investments with a maturity longer than three months, but less than 12 months, and loans to the subsidiary Venture Studio Limited.

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment. A receivable is considered impaired when there is evidence that Creative HQ will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivables and the present value of the amounts expected to be collected.

Payables

Short-term payables are recorded at their face value.

Derivative financial instruments

Derivative financial instruments are used to manage the group's exposure to foreign exchange risk arising from its operational activities. The group does not hold or issue derivative financial instruments for trading purposes. The group has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in surplus or deficit.

Forward foreign exchange derivatives are classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the fair value of foreign exchange derivatives is classified as non-current.

Borrowings

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance until paid.

	2023	2022
Financial assets		
Loans and receivables		
Cash and cash equivalents	1,030,054	787,093
Term deposits with maturities less than 3 months	-	200,627
Term deposits with maturities greater than 3 months and less than 12 months	-	802,402
Loan to Venture Studio Limited	1,400	1,000
Trade and other receivables	1,056,533	935,361
Total loans and receivables	2,087,987	2,726,483
Financial assets at fair value through other comprehensive revenue and expense		
Investments in incubator and accelerator companies	1,695,904	1,879,471
Total assets at fair value through other comprehensive revenue and expense	1,695,904	1,879,471
Financial liabilities measured at amortised cost		
Trade and other payables	331,975	313,645
Loan with WellingtonNZ*	400,000	400,000
Total financial liabilities measured at amortised cost	731,975	713,645
Financial instruments – Measured at fair value through surplus or deficit		
Forward foreign exchange contracts in liability position	-	-
Total financial instruments measured at fair value	-	-

*Creative HQ currently maintains a \$1m loan facility with its parent WellingtonNZ, with \$400,000 drawn at the year-end (2022: \$400,000). Interest on this loan is paid monthly and is detailed in note 5.

12. Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Creative HQ would have adopted in dealing with the party at arms' length in the same circumstances.

In 2019/20, WellingtonNZ provided a loan of \$400,000 to support the growth plan aspirations of the business. The loan was on normal commercial terms until 1st May 2020, when it was changed to a low interest rate loan, with an interest rate based on the OCR rate plus 1.5%. Currently no repayments are scheduled to be made on the \$400,000 loan until at least 1 July 2024 when WellingtonNZ will reassess repayment obligations for the financial year ahead.

In the current year, Creative HQ loaned Venture Studio Limited, a wholly owned subsidiary, \$400 (2022: \$1,000) to cover administrative expenses. The total value loaned is now \$1,400.

Refer to Note 4. for board and senior leadership team remuneration.

13. Commitments

There were no commitments at the balance date (2022: \$5,000). The prior year commitment related to Venture Studios Limited, a company registered on 24th June 2019, with three equal shareholders holding 300 shares each. Creative HQ Limited was one of those shareholders and under the shareholder agreement, Creative HQ had committed to providing funding of \$5,000 to this entity. This entity changed ownership during the 21/22 year and is now 100% owned by Creative HQ Limited.

14. Contingent liabilities and assets

There were no contingent liabilities or contingent assets at balance date (2022: \$Nil).

15. Events after the balance date

There were no post balance sheet events that required adjustment.

16. Explanation of major variance against budget

Explanations for major variances from Creative HQ's budgeted figures in the statement of intent are as follows:

Statement of comprehensive revenue and expense

Revenue from non-exchange transactions

The revenue from non-exchange transactions was \$11m lower than budget. \$884k of this relates to funding from councils to run accelerator programmes that did not progress.

Revenue from exchange transactions

The revenue from non-exchange transactions was \$3.1m lower than budget. Almost \$2m related to an accelerator programme in Saudi Arabia that Creative HQ tendered for but did not subsequently win. The remaining variance is related to delays for international deals being signed..

Expenses

Total expenditure was \$3.5m below budget. The majority of this was due to reducing both staff costs and contractors associated with the above projects not progressing..

Statement of financial position

Cash and Cash Equivalents

Cash and cash equivalents were lower than budget due to lower international work and less additional funding expected from councils

Receivables

Receivables were slightly higher than budget due to the timing of funding payments

Property, plant and equipment

PPE was lower than budget due to reduced staffing levels and reduced capital expenditure required

Investments in incubator and accelerator companies

A review of incubator and accelerator valuations only happens at the year end and are difficult to budget for. Therefore, for budgeting purposes, a conservative approach is taken.

Payables

Payables were slightly lower than budget due to lower activity levels

Employee entitlements

Employee entitlements are slightly lower than budget, with a number of staff finishing just prior to year end

Deferred revenue

This is slightly higher than budget due to delays in starting work but prepaid by the customer

Loan from WellingtonNZ

The loan from WellingtonNZ currently has no repayment dates set. No further drawings have been made during 2022/2023.

Appendix – Directors’ interests during the year

Lance Walker

Board member/Trustee	Wellington Regional Sports Trust (Nuku Ora)
Director	Avidity Consulting
CEO	Accuro Health Insurance Ltd
Trustee	Young Enterprise Scheme (YES)
Shareholder	Marsello Ltd.

Suse Reynolds

Shareholder	Beyond VR	8Wire	Varigate
	Times7	Seen Safety Lab	Pyper Vision
	Mish Guru	Ask Nicely	Wipster
	AmyAI	Sharesies	Patternsnap
	Tourwriter	Press Patron	CoGo
	Narrative Muse	Marama Labs	
	Trustee	La Mothe Trust	Project Crimson Trust
Director	Courtfield Holdings	Narrative Muse Chair	Institute of Directors
Investor	Lightning Lab XX 2016 LP	Zino Ventures	Movac
Other	Startup Advisor Council Deputy Chair	Angel Association NZ Chair	

John Allen

Chair	Be Accessible Charitable Trust	VUW Council
CEO	WellingtonNZ	
Board member	Koi Tu, Centre for Informed Futures Auckland University	
Member	Wellington Uni-Professional Board	Wellington Regional Skills Leadership Group

Wayne Mulligan

CEO / Shareholder	Fomana Capital Ltd		
Director / Shareholder	NUKUTOI	CreNative Ltd	Innative Ltd
Chair / Director	Tui Ora Ltd	WellingtonNZ	
Shareholder	HoneyLab Ltd	Wellington Tenths Trust	PKW
Trustee	Midland Regional Health Charitable Trust	Fale Charitable Trust (Wellington pacific island community)	
Chair / Director / Shareholder	Nuku ki te Puku Ltd	CEO / Director / Shareholder	NZ Bio Forestry Limited

Diana Siew

Shareholder	Adisel Investment Limited
Advisor	Return on Science Medtech and surgical Investment Panel
Advisor	Callaghan Innovation Heathtech Activator Advisory Group
Member	Precision Driven Health Independent Advisory Group
Director	Pharmac

Trent Mankelov

Shareholder	Spotlight Reporting Limited	Optimal Workshop Limited	UBCO
	Supie	Taurus Concrete	Mevo
	Upstock	Excellent	
Director	Summer of Technology Limited		