



# NZALS

## New Zealand Artificial Limb Service

Peke Waihangā, Aotearoa

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annual report  
2014/2015



Report of the

# NZALS

## New Zealand Artificial Limb Service

Peke Waihanga, Aotearoa

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For the Year Ended

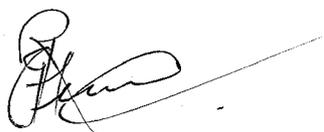
30 June 2015

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*Presented to the House of Representatives pursuant to Section 150(3) of the Crown Entities Act 2004*

To the Minister for Social Development

In accordance with the Crown Entities Act 2004, we present, on behalf of the New Zealand Artificial Limb Service, the Annual Report of the operations of the NZALS for the year ended 30 June 2015.



George Reedy  
Chair

29 October 2015



Paula Tesoriero  
Deputy Chair

29 October 2015

# NZALS

## New Zealand Artificial Limb Service

Peke Waihangā, Aotearoa

### our vision

Independent and productive lives for amputees.

### our mission

To enable amputees to achieve independence by delivering prosthetic and rehabilitation services

### key statistics

| Statistics                 | 2011      | 2012      | 2013      | 2014      | 2015      |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue                    | \$7.6 mil | \$7.8 mil | \$8.2 mil | \$8.7 mil | \$9.5 mil |
| Total current patients     | 4,231     | 4,236     | 4,259     | 4,311     | 4,260     |
| Total number of limbs made | 734       | 748       | 625       | 643       | 827       |

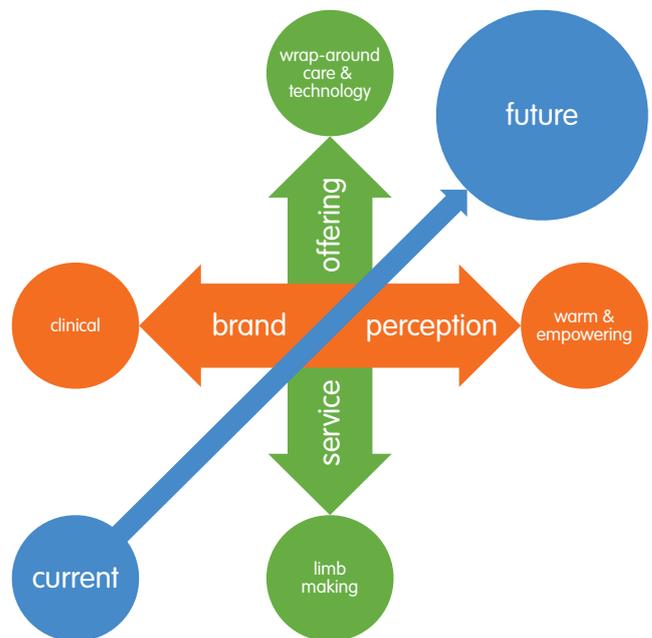
### our locations

There are five Limb Centres located in Auckland, Hamilton, Wellington, Christchurch and Dunedin, each of which also provides Regional clinics to bring services to the following areas:



- Limb Centres
- Regional Clinics
- National Office

### positioning



### our values

- 🎯 challenging
- 👍 fair
- 👥 impartial
- 🔄 responsive
- ❤️ trustworthy
- ★ quality

# our wellington service in action

## Phillipa Williams

Physiotherapist

Physiotherapists are part of the NZALS clinical team, which is made up of Prosthetists, Orthopaedic Surgeons and Rehabilitation Specialists. Phillipa works closely with amputees and their families to provide rehabilitation before and after the prosthesis is fitted, and liaises with other agencies to achieve the best possible outcomes for amputees. She is also part of a wider multidisciplinary team and provides education and mentoring for other Physiotherapists and Occupational Therapists within the District Health Boards around the country.



## Kate Barnard

Rehabilitation Specialist

A Rehabilitation Specialist is a medical doctor who is a nerve, muscle and bone expert. They treat injuries or illnesses that affect how people move, with the goal of decreasing pain and enhancing performance. Kate helps design a treatment plan that can be carried out by the patients themselves or with the help of a team of doctors, nurses, therapists, prosthetists and caregivers. Having a broad medical expertise allows her to treat disabling conditions throughout a person's lifetime. Kate's focus is on putting the pieces of a person's life back together – medically, socially, emotionally, vocationally.



## Ken Te Tau –

Ngāti Kahungunu me Rangitāne  
i Wairarapa, Ngāi Tahu/Ngāti Porou

Musician & Amputee

At the age of 45, Ken's lower leg was removed to alleviate the agonising pain he had been living with for years. Ken was born with a congenital issue in both feet that required multiple surgeries during his early childhood, and a lifetime of living life to the full had taken its toll on his left leg. After the surgery he started attending Wellington Limb Centre, where he was fitted with a prosthetic leg and given support and rehabilitation services during this difficult time. Having a prosthetic leg allows him to continue doing the important things, like being involved in his community as Field Officer for the Wellington Amputee Society, spending time with his whanau, and pursuing his passion for music with his band The Pink Floyd Experience, which tours both here and overseas. Whiria te muka harakeke, Whiria te muka tangata (Weave together the flax fibre, Weave together the fibre of people).



## Grant Kiddle

Orthopaedic Surgeon

Grant is a surgeon who specialises in limb-fitting at the Wellington Artificial Limb Centre. An Orthopaedic Surgeon is often the first port of call in the amputee journey and the amputee will remain in Grant's care until they are mobile and independent again. It is his responsibility to examine, diagnose and treat diseases and injuries of the musculoskeletal system with surgery and corrective mechanical devices including prosthetics. He takes care of bones, joints, ligaments, tendons, muscles and nerves... everything that allows people to move, work and be active.



## Jude Doherty

Clinical Prosthetist

Clinical Prosthetists are an integral part of the clinical team that provides rehabilitation services for amputees. Jude is responsible for prescribing the artificial limb to best suit the amputee's needs. This includes taking measurements and casts of the residual limb, selecting components, and manufacturing and fitting the specially made limb to the amputee.

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## Chair's Report

*I decided early on in hospital that life had not ended and that I could get busy living or get busy dying. With the help of my wonderful wife, I was able to overcome every obstacle that was put in front of me. The support of friends and family has been pivotal in my recovery.* Blair Marriott, above knee amputee

Our service is about individual people needing our help. Blair's story is similar to that of many others; it has the amputee in the middle of their care, with many family members, health professionals and organisations working as a team. It is the contribution of all these parts that generates a positive outcome for the amputee. To reflect this, we have renewed the focus on engaging amputees and improving the coordination of their care.

*Always remember that you are still you, and only the exterior look has changed. Stay true to yourself and your recovery will be all that much faster.* Blair Marriott, above knee amputee

This year we have made 827 new artificial limbs and provided rehabilitation for many amputees. These efforts are all about providing amputees with the vital care they need to live independent and productive lives.

Our financial results reflect NZALS' prudent approach to managing the business as we look to provide a 'whole of life' service to amputees. This year revenue was \$9,529,000, which is a 9.3% increase over last year. We invested this additional revenue into service delivery and appropriate support. This year we had a deficit of \$225,800.

We are pleased to welcome Sean Gray to the NZALS team as the new CEO. Sean brings to the role over 15 years' change management experience in health, disability and medical device organisations. We are looking forward to his positive impact on the lives of the amputees we provide services to. We would also like to extend a big thank you to Mervyn Monk our outgoing CEO.

NZALS took part in the Social Services Committee annual review this year. It was an opportunity to profile our good work to Parliament and share the key service opportunities around sustainability of outcomes, rapid technology advances and demographic changes.

A significant development for the prosthetic professional movement in New Zealand this year has been the merger of the separate prosthetics and orthotics professional bodies into a single entity, the New Zealand Orthotics and Prosthetics Association (NZOPA). This is now consistent with other international professional bodies and will improve the professional standard of care for amputees. NZALS is proud of this achievement and the support we have provided to see this eventuate.

This year we have acknowledged the importance of taking time to listen to the amputees we care for. As a result, we have worked closely with them and other key stakeholders to create a strategy to take us through to 2020. The new strategy places the amputee at the centre of everything we do, developing an expert workforce, embracing technology, and striving for equity to improve outcomes for amputees. This coming year we will be working with the Minister for Disability Issues and the Ministry of Social Development to incorporate this strategy into the next Statement of Intent.

Thank you to NZALS employees and management for their dedication and provision of services to amputees, and to the Board for their encouragement and counsel throughout the year. We look forward to continuing the momentum we've achieved this year, with the new strategy in place, and updating you on progress this time next year.

A handwritten signature in black ink, appearing to read 'George Reedy', with a long horizontal stroke extending to the right.

**George Reedy**

**Chair**

# The Year in Review

## Services to Amputees and Partnerships

### Rehabilitation Survey 2014

During 2014, NZALS conducted a Rehabilitation Survey to obtain amputees' input about post-limb fitting, to help us identify and address barriers to rehabilitation or ongoing use of limbs. We received the final report and circulated the findings and recommendations to the Board and clinical teams. The findings were discussed extensively at the 2014 Managers, Physiotherapists and Medical Specialists Annual Conference, held in Wellington in September, and played a key role in the development of NZALS' 2020 Strategic Themes.

### Amputee Journey

During 2014-15, NZALS began working with Northern Regional Alliance (the regional body that represents the four northern District Health Boards) to develop a Regional Amputee Rehabilitation Pathway, which will be delivered locally across District Health Boards, Auckland Limb Centre and the community. NZALS hosted two focus groups for people with lower limb amputations, at the Auckland Limb Centre and Counties Manukau District Health Board Super-Clinic.

Key themes that emerged were:

- peer support for new amputees – 'new' or 'new to be' amputees need to be able to talk to someone who can relate to their fears and anxieties and to see for themselves that their life can be relatively normal
- confidence that the best decision they made was to 'amputate' for the purpose of fitting an artificial limb. The process of trying to 'salvage' the limb was not supporting their goal of being independent and mobile
- relevant, useful information – this should be made available before their amputation as well as after
- better pain management and education – nearly all amputees grapple with this issue
- psychological support – this needs to embrace their family, and focus on return to work and mental wellbeing
- family support – it is very important to be in an environment with family support
- a clear pathway – there needs to be a pathway that the health professionals and patients both understand
- a consistent process or rehabilitation approach – many do not experience this along their individual journeys

*The Auckland Limb Centre provided us with a great cross-section of people with amputations to participate in our focus groups. The Centre's open and honest communication with their clients enabled the focus groups to speak freely and constructively on how best to manage services. This feedback is at the core of how our pathway is shaped and how services should be delivered.*

Tracey Kelly, Northern Regional Alliance Project Manager - Regional Rehabilitation

The project aims to significantly improve the connectivity for amputees as they move through the multi-provider system for services. NZALS is also working to understand the 'whole of life' amputee journey. The results of this effort will support individualised amputee journeys and provide NZALS with an important decision-making tool to help coordinate care for amputees and individualise their journey.

## Technology

Continually evolving technology is giving us the opportunity to provide world-leading solutions, from both a component aspect and a human sciences perspective. The interaction between the prosthesis and the human body is growing closer with the experimental implantation of sensors into muscles to activate prosthetic hands and wrists. Several senior staff attended the MEC '14: Myoelectric Controls Symposium in Fredericton, New Brunswick, Canada. The Symposium focused on upper limb prosthetics and gave attendees an understanding of the direction this cutting-edge technology is going.

Osseointegration<sup>1</sup> has been slower to gain momentum than expected and only one patient underwent the procedure during the past year in New Zealand. The Specialised Osseointegration Rehabilitation Team (SORT), based in Christchurch, has spent the year putting processes in place to make the procedure available to more amputees who pass the assessment process in the future.

There have been major improvements in CAD (computer-aided design) technology, which is now used in all five limb centres. New 3D scanners have significantly increased the number of amputees who are suitable to have casts taken using this technology. This new process is cleaner and reduces production times, where the alternative involves taking a plaster cast of the stump.

## Māori and Pacific Amputees

In 2014, NZALS conducted an analysis of Māori and Pacific amputees who receive services from NZALS. As at 30 June 2014, there were 569 (13% of the New Zealand total) Māori amputees and 319 (7% of total) Pacific amputees. The following tables present geographic and demographic information for Māori and Pacific populations in New Zealand.

| Ethnicity/Centre | Auckland | Hamilton | Wellington | Christchurch | Dunedin | Total |
|------------------|----------|----------|------------|--------------|---------|-------|
| Māori            | 36%      | 32%      | 24%        | 5%           | 3%      | 100%  |
| Pacific          | 78%      | 5%       | 14%        | 2%           | 1%      | 100%  |

*Figure 1 – All Māori and Pacific current amputees 2014-15: Regional distribution*

| Age Groups | New Referrals Total NZ % | New Referrals Māori % | New Referrals Pacific % | Current Amputees Total NZ % | Current Amputees Māori % | Current Amputees Pacific % |
|------------|--------------------------|-----------------------|-------------------------|-----------------------------|--------------------------|----------------------------|
| Under 20   | 6                        | 8                     | 7                       | 4                           | 6                        | -                          |
| 20-64      | 45                       | 53                    | 69                      | 60                          | 72                       | 68                         |
| 65+        | 49                       | 39                    | 24                      | 36                          | 22                       | 32                         |
| Total      | 100                      | 100                   | 100                     | 100                         | 100                      | 100                        |

*Figure 2 – Analysis of Māori and Pacific amputees by age 2014-15: New referrals and all current*

<sup>1</sup> Osseointegration is technique where a metal implant is surgically inserted into a femur and over time attaches itself directly to the bone, growing around it and eventually supporting it firmly. This implant then becomes the support for prosthetic attachments forming a manoeuvrable leg that eliminates many of the difficulties associated with current prosthetic legs

The analysis shows that a significant proportion of Māori and Pacific amputees live in the Auckland area, and that Māori and Pacific people require NZALS' services much earlier in life compared with the general population. NZALS will therefore be looking to evolve the service offering to improve access and outcomes for this group of amputees. For example, in developing a refreshed look at the amputee journey, we will be improving the way family/whānau are engaged to support the amputee.

## Training

We have continued to look for new and innovative ways to provide continuing professional development (CPD) to staff to maintain their clinical and technical abilities. This year, NZALS invested 2% of revenue in CPD efforts. This is a significant investment and one that we need to make to keep up to date with the fast-moving technology options and to make up for the lack of university-based Prosthetics qualification providers in New Zealand.

NZALS supports supplier-led training on prosthetic products and components that are used. This year we sent nine staff to an academy run by one of the major suppliers in Sydney to receive training on innovative materials, upper limb manufacturing, advanced laminations, and trans-tibial and trans-femoral prosthetics. As a result, new technology and manufacturing methods have been incorporated into amputee service delivery in New Zealand.

As part of NZALS' commitment to providing culturally appropriate services, and to implement the Māori Strategy, NZALS personnel have attended Tikanga Māori cultural guidance and regularly attend refresher courses.

The 2014 NZALS 'Managers, Physiotherapists and Medical Specialists Annual Conference' was held in Wellington on 25 and 26 September. The conference focused on the results of the recent Rehabilitation and the Client Satisfaction surveys, which led to amputee service improvements.

Five prosthetists attended the 2014 Australian Orthotic Prosthetic Association (AOPA) Congress. The main theme of the conference was 'Integrating Evidence and Experience', and the attendees brought back new knowledge about implementing theory into practice and shared it with the wider NZALS team and applied it to NZALS services.

The CEO, National Prosthetics Manager, a Clinical Prosthetist and a Physiotherapist attended the ISPO International Congress, at the end of June. A large contingent attended from a broad range of countries, giving a global perspective on issues from problems to solutions, and a variety of interesting presentations from the conference speakers and product suppliers. Some of the key points of the conference were:

- Funders are demanding more accountability, which is driving the need for more cost-effective prosthetics and objective evidence for prescription.
- Better correlation between patient goals and assessment in both clinical and objective data is needed for clearer justification of prosthetic limb prescription.
- A cost-effective approach for prosthetics in the future is likely to involve 3D printing of sockets, parts, hands and feet. At this stage, trials are still running to meet International Organisation for Standardisation (ISO) standards and to test different types of products for manufacturing the prosthetics. The main issues are the durability and strength of the plastics. Several suppliers, including Otto Bock one of the main suppliers to NZALS, have already made 3D prosthetic covers.

## NZALS' Positive Image

In April 2015, two Physiotherapists travelled to Yishun, Singapore. They presented a three-day workshop on amputee management at the Khoo Teck Puat hospital, which specialises in both general and acute care. The course was attended by 22 participants from different facilities around Singapore and mainly with Physiotherapy, Occupational Therapy and Podiatry backgrounds. This was a great opportunity to meet and discuss amputee rehabilitation challenges with people from different disciplines and different work environments. The visit increased awareness of amputee services in another first world country and the challenges of having adequate employees to meet demand, funding issues and the timely provision of services.

NZALS CEO Sean Gray presented at the 2015 New Zealand Healthcare Congress, Auckland, speaking on 'Technology: Clients YES and Service HOW'. Sean's presentation provided NZALS with a profile within the New Zealand healthcare and innovation industries, with a view to developing innovative collaborations.

Clinical Prosthetist Sandeep Uppal from the Wellington Limb Centre presented at the 2015 International Society for Prosthetics and Orthotics (ISPO) World Congress. Sandeep spoke on 'Most recent effective post-operative amputee stump management as preparation for prosthesis fitting: An Evidence based practice'; his presentation was well received and provided networking opportunities to share knowledge that could be applied to services in New Zealand.

*It was a great experience to present at the ISPO conference and my attendance provided considerable insight into new techniques and ideas for supporting amputees in New Zealand. Thank you to NZALS for their support. Sandeep Uppal, Clinical Prosthetist, NZALS*

## Paralympics New Zealand

NZALS continues to offer its services to 'Paralympics New Zealand' (PNZ) providing identified athletes with sporting-specific devices to allow them to compete in top level competition at worldwide events ultimately leading up to the 'Rio Paralympic Games in 2016. This association was built prior to the Beijing Paralympic Games in 2008. At that time, all communication regarding individual athletes was managed under the PNZ banner irrespective of their sporting code, now however with individual success and a different funding model; these athletes are more likely to be managed alongside able-bodied athletes by their associate sporting governing body.

Where appropriate, NZALS makes specialised sporting devices for amputee athletes identified at the elite level. Plus we continue to supply training devices to aid development of strength and balance to athletes that compete without wearing limbs, for example swimming. In the last financial year one sport-specific limb has been funded and developed through the NZALS relationship with PNZ. This device has supported Kate Horan from Wellington, to achieve a world ranking in her track cycling event and also achieve a world record in doing so. Kate transferred from her previous sport of track and field to cycling, and continues to push for results placing her at the top of her events. The Wellington team is continuing to work closely with Kate and 'Cycling New Zealand' on this project.

Dunedin centre has seen increases in future potential athletes moving south to become part of the track and field team. A number of these athletes will in the future be identified under differing high level programmes and will require additional sporting devices to be developed.

All limb centres are experiencing a rise in requests for sporting-specific limbs as the general amputee population see the benefits of physical activity to improve their wellbeing and also through the promotion of individual athletes' achievements. The challenge for NZALS is to be responsive to this demand within funding limits.

We will continue to assist all amputees where possible in improving their general mobility and wellbeing and will continue to support the differing sporting bodies and individuals needing specialist devices in any way we can. After the Rio Games, we will re-evaluate the services needed for future athletes.

## Resources and Personnel

### New CEO

A significant change to the NZALS team was the departure of CEO Mervyn Monk in January 2015 and the arrival of new CEO Sean Gray. Mervyn was CEO of NZALS from April 2009 and announced his retirement late in 2014. His successor, Sean Gray, stepped into the role in January 2015. Sean has over 15 years' change management experience in health, disability and medical device organisations. Relevant roles include General Manager at Diabetes Australia-NSW, CEO of a medical device start-up, senior manager at 'Life Without Barriers' and President of The Rocks Chamber of Commerce.

### Prosthetic and Orthotic Professional Movement

Over the last few decades the prosthetic and orthotic professional bodies have been separate entities in New Zealand:

1. New Zealand Association of Orthopaedic Prosthetists. The NZAOP membership and management consist of Clinical Prosthetists and Prosthetic Technicians employed by NZALS.
2. New Zealand Orthotics and Prosthetics Association. The NZOPA membership and management consist primarily of Orthotists and a few Orthotic Technicians.

Internationally, the prosthetic and orthotic professional bodies represent both professions, and are generally a single entity. In collaboration with the NZALS CEO and the presidents of NZAOP and NZOPA, NZALS has supported efforts that have seen the two professional bodies become a single entity. NZALS will provide access to key staff, lawyers, consultants and royalty free use of systems, processes and policies. The consolidation of the orthotics and prosthetics professional bodies has provided a stronger independent professional body in New Zealand, with a larger critical mass to share skills, knowledge and best practices. Ultimately this will enhance the capability of the New Zealand prosthetic workforce and enable it to provide an improved quality of services to amputees.

*The NZOPA this year has seen considerable change in the development of Orthotics and Prosthetics in New Zealand. Both associations, NZAOP and NZOPA, have met, facilitated by the NZALS to bring the two halves of our profession together. This is the most important achievement within the profession of New Zealand Orthotics and Prosthetics in recent history.*

*The coming together of the two groups has given the ability to draw on the strengths of each and will enable us to continue working towards promoting ourselves as allied health professionals as other regulated health professions do.*

*The aim is to continue to set up robust credentialing, develop professional education, provide professional support, interpret legislation and develop strong links with our key funders, stakeholders and service users.*

*Recently the NZOPA Conference held in Auckland contained orthotic and prosthetic, technical and clinical components. This was well supported by both Orthotists and Prosthetists, and was a huge success.*

*I look forward to working with all groups associated with Orthotics and Prosthetics.*

Cherry Holliday,  
President, New Zealand Orthotics and Prosthetics Association

## Property

The annual review of centres was conducted in March 2015. This helped each centre manager to review current progress against the asset plan, and assess plant and equipment, repairs and maintenance, public appearance, and elements of health and safety.

Over this past year, NZALS has invested significantly in improving the condition of three of the limb centres that are in critical need of repair. The responsibilities for this work are complex because of the current ownership structure of the various properties NZALS leases from the Ministry of Social Development and DHBs.

As a result of the 2013 earthquake, the Wellington Limb Centre is in need of seismic strengthening to both the lower floor and stairwell. The Christchurch Limb Centre requires partial replacement, and part repair of its roof, and the Auckland Limb Centre requires roof maintenance.

The combined financial implications of these property issues have necessitated a collaborative government approach. To support this effort, NZALS engaged an independent property expert to provide an assessment of all buildings in May 2015.

## Government Rules of Sourcing

The State Services Commission advised that it was extending its current Government Rules of Sourcing to include all Crown entities by February 2015. NZALS has reaped the rewards of being part of the All-of-Government contracts including lower fees and reduced prices. During the July 2014 to June 2015 period, NZALS signed up to AoG contracts for Air Travel, Travel Management Services, and Rental Vehicles. The AoG Office Supplies contract was also renewed.

## NZALS Social Services Committee Hearing

In early 2015, NZALS participated in the Social Services Committee's annual review of performance and operations during 2013-14. The review examined how well NZALS performed in relation to the 10 areas described in the 'Government's Better Public Services Outcomes' and other objectives for growing the economy. Through this process, NZALS identified the following three key business challenges facing the organisation:

- *Sustainability of outcomes* – the current health contract pricing and scope of service in real terms has not kept up with the increasing cost of prosthetic limbs and optimal support in rehabilitation services. As a result, we are now seeing an emerging inequality of prosthetic limbs and services between ACC and DHB funded amputees. Maximising the investment in the prosthetic limbs requires the associated early rehabilitation services. For example, physiotherapy is a critical component of any rehabilitation plan. However, the amputee may have to wait for up to six to eight weeks from the time they are fitted with a prosthetic limb to when they receive physiotherapy. NZALS is uniquely positioned to fill this gap and maximise the prosthetic return on investment for government by leading an integrated service approach for amputees.
- *Rapid technological advances* – amputees now have access to information via the internet, which means that they are more informed and have a greater expectation about the type of prosthetic limb they want. The latest prosthetic limb for an above knee amputation cost 38% more on average than five years ago. The interaction of these two factors is leading to a widening gap between the amputee's expectation and contract dollars available for prosthetic limb supply and support services.

- *Demographic changes* – these include increases in diabetes, obesity, vascular disease and the ageing population, which are all risk factors for amputation. There has also been a continued population drift north, which will place pressure on the Auckland and Hamilton centres. And different ethnic groups have different risk profiles for amputation, so we need to plan and deliver culturally appropriate services.

### Requests for Information Received by NZALS during 2014-15

- 13 Privacy Act requests
- 9 Official Information Act (OIA) requests
- 2 Health and Disability Commissioner (HDC) complaints about NZALS
- 2 Commerce Commission complaints about NZALS (with no further action required).

### Health and Safety

With the Health and Safety Reform Bill progressing through Parliament, NZALS has been working to ensure the organisation is fully compliant when the new legislation comes into force.

A national safety committee has been formed and centralised health and safety registers have been put in place across all Limb Centres to improve monitoring, trend identification and analysis of effectiveness of incident data and hazards. We are also working on improving health and safety policies, creating new policies as required and updating the existing policies where applicable.

## Monitoring, Evaluation, Research and Development

### Demographic Change

#### All Current Amputees

At 30 June 2015, the service catered to 4,260 (2014: 4,311) amputees registered with NZALS throughout New Zealand.

The group was made up of 74% males and 26% females. In ethnicity, 71% were New Zealand European, 13% Māori, and 7% were Pacific. A variety of other ethnic backgrounds made up the remaining 9%.

All age groups were represented, as shown in the following figures:

#### All current amputees by age - 30 June 2015

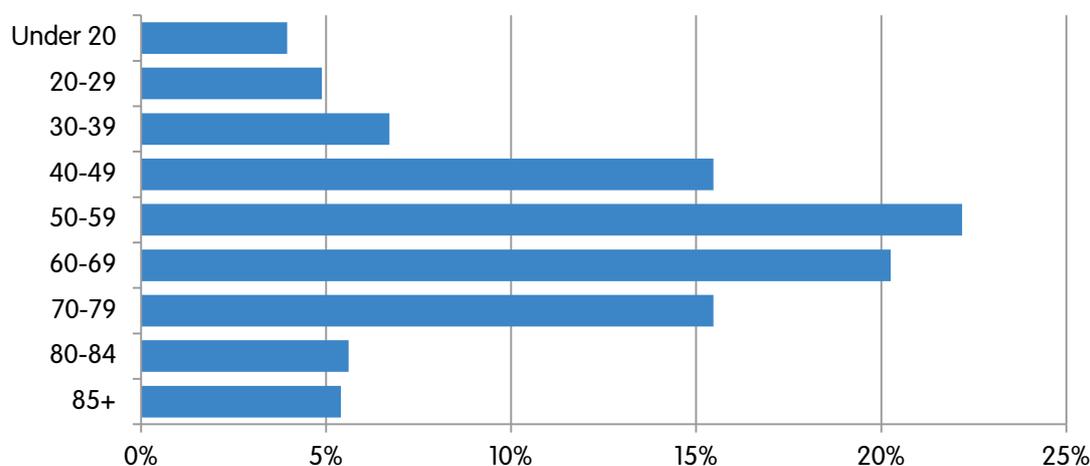


Figure 3 – All current amputees by age at 30 June 2015

## New Referrals

During 2014-15, the number of new amputees referred to and registered with the NZALS was 377, compared with 407 for the previous year.

New referrals at 30 June 2015 comprised:

- Male – 68%
- Female – 32%
- Under 20 – 3%
- Between 20 and 59 years – 33%
- Over 60 years – 64%
- New Zealand European – the largest group at 65%
- Māori – the second largest group at 15%
- Pacific – 8%
- Asian – 3%
- Other and unknown ethnicity – making up the final 9%.

Some people came to NZALS for a pre-amputation visit, to assist them with their decision about amputation. There was also a group of amputees who attended after amputation but were advised against using artificial limbs for various reasons – they were too ill, too frail, or considered incapable of managing one. There was a further group of amputees who were not referred to the limb service after amputation because their clinicians had not advised this course. Of the 377 people referred to the limb service during 2014-15, 48 were considered unsuitable for fitting, 22 decided of their own accord not to proceed, and 85 (2014: 75) died during the year. Those 377 newly registered had 433 amputations, which included 54 (2014: 37) people with more than one amputation. The largest proportion referred (215) had amputations below knee level, followed by 152 above knee, and 14 had upper limb amputations. A range of other categories made up the remainder, including hip disarticulation and ankle.

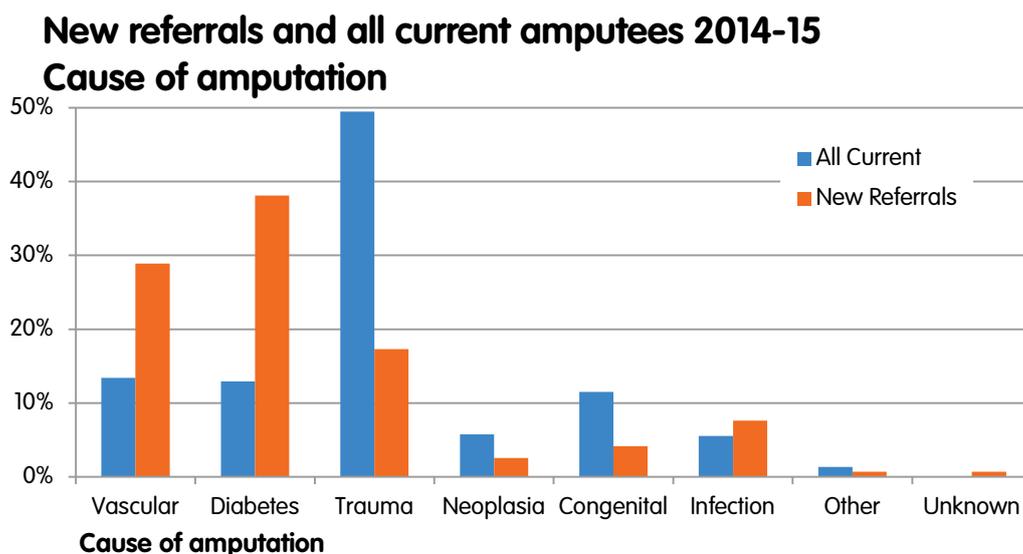


Figure 4 – New referrals and all current amputees

2014-15 - causes of amputation for the 4,260 current amputees were:

- Trauma – by far the largest at 49%
- Diabetes – 13%
- Vascular – 13%
- Congenital – 12%
- Neoplasia – 6%
- Infection – 6%
- Other and unknown<sup>2</sup> causes – making up just over 1% of the remainder.

The differences in numbers between new referrals and all current amputees do not represent new trends, but reflect the short life expectancy of many vascular amputees compared with congenital amputees, traumatic amputees and many of the amputees for malignancy, who are expected to spend many years as amputees. These disparities are evident when a comparison is made of new 2014-15 referrals entering the services against the current database at 30 June, as shown in the figure above.

Lower limb amputations of various levels accounted for 89% of the newly referred limb service amputees, with 3% having amputations of the upper limb. In general, the limb service is focused on lower limb amputations anywhere between the mid-foot and the hip, and upper limb amputations between wrist and shoulder. Only a very few people with amputations of the hand or fingers find prostheses useful. Amputations in the forefoot and of the toes are best dealt with by orthotics services.

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<sup>2</sup> Unknown cause of amputation – patient was referred as a pre-assessment or had not been seen at the time of data collection

## Outcomes for New Amputees (Primary)

The support received in the first year after amputation is critically important for the long-term independence and productivity of the amputee. Quality of life, mobility and independence outcomes are therefore a lead indicator for NZALS. New amputee outcome measures during 2014-15 demonstrate the impact of NZALS' prosthetic and rehabilitation service.

NZALS uses three questionnaires/tests to assist with the development of the amputee's rehabilitation plan. They are conducted for new referral amputees at the time of artificial limb fitting and again approximately one year later. This provides NZALS with an understanding of the outcome improvement achieved by amputees newly referred to the service.

- SF-12 is an evidence based Health Related Quality of Life subjective questionnaire divided into six physical health and six mental health questions.
- Timed up and go (TUG) is an objective mobility test for the amputee. It is a simple walking test where the amputee sits, gets up, walks a measured distance, returns and sits down again.
- Locomotor Capability Index (LCI-5) is a mobility and independence subjective test for the amputee. It is administered by a Physiotherapist and has seven questions based on day-to-day activities and a further seven questions based on advanced activities.

The results of these questionnaires and tests completed by newly referred amputees are shown in the figure below. It is important to note, for the purpose of making a comparison, those amputees who did not have a response to both assessments have not been included.

| Outcome Measure<br><i>Amputees completing 2 assessments</i>      |                         | Date of Fitting | Approx. 1 Year from First Fitting | Improvement % |
|--|-------------------------|-----------------|-----------------------------------|---------------|
| Health Related Quality of Life (SF-12)<br><i>66 new amputees</i> | Physical health scores  | 34.1            | 39.0                              | 4.9 (14%)     |
|  | Mental health scores    | 52.7            | 53.2                              | 0.5 (1%)      |
| Mobility<br><i>69 new amputees</i>                               | Timed up and go (TUG)   | 34.0            | 18.7                              | 15.3 (45%)    |
| Mobility/Independence (LCI-5)<br><i>75 new amputees</i>          | Basic activity score    | 15.5            | 23.9                              | 8.4 (15%)     |
|  | Advanced activity score | 9.4             | 19.4                              | 10.0 (18%)    |

*Figure 5 – Improvements in outcome measures for 2012-13 new amputees (primary) for those amputees who completed the three measures*

Note: In 2012-13, 380 new amputees were referred to NZALS however not all amputees completed these outcome measures. The qualifying base group is amputees aged 18 years and over with lower limb amputations.

The executive summary of the 2012 - 13 cohort report will be published on the NZALS website.

## Contestable Research Fund

NZALS allocates up to \$20,000 annually to promote research into issues that will benefit amputees. This amount is allocated to the study of selected research topics associated with amputees, amputation or rehabilitation.

In 2014, the Contestable Research Fund, provided grants to four applicants and their projects are progressing well. The topics were:

1. Living well with amputation – development of an online wellbeing course teaching mindfulness, acceptance and goal setting for amputees.
2. Product design of a pair of ergonomic crutches.
3. A bio inspired 'soft robotic' hand.
4. A study into physical activity and Quality of Life (QoL) in people with dysvascular and traumatic below knee amputation.

NZALS is excited to announce that one of the Contestable Research Fund 2014 recipients, Paula Buckley, has made it into the finals of the New Zealand Best Product Design awards, for her Ergonomic Crutch design.



## Delivering on the Statement of Performance Expectations

In line with the new requirements arising from the 2013 amendments to the Crown Entities Act 2004 (CEA), under s149E the New Zealand Artificial Limb Service has no reportable outputs. However, we are including the following set of voluntary measures – Client Satisfaction, Contractual Compliance and Cost Efficiency.

### Client Satisfaction

| Overall levels of amputee satisfaction  | Target    | Actual 2014 | Outcome achieved |
|---|-----------|-------------|------------------|
| The percentage of amputees who are satisfied with their <i>Services Overall</i> | 92% - 96% | 95%         | <i>Achieved</i>  |
| The percentage of amputees who are satisfied with the <i>Limbs</i>              | 85% - 89% | 85%         | <i>Achieved</i>  |

*Figure 6 – Overall levels of amputee satisfaction*

The NZALS Client Satisfaction Survey is conducted every two years with the last survey conducted in June 2014. These surveys provide us with essential information about amputees and most importantly their level of satisfaction with the service we provide. The 2014 Annual Report noted some of the findings from the Client Satisfaction Survey. This year, we took a more in-depth look at the results and incorporated them into the process for creating NZALS' 2020 Strategic Themes.

### Contractual Compliance

Most of NZALS' funding comes from contracts with Capital & Coast District Health Board (which manages the national health funding on behalf of DHBs) and ACC. NZALS provides these agencies with a report each quarter confirming compliance with the terms and conditions of the contracts.

| Assessment of compliance   | Outcome                                       |
|--|---|
| All terms and conditions of contracts with ACC and CCDHB are complied with   | CCDHB – Achieved<br>ACC – Partially achieved* |
| Quarterly reports to ACC and CCDHB are provided within the agreed timeframes | Achieved                                      |

*Figure 7 – Assessment of compliance*

The extent to which NZALS has complied with its contracts will be based on information in the reports sent to CCDHB and ACC each quarter.

**\*Notes:**

1. On 22 April 2015, ACC issued NZALS with a breach notice relating to the professional membership of prosthetic staff.
2. NZALS initiated an independent investigation that determined NZALS prosthetic staff were appropriately qualified.
3. NZALS and ACC developed an Agreed Action Plan to address this issue and provide clarification around the contractual interpretation of the qualifications required by NZALS prosthetic staff.
4. A letter addressed to NZALS received from the Supplier Manager at ACC on 23 October 2015 states:

*"I am writing to confirm that as at 14 August 2015 the Action Plan between ACC and NZALS has been completed and signed off. ACC is satisfied that the qualifications of the NZALS Prosthetists and Prosthetic Technicians meet the criteria outlined in the Agreed Action Plan"*

### Cost Efficiency and Delivery

| Measure/Target  | Actual 2014/15 | Outcome  |
|---|----------------|----------|
| Maximum material stock holding not to exceed \$750,000                | \$696,411*     | Achieved |
| Average stock turnover to be no less than 5.3 times per year          | 6.7            | Achieved |
| Maximum value of material write-off not to exceed 4% of total holding | 0.6%           | Achieved |

*Figure 8 – Stock management cost efficiency indicators*

\*Figure excludes specialised stock for osseointegration as agreed with the Minister.

## The Year Ahead – 2020 Strategic Themes

NZALS is proud to be implementing the following new 2020 Strategic Themes.

### Service

Amputees are at the centre of everything we do, receiving from NZALS' 'whole of life', world-class services that deliver what they need at each stage of their journey.

### Expert Workforce

NZALS expert workforce is responsive and able to develop, adapt and adopt innovation and technology to continually improve the service to and outcomes for amputees.

### Technology/Research and Development

We adapt and customise technology to change the lives of amputees. We are responsible to amputees for understanding, accessing and bringing to them the best technology solutions and initiative that NZALS budgets allow.

### Equity

NZALS supports equitable amputee access to technology and services based on need.

NZALS has developed these themes in consultation with key stakeholders including amputees, ACC, Victoria University of Wellington, Amputees Federation of New Zealand, a rehabilitation software specialist, the Ministry of Social Development, a property specialist, the Service Integration and Development Unit of CCDHB, NZOPA and a Prosthetist.

The Strategic Themes also take into account the Minister's 2015-16 expectations of NZALS and we will be conducting specific activities to deliver on them.

- Review the ways in which the NZALS monitors its performance, focusing on the extent to which services are provided to amputees at the right place and within the best possible timeframes.
- Review its accommodation requirements in order to determine what is required to best meet the needs of amputees, and what changes, if any, need to be made to the ways in which its limb centres are administered.
- Identify ways in which the model of care for amputees can be enhanced, within existing resource constraints, focusing on:
  - ways in which processes can be made more amputee-focused, including the adoption of a single case-manager model for health-funded amputees
  - improving the level of post fitting care and support provided to amputees
  - ways in which it can make increased use of new technologies
  - improving coordination with other agencies and organisations involved in providing support to amputees

We have another busy year ahead, with plenty of activity anticipated throughout the country. Funding is likely to remain tight for the foreseeable future and new sources of funding must be investigated. Along with the need to look at a more holistic approach to addressing amputee needs, this signals a challenging 12 months ahead. We will endeavour to continue to provide a high quality service to amputees while anticipating the future needs of both amputees and the organisation.

## Financial Results

The Statement of Comprehensive Revenue and Expense shows gross revenue (excluding interest) applied to operations of \$9,529,000 in comparison with \$8,718,000 in the previous year. Income is derived principally from contracts with ACC for trauma-based amputees and Capital & Coast District Health Board, which manages the national contract for amputees with illness-based amputations, congenital limb deficiencies or long-standing trauma-based amputations. In addition, income is received from payments on behalf of war amputees, private insurers, health benefits and private supply.

Operational costs for the year ended 30 June 2015 totalled \$9,952,000 (June 2014 by comparison was \$8,150,000) resulting in a deficit of \$423,000 on operations for the year before interest. This follows a surplus on operations last year and is the combined result of increased demand on health-funded amputations and an increase in operational expenses as disclosed in 'Explanation of significant variances against budget' refer to note 22 in this report. Interest earnings decreased this deficit to \$226,000 compared with a surplus of \$752,000 for the previous year.

NZALS' financial position remains strong with \$3,621,000 in General Funds and \$3,155,000 in reserves for specific future needs as identified by the Board.

# Governance and Accountability Statement

## About the New Zealand Artificial Limb Service

The New Zealand Artificial Limb Service (NZALS) is an autonomous Crown entity that provides a national prosthetic limb service for New Zealand amputees<sup>3</sup>.

The functions of the NZALS legislative mandate, as defined by the Social Welfare (Reciprocity Agreements, and New Zealand Artificial Limb Service) Act 1990, are to:

- *manufacture, import, export, market, distribute, supply, fit, repair, and maintain artificial limbs and similar devices*
- *provide rehabilitative and other services to persons in connection with artificial limbs and similar devices*
- *carry out research and development in relation to artificial limbs and similar devices*
- *advise the Minister on matters relating to artificial limbs and similar devices.*

## Role of the Board

The Minister has appointed a governing Board. The Board's governance responsibilities include:

- communicating with stakeholders to ensure their views are reflected in NZALS planning and strategies
- determining the strategic priorities and focus necessary to achieve the outcomes expected by those stakeholders
- delegating responsibility for achievement of specific objectives to the Chief Executive Officer
- monitoring organisational performance towards achieving objectives
- maintaining effective systems of internal control
- accounting to the Minister on plans and progress against those plans.

## NZALS Operations

The Board has appointed a Chief Executive Officer to manage all the NZALS operations. All other employees of NZALS have been appointed by the Chief Executive Officer and report to him. The Board directs the Chief Executive Officer by delegating responsibility and authority for the achievement of objectives through setting policy.

Board members who have specific expertise provide mentoring and advice as appropriate.

## Board Committees

As a relatively small Crown entity, there has been little need for the appointment of standing committees of the Board, apart from one that deals with the performance review of the Chief Executive Officer.

Working committees are appointed as needed, for example the Research Committee.

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<sup>3</sup> The term 'amputees' is a generic term used for the purposes of reporting. It includes those whose absence of limb/s is for congenital reasons, as well as through surgical interventions.

## Equal Employment Opportunity

NZALS has developed a policy that addresses the elements of being a good employer defined in our EEO Strategy 2013-2015.

The New Zealand Artificial Limb Service conducted an EEO survey in April 2011 to establish benchmarks against which to report changes. The findings for 2014-15 were:

- FTE: Changed from 45.6 at the beginning of this financial year to 46.6 against a benchmark of 47.5
- Age: Weighted higher in the over-50 age groups than in the general New Zealand workforce
- Ethnic profile: Predominantly of New Zealand European descent (80%) with the remaining 20% describing themselves as 'other'. There were no Māori or Pacific personnel employed during the 2014-15 year
- Gender: The majority of personnel were male (59%) compared with female (41%). Support personnel were predominantly female, and the four Physiotherapists at the centres were female
- Flexibility: NZALS continued its practice of employing personnel on a flexible or part-time basis<sup>4</sup> (29%). The organisation also employs an amputee in two of the limb centres.

Three National Office personnel left during the year and three new personnel were recruited. A trainee Prosthetic Technician was employed at Dunedin Limb Centre and a Clinical Prosthetist was employed at the Hamilton Limb Centre.

Centre personnel received extensive training, and students of physiotherapy and prosthetics and orthotics were provided with opportunities for clinical placements.

NZALS increased its 'good employer' standing as outlined in the Human Rights Commission's 'Crown Entities and the Good Employer Annual Report Review 2007 to 2014', published in early 2015. NZALS as 'Good Employer' has moved to the top, achieving a ranking of number 1 out of the 91 Crown entities reviewed. This was an improvement of 14% in overall compliance from last year and we are very pleased with such a positive result.

The 'Premises, Assets and Records Security Policy' was implemented and the 'Business Continuation Plan' was updated as agreed during the year.

Health and safety issues were a focus this year as NZALS prepares to meet its obligations under the new Health and Safety legislation. Regular health and safety meetings were held, health and safety representatives were elected for each of the centres and improvements are being made to health and safety policies. Good health and safety practices are vital in a manufacturing-type environment and are routinely addressed at every centre meeting. More on NZALS health and safety can be found earlier in this report.

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<sup>4</sup> Part-time is 30 or less hours per week.

## Governance Philosophy

### Board Membership

Board members are appointed by the Minister for Social Development as the responsible Minister, on the nomination of various bodies as determined by the Social Welfare (Reciprocity Agreements, and New Zealand Artificial Limb Service) Act 1990. The Board is composed of members who have diverse skills and experience to bring a wide contribution to policy issues. Once appointed, all members are required to act in the best interests of the NZALS. Members acknowledge that the Board must stand unified behind its decisions; individual members have no separate governing role outside the Board.

### Membership of the Board

Board members are appointed by the Minister for Social Development under the Crown Entities Act 2004. Membership is determined by the Social Welfare (Reciprocity Agreements, and New Zealand Artificial Limb Service) Act 1990, which provides the nominating bodies and has a significant influence on the composition of the Board.

Board members at year-end were:

George Reedy  
Chair  
Appointed by the Minister

Paula Tesoriero  
Deputy Chair  
Appointed by the Minister to represent the interests of war amputees

Kerry Wilfred-Riley  
Board Member  
Appointed by the Minister on the nomination of Amputees Federation of New Zealand Inc.

Prof Richard Sainsbury  
Board Member  
Appointed by the Minister on the nomination of the Minister of Health

Faye Sumner  
Board Member  
Appointed by the Minister on the nomination of a majority of the current members of NZALS

Prof Alan Thurston  
Board Member  
Appointed by the Minister on the nomination of New Zealand Orthopaedic Association

### Connection with Stakeholders

The Board acknowledges its responsibility to keep in touch with stakeholders and, in particular, to remain in touch with the responsible Minister's expectations<sup>5</sup>. Quarterly reports inform the Minister.

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<sup>5</sup> The Minister for Social Development is the formal Minister responsible for the New Zealand Artificial Limb Service. However, the Minister for Disability Issues has been given responsibility for day-to-day matters.

## **Division of Responsibility between the Board and Management**

A key to the efficient running of the NZALS is that there has been a clear division between the roles of the Board and management. The Board concentrates on setting policy and strategy, and then monitors progress towards meeting objectives. Management is concerned with implementing policy and strategy. The Board endeavours to clearly demarcate these roles by ensuring that the delegation of responsibility and authority to the Chief Executive Officer is concise and complete, while providing mentoring and ideas-based experience for assisting management.

## **Accountability**

The Board meets approximately monthly to develop strategies and policies, to monitor progress toward its strategic objectives and to ensure the affairs of the NZALS are being conducted in accordance with the Board's policies.

## **Conflicts of Interest**

The Board ensures members are aware of their obligations to declare interests and act appropriately.

## **Internal Control**

While many of the Board's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Board. Internal controls include the policies, systems and procedures established to provide assurance that specific objectives of the Board will be achieved.

## **Risk Management**

The Board acknowledges that it is ultimately responsible for the management of risks to NZALS including business continuity. The Board has charged the Chief Executive Officer through its risk management policy with establishing and operating a risk management programme. This has been reviewed regularly and updated during the financial year.

## **Legislative Compliance**

The Board acknowledges its responsibility to ensure the organisation complies with all legislation. It has delegated responsibility to the Chief Executive Officer for the development and operation of a programme to systematically identify compliance issues and ensure that all personnel are aware of legislative requirements that are particularly relevant to them. It monitors such compliance issues.

## **Ethics**

The Board has adopted both the Public Service Code of Conduct and an NZALS Code of Conduct, and expects Board members and personnel to maintain high standards of ethical behaviour and practise the principles of 'good corporate citizenship'.

Monitoring compliance with ethical standards is done through means such as monitoring trends in complaints and disciplinary actions; or any reports or indications that show non-conformance with the principles set out in the NZALS Code of Conduct.

## Directions Issued by Ministers

The Minister for Social Development provided NZALS with a Letter of Ministerial Expectations listing specific priorities for 2014-15 which were:

- identifying barriers to service delivery
- greater stakeholder engagement
- enhancing partnerships
- improving efficiencies through technology and increased training
- planning strategically in terms of funding and future-proofing the service

During the 2014-15 year, NZALS sought to fulfil these expectations by:

- continuously monitoring and evaluating new and existing amputees through surveys, outcomes reports and analysis of statistics
- working to understand the whole-of-life 'amputee journey', by listening to what lower limb amputees had to say in focus groups, and collaborating with other health providers to individualise the journey for amputees
- working with the prosthetics and orthotics professional bodies to achieve a single entity
- working alongside Paralympics NZ to provide and service sport-specific limbs for athletes
- encouraging research and development through annual contestable funding of research studies, providing advanced technology in limb centres, and offering opportunities for clinical placements for students and training for personnel
- planning for the future by working closely with amputees and key stakeholders to create strategic themes to take us through to 2020, improving cost efficiencies through All-of-Government procurement, and looking at the NZALS capital investments and resolving issues with critical repairs at limb centres.

## Financial Statements

### Statement of Responsibility for the Year ended 30 June 2015

The Board is responsible for the preparation of the NZALS' financial statements and the performance information and for the judgements made in them.

We are responsible for any end-of-year performance information provided by NZALS under section 19A of the Public Finance Act 1989

The Board of the NZALS has 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 the opinion of the Board, these financial statements and performance information for the year ended 30 June 2015 fairly reflect the financial position and operations of the NZALS.



George Reedy  
Chair

29 October 2015



Paula Tesoriero  
Deputy Chair

29 October 2015

## **Independent Auditor's Report**

### **To the readers of the New Zealand Artificial Limb Service's financial statements for the year ended 30 June 2015**

The Auditor-General is the auditor of the New Zealand Artificial Limb Service (NZALS). The Auditor-General has appointed me, Mari-Anne Williamson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of NZALS on her behalf.

#### **Opinion on the financial statements**

We have audited the financial statements of NZALS on pages 34 to 57, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of NZALS:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015;
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with reduced disclosure requirements.

Our audit was completed on 29 October 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and explain our independence.

#### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of NZALS's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NZALS's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## **Responsibilities of the Board**

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Standards with reduced disclosure requirements; and
- present fairly NZALS's financial position, financial performance and cash flows.

The Board's responsibilities arise from the Crown Entities Act 2004.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements, whether in printed or electronic form.

## **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

## **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in NZALS.



Mari-Anne Williamson  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

## Statement of Comprehensive Revenue and Expense

For the Year ended 30 June 2015

|  | Note  | Actual<br>2015<br>\$000 | Budget*<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--|-------|-------------------------|--------------------------|-------------------------|
| <b>Revenue</b>                                 |       |                         |                          |                         |
| Government Contract Funding                    | 2     | 9,411                   | 8,695                    | 8,559                   |
| Interest income                                |       | 197                     | 185                      | 184                     |
| Other revenue                                  |       | 118                     | 87                       | 142                     |
| Gains  | 3     | -                       | -                        | 17                      |
| <i>Total revenue</i>                           |       | <b>9,726</b>            | <b>8,967</b>             | <b>8,902</b>            |
| <b>Expenditure</b>                             |       |                         |                          |                         |
| Personnel costs                                | 4     | 3,729                   | 3,554                    | 3,289                   |
| Depreciation and amortisation expense          | 10,11 | 154                     | 241                      | 137                     |
| Other expenses                                 | 5     | 5,823                   | 5,030                    | 4,534                   |
| Rehabilitation                                 |       | 66                      | 77                       | 72                      |
| Training and research                          |       | 180                     | 235                      | 118                     |
| <i>Total expenditure</i>                       |       | <b>9,952</b>            | <b>9,137</b>             | <b>8,150</b>            |
| Net surplus/(deficit)                          |       | (226)                   | (170)                    | 752                     |
| <b>Total comprehensive revenue and expense</b> |       | <b>(226)</b>            | <b>(170)</b>             | <b>752</b>              |

Explanations of significant variances against budget are detailed in note 22.

*The accompanying notes form part of these financial statements.*

*\*All budget items are unaudited*

## Statement of Financial Position

As at 30 June 2015

|                                      | Note | Actual<br>2015<br>\$000 | Budget*<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--------------------------------------|------|-------------------------|--------------------------|-------------------------|
| <b>Assets</b>                        |      |                         |                          |                         |
| <b>Current assets</b>                |      |                         |                          |                         |
| Cash and cash equivalents            | 6    | 899                     | 680                      | 806                     |
| Debtors and other receivables        | 7    | 1,065                   | 800                      | 808                     |
| Prepayments                          |      | 43                      | 30                       | 50                      |
| Inventories                          | 8    | 1,133                   | 980                      | 1,212                   |
| Investments                          | 9    | 3,848                   | 3,862                    | 4,218                   |
| <i>Total current assets</i>          |      | <b>6,988</b>            | <b>6,352</b>             | <b>7,094</b>            |
| <b>Non-current assets</b>            |      |                         |                          |                         |
| Property, plant and equipment        | 10   | 1,093                   | 1,552                    | 1,012                   |
| Intangible assets                    | 11   | 11                      | 57                       | 20                      |
| <i>Total non-current assets</i>      |      | <b>1,104</b>            | <b>1,609</b>             | <b>1,032</b>            |
| <b>Total assets</b>                  |      | <b>8,092</b>            | <b>7,961</b>             | <b>8,126</b>            |
| <b>Liabilities</b>                   |      |                         |                          |                         |
| <b>Current liabilities</b>           |      |                         |                          |                         |
| Creditors and other payables         | 12   | 701                     | 732                      | 576                     |
| Employee entitlements                | 13   | 536                     | 416                      | 485                     |
| <i>Total current liabilities</i>     |      | <b>1,237</b>            | <b>1,148</b>             | <b>1,061</b>            |
| <b>Non-current liabilities</b>       |      |                         |                          |                         |
| Employee entitlements                | 13   | 79                      | 95                       | 63                      |
| <i>Total non-current liabilities</i> |      | <b>79</b>               | <b>95</b>                | <b>63</b>               |
| <b>Total liabilities</b>             |      | <b>1,316</b>            | <b>1,243</b>             | <b>1,124</b>            |
| <b>Net assets</b>                    |      | <b>6,776</b>            | <b>6,718</b>             | <b>7,002</b>            |
| <b>Equity</b>                        |      |                         |                          |                         |
| General funds                        | 14   | 3,621                   | 4,051                    | 4,214                   |
| Board-created reserves               | 14   | 3,155                   | 2,667                    | 2,788                   |
| <b>Total equity</b>                  |      | <b>6,776</b>            | <b>6,718</b>             | <b>7,002</b>            |

Explanations of significant variances against budget are detailed in note 22.

The accompanying notes form part of these financial statements

\*All budget items are unaudited

## Statement of Changes in Equity

### For the Year ended 30 June 2015

|   | Note | Actual<br>2015<br>\$000 | Budget*<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|---|------|-------------------------|--------------------------|-------------------------|
| <b>Balance at 1 July</b>                |      | <b>7,002</b>            | <b>6,889</b>             | <b>6,250</b>            |
| Total comprehensive revenue and expense |      | (226)                   | (170)                    | 752                     |
| <b>Balance at 30 June</b>               | 14   | <b>6,776</b>            | <b>6,719</b>             | <b>7,002</b>            |

Explanations of significant variances against budget are detailed in note 22.

*The accompanying notes form part of these financial statements.*

*\*All budget items are unaudited*

## Statement of Cash Flows

### For the Year ended 30 June 2015

|   | Note | Actual<br>2015<br>\$000 | Budget*<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|---|------|-------------------------|--------------------------|-------------------------|
| <b>Cash flows from operating activities</b>                 |      |                         |                          |                         |
| Receipts from Government Contract Funding                   |      | 9,227                   | 8,695                    | 8,716                   |
| Interest received   |      | 198                     | 185                      | 159                     |
| Receipts from other revenue                                 |      | 117                     | 87                       | 117                     |
| Payments to suppliers                                       |      | (5,943)                 | (5,223)                  | (4,875)                 |
| Payments to employees                                       |      | (3,662)                 | (3,534)                  | (3,209)                 |
| Goods and services tax (net)                                |      | 11                      | -                        | 62                      |
| <i>Net cash from operating activities</i>                   | 15   | <b>(52)</b>             | <b>210</b>               | <b>970</b>              |
| <b>Cash flows from investing activities</b>                 |      |                         |                          |                         |
| Acquisition of investments                                  |      | 371                     | 360                      | (540)                   |
| Purchase of property, plant and equipment                   |      | (223)                   | (605)                    | (261)                   |
| Purchase of intangible assets                               |      | (3)                     | (10)                     | -                       |
| <i>Net cash from investing activities</i>                   |      | <b>145</b>              | <b>(255)</b>             | <b>(801)</b>            |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>93</b>               | <b>(45)</b>              | <b>169</b>              |
| Cash and cash equivalents at the beginning of the year      |      | 806                     | 725                      | 637                     |
| <b>Cash and cash equivalents at the end of the year</b>     | 6    | <b>899</b>              | <b>680</b>               | <b>806</b>              |

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of significant variances against budget are detailed in note 22.

*The accompanying notes form part of these financial statements.*

*\*All budget items are unaudited*

# Notes to the Financial Statements

## 1 Statement of accounting policies for the year ended 30 June 2015

### Reporting entity

The New Zealand Artificial Limb Service is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, the New Zealand Artificial Limb Service's (NZALS) ultimate parent is the New Zealand Crown.

The NZALS' primary objective is to provide services to the New Zealand public, as opposed to that of making a financial return. Accordingly, the NZALS has designated itself as a public benefit entity for reporting purposes.

The financial statements for the NZALS are for the year ended 30 June 2015, and were approved by the Board on 29 October 2015.

### Basis of preparation

#### Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with Public Benefit Entity International Public Sector Accounting Standards ('PBE IPSAS') for Tier 2 public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

The NZALS qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure. NZALS has no public accountability.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in note 23.

#### Measurement base

The financial statements have been prepared on a historical cost basis.

#### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

## Significant accounting policies

### Revenue

Revenue is measured at the fair value of consideration received or receivable. NZALS has made an assessment and all revenue is classified as exchange as it is derived through provision of services.

#### *Revenue from Government Contract Funding*

The NZALS principally derives its revenue from the Crown through contracts with CCDHB and ACC for services to third parties. The funding is restricted in its use to the purpose of meeting contract service specifications and the NZALS objectives as specified in the Statement of Intent.

Revenue from Government Contract Funding is recognised as revenue when earned and is reported in the financial period to which it relates.

#### *Interest*

Interest income is recognised using the effective interest method.

#### *Provision of services*

Revenue derived through the provision of services to third parties is recognised upon completion at the balance date.

### Leases

#### *Operating leases*

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the NZALS are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive revenue and expense.

### Grant expenditure

Discretionary grants are those where the NZALS has no obligation to award on receipt of the grant application and are recognised as expenditure when deliverables approved by the Board have been met. All transactions are classified as exchange.

### 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.

### Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the NZALS will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive revenue and expense. When the receivable is uncollectible, it is written off against the allowance

account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

### **Investments**

At each balance sheet date the NZALS assesses whether there is any objective evidence that an investment is impaired.

### **Bank deposits**

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method. For bank deposits, impairment is established when there is objective evidence that the NZALS will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered indicators that the deposit is impaired.

### **Inventories**

Inventories are held for the provision of services and measured at the lower of cost (calculated using the weighted average cost method) and current replacement cost. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition. Inventories include stock on hand and work in progress.

Inventories classified as work in progress are valued at the weighted average cost at the time they were used. Labour is included at cost.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of comprehensive revenue and expense in the period when the write-down occurs.

### **Foreign currency transactions**

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the surplus or deficit.

The NZALS does not currently use forward exchange contracts to hedge exposure to foreign exchange risk.

### **Property, plant and equipment**

Property, plant and equipment asset classes consist of leasehold improvements, plant and equipment, furniture and fittings and computer equipment.

Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

### ***Additions***

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the NZALS and the cost of the item can be measured reliably.

An item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive revenue and expense.

### *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 the NZALS 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 statement of comprehensive revenue and expense as they are incurred.

### *Depreciation*

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

|                        |                  |          |
|------------------------|------------------|----------|
| Leasehold improvements | 4.75 to 50 years | (2%-21%) |
| Plant and equipment    | 10 years         | (10%)    |
| Furniture and fittings | 5 years          | (20%)    |
| Computer equipment     | 3 years          | (33%)    |

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.

## Intangible assets

### *Software acquisition and development*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by NZALS are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of overheads. Personnel training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the NZALS website is recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive revenue and expense.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

|                             |         |       |
|-----------------------------|---------|-------|
| Acquired computer software  | 5 years | (20%) |
| Developed computer software | 5 years | (20%) |

## Impairment of property, plant, and equipment and intangible assets

### *Non Cash Generating Assets*

NZALS 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 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 amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the NZALS would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

### *Creditors and other payables*

Creditors and other payables are recorded at their face value.

## Employee entitlements

### *Short-term employee entitlements*

Employee entitlements that the NZALS expects to be settled within 12 months of balance date are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The NZALS recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the NZALS anticipates it will be used by personnel to cover those future absences.

The NZALS recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

### *Long-term employee entitlements*

Long service leave entitlements that are payable beyond 12 months have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to personnel, based on years of service, years to entitlement, the likelihood that personnel will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for Government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

### *Presentation of employee entitlements*

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as a non-current liability.

## Superannuation schemes

### *Defined contribution schemes*

Obligations for contributions to KiwiSaver and the New Zealand Artificial Limb Service Superannuation Scheme with New Zealand Retirement Trust, are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

### *Defined benefit schemes*

The NZALS makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 16.

### **Provisions**

The NZALS recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and reported as a 'finance cost'.

### **Equity**

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

- General funds
- Board-created reserves.

#### ***Property occupancy reserve***

This reserve is a contingency for purchase of property, relocation of limb centre, major modification or alternative premises.

#### ***IT enhancement reserve***

This reserve is for major upgrade of IT infrastructure outside the normal replacement of equipment in use.

#### ***Centre upgrading reserve***

The purpose and future use of this reserve is for maintaining the presentation of centres.

#### ***Research and development reserve***

This reserve supports the Contestable Research Fund and other research and development projects within the field of amputee services.

#### ***Special funding reserve***

Donated proceeds held by NZALS with individual caveats on how funds are to be spent.

#### ***High needs pool***

Established in 2013, this reserve is funded by an amount set aside from the annual health contract allocation to meet future service requirements of high-cost individuals, generally young amputees with multiple amputations.

#### ***Specialised technology pool***

Established in 2013, this reserve is funded by an amount set aside from the annual health contract allocation to meet future requirement for specialised technology.

### **Goods and Services Tax (GST)**

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 then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (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 an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Income tax**

The NZALS is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

### **Budget figures**

The budget figures are derived from the Statement of Performance Expectation 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 for the preparation of the financial statements.

### **Critical accounting estimates and assumptions**

In preparing these financial statements, NZALS has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### ***Estimating useful lives and residual values of property, plant and equipment and intangibles***

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

An incorrect estimate of the useful life or residual value will affect the depreciation expense and amortisation recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The NZALS minimises the risk of this estimation by:

- physical inspection of assets
- review of second-hand market prices for similar assets

The NZALS has not made significant changes to past assumptions concerning useful lives and residual values.

### *Long service leave*

Note 13 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave liabilities.

### **Critical judgements in applying accounting policies**

#### *Leases classification*

Determining whether a lease agreement is a 'finance' or an 'operating' lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the NZALS.

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 present value of the minimum lease payments. Classification as a finance lease means that 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.

## **2 Revenue from Government Contract Funding**

The NZALS has been provided with funding principally from income is derived principally from contracts with ACC for trauma-based amputees and Capital & Coast District Health Board, which manages the national contract for amputees with illness-based amputations, congenital limb deficiencies or long-standing trauma-based amputations.

## **3 Gains**

|                            | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|----------------------------|-------------------------|-------------------------|
| Net foreign exchange gains | -                       | 17                      |
| <b>Total gains</b>         | <b>-</b>                | <b>17</b>               |

## **4 Personnel costs**

|  | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--|-------------------------|-------------------------|
| Salaries and wages                                     | 3,546                   | 3,098                   |
| Employer contributions to superannuation schemes       | 115                     | 111                     |
| Increase/(decrease) in employee entitlements (note 13) | 67                      | 80                      |
| <b>Total personnel costs</b>                           | <b>3,728</b>            | <b>3,289</b>            |

Employer contributions to defined contribution plans include contributions to KiwiSaver, NZ Retirement Trust Superannuation Fund and the DBP Contributions Scheme.

## 5 Other expenses

|   | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|---|-------------------------|-------------------------|
| Fees to auditor                                   |                         |                         |
| Audit fees for financial statement audit          | 33                      | 32                      |
| Board members' fees                               | 73                      | 70                      |
| Board members' expenses                           | 22                      | 16                      |
| Material costs                                    | 4,632                   | 3,618                   |
| Operating lease expense                           | 63                      | 65                      |
| Consultancy                                       | 47                      | 30                      |
| Net foreign exchange losses                       | 28                      | -                       |
| Net loss on sale of property, plant and equipment | 1                       | 4                       |
| Other   | 924                     | 700                     |
| <b>Total other expenses</b>                       | <b>5,823</b>            | <b>4,535</b>            |

## 6 Cash and cash equivalents

|  | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--|-------------------------|-------------------------|
| Cash on hand and at bank               | 769                     | 806                     |
| Cash equivalents – term deposits       | 130                     | -                       |
| <b>Total cash and cash equivalents</b> | <b>899</b>              | <b>806</b>              |

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

## 7 Debtors and other receivables

|  | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--|-------------------------|-------------------------|
| Trade debtors                              | 955                     | 718                     |
| Other receivables                          | 31                      | 10                      |
| Interest accrual                           | 79                      | 80                      |
| <b>Total debtors and other receivables</b> | <b>1,065</b>            | <b>808</b>              |

The carrying value of receivables approximates their fair value.

## 8 Inventories

|                          | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--------------------------|-------------------------|-------------------------|
| Materials                | 790                     | 773                     |
| Work in progress         | 343                     | 439                     |
| <b>Total inventories</b> | <b>1,133</b>            | <b>1,212</b>            |

The NZALS does not currently hold any inventory for distribution (2014: nil).

The write-down of materials held for production amounted to \$4,200 (2014: \$9,400).

There are no inventories pledged as security for liabilities; however, some inventories are subject to retention of title clauses until paid for in full.

## 9 Investments

|   | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|---|-------------------------|-------------------------|
| Current investments are represented by: |                         |                         |
| Term deposits                           | 3,848                   | 4,218                   |
| <b>Total investments</b>                | <b>3,848</b>            | <b>4,218</b>            |

The weighted average effective interest rate for term deposits is 4.13% (2014: 4.14%).

There were no impairment provisions for investments.

The carrying amount of term deposits with maturities of less than 12 months approximates their fair value.

## 10 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

|   | Leasehold<br>improve-<br>ments<br>\$000 | Plant &<br>equip-<br>ment<br>\$000 | Furniture<br>and<br>fittings<br>\$000 | Computer<br>equipment<br>\$000 | Total<br>\$000 |
|---|---|------------------------------------|---------------------------------------|--------------------------------|----------------|
| <b>Cost or valuation</b>                              |   |                                    |                                       |                                |                |
| Balance at 1 July 2013                                | 998                                     | 775                                | 370                                   | 227                            | 2,370          |
| Balance at 30 June 2014                               | 998                                     | 975                                | 370                                   | 177                            | 2,520          |
| Balance at 1 July 2014                                | 998                                     | 975                                | 370                                   | 177                            | 2,520          |
| Additions   | 5                                       | 125                                | 48                                    | 45                             | 223            |
| Disposals   | -                                       | (253)                              | (4)                                   | (2)                            | (259)          |
| Balance at 30 June 2015                               | 1,003                                   | 847                                | 414                                   | 220                            | 2,484          |
| <b>Accumulated depreciation and impairment losses</b> |   |                                    |                                       |                                |                |
| Balance at 1 July 2013                                | 318                                     | 656                                | 320                                   | 198                            | 1,492          |
| Depreciation expense                                  | 44                                      | 41                                 | 15                                    | 24                             | 124            |
| Balance at 30 June 2014                               | 362                                     | 691                                | 327                                   | 128                            | 1,508          |
| Balance at 1 July 2014                                | 362                                     | 691                                | 327                                   | 128                            | 1,508          |
| Depreciation expense                                  | 42                                      | 56                                 | 18                                    | 26                             | 142            |
| Impairment losses                                     | -                                       | -                                  | -                                     | -                              | -              |
| Eliminate on disposal                                 | -                                       | (253)                              | (4)                                   | (2)                            | (259)          |
| Balance at 30 June 2015                               | 404                                     | 494                                | 341                                   | 152                            | 1,391          |
| <b>Carrying amounts</b>                               |   |                                    |                                       |                                |                |
| At 1 July 2013  | 680                                     | 119                                | 50                                    | 29                             | 878            |
| At 30 June and 1 July 2014                            | 636                                     | 284                                | 43                                    | 49                             | 1,012          |
| <b>At 30 June 2015</b>                                | <b>599</b>                              | <b>353</b>                         | <b>73</b>                             | <b>68</b>                      | <b>1,093</b>   |

There are no restrictions over the title of the NZALS plant and equipment, nor are there any plant and equipment pledged as security for liabilities.

## 11 Intangible assets

Movements for each class of intangible assets are as follows:

|   | Acquired software<br>\$000 | Internally generated software<br>\$000 | Total<br>\$000 |
|---|----------------------------|--|----------------|
| <b>Cost</b>   |                            |  |                |
| Balance at 1 July 2013                                | 271                        | 540                                    | 811            |
| Balance at 30 June 2014                               | 263                        | 540                                    | 803            |
| Balance at 1 July 2014                                | 263                        | 540                                    | 803            |
| Additions   | 3                          | -                                      | 3              |
| Disposals   | (3)                        | -                                      | (3)            |
| Balance at 30 June 2015                               | 263                        | 540                                    | 803            |
| <b>Accumulated amortisation and impairment losses</b> |                            |  |                |
| Balance at 1 July 2013                                | 237                        | 540                                    | 777            |
| Balance at 30 June 2014                               | 243                        | 540                                    | 783            |
| Balance at 1 July 2014                                | 243                        | 540                                    | 783            |
| Amortisation expense                                  | 12                         | -                                      | 12             |
| Eliminate on disposal                                 | (3)                        | -                                      | (3)            |
| Balance at 30 June 2015                               | 252                        | 540                                    | 792            |
| <b>Carrying amounts</b>                               |                            |  |                |
| At 1 July 2013  | 34                         | -                                      | 34             |
| At 30 June and 1 July 2014                            | 20                         | -                                      | 20             |
| <b>At 30 June 2015</b>                                | <b>11</b>                  | <b>-</b>                               | <b>11</b>      |

There are no restrictions over the title of the NZALS intangible assets, nor are there any intangible assets pledged as security for liabilities.

## 12 Creditors and other payables

|   | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|---|-------------------------|-------------------------|
| Creditors                                 | 191                     | 320                     |
| Income in advance                         | 42                      | 21                      |
| Accrued expenses                          | 340                     | 166                     |
| GST                                       | 128                     | 69                      |
| <b>Total creditors and other payables</b> | <b>701</b>              | <b>576</b>              |

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximated their fair value.

## 13 Employee entitlements

|  | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--|-------------------------|-------------------------|
| <b>Current employee entitlements are represented by:</b>     |                         |                         |
| Accrued salaries and wages                                   | 219                     | 168                     |
| Annual leave   | 282                     | 272                     |
| Sick leave   | 23                      | 16                      |
| Long service leave   | 12                      | 29                      |
| <i>Total current portion</i>                                 | 536                     | 485                     |
| <b>Non-current employee entitlements are represented by:</b> |                         |                         |
| Long service leave   | 79                      | 63                      |
| <i>Total non-current portion</i>                             | 79                      | 63                      |
| <b>Total employee entitlements</b>                           | <b>615</b>              | <b>548</b>              |

The present value of long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate, the New Zealand Artificial Limb Service used the discount rates published by the Treasury for the purpose of valuing employee benefits as at 30 June 2015. The salary inflation factor has been determined after considering historical salary inflation patterns by an independent actuary. A weighted average discount rate of 3.3% (2014: 4.5%) and an inflation factor of 3.0% (2014: 3.0%) were used.

If the discount rate were to differ by 1% from the New Zealand Artificial Limb Service's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$5,000 higher/lower. If the salary inflation factor were to differ by 1% from the New Zealand Artificial Limb Service's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$4,000 higher/lower.

## 14 Equity

|   | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|---|-------------------------|-------------------------|
| <b>General funds</b>                      |                         |                         |
| Balance at 1 July                         | 7,002                   | 6,250                   |
| Surplus/(deficit)                         | (226)                   | 752                     |
| <b>Balance at 30 June</b>                 | <b>6,776</b>            | <b>7,002</b>            |
| <b>Less Board-created reserves</b>        |                         |                         |
| Property occupancy reserve                | (1,522)                 | (1,471)                 |
| IT enhancement reserve                    | (195)                   | (189)                   |
| Centre upgrading reserve                  | (136)                   | (145)                   |
| Research and development reserve          | (344)                   | (341)                   |
| Special funding reserve                   | (12)                    | (12)                    |
| Health-funded high needs pool             | (473)                   | (315)                   |
| Health-funded specialised technology pool | (473)                   | (315)                   |
| <b>Closing general funds</b>              | <b>3,621</b>            | <b>4,214</b>            |
| <b><i>Movement in Board reserves</i></b>  |                         |                         |
| <b>Property occupancy reserves</b>        |                         |                         |
| Opening balance                           | 1,471                   | 1,451                   |
| Transferred from general funds            | 51                      | 20                      |
| Balance as at 30 June                     | 1,522                   | 1,471                   |
| <b>IT enhancement reserve</b>             |                         |                         |
| Opening balance                           | 189                     | 183                     |
| Transferred from general funds            | 6                       | 6                       |
| Balance as at 30 June                     | 195                     | 189                     |
| <b>Centre upgrading reserve</b>           |                         |                         |
| Opening balance                           | 145                     | 155                     |
| Transferred from general funds            | (9)                     | (10)                    |
| Balance as at 30 June                     | 136                     | 145                     |
| <b>Research and development reserve</b>   |                         |                         |
| Opening balance                           | 341                     | 329                     |
| Transferred from general funds            | 3                       | 12                      |
| Balance as at 30 June                     | 344                     | 341                     |
| <b>Special funding reserve</b>            |                         |                         |
| Opening balance                           | 12                      | 12                      |
| Transferred from general funds            | -                       | -                       |
| Balance as at 30 June                     | 12                      | 12                      |
| <b>High needs pool</b>                    |                         |                         |
| Opening balance                           | 315                     | 158                     |
| Transferred from general funds            | 158                     | 157                     |
| Balance as at 30 June                     | 473                     | 315                     |
| <b>Specialised technology pool</b>        |                         |                         |
| Opening balance                           | 315                     | 158                     |
| Transferred from general funds            | 158                     | 157                     |
| Balance as at 30 June                     | 473                     | 315                     |
| <b>Total Board-created reserves</b>       | <b>3,155</b>            | <b>2,788</b>            |

## 15 Capital commitments and operating leases

### Capital Commitments

|                                  | 2015<br>\$000 | 2014<br>\$000 |
|----------------------------------|---------------|---------------|
| Capital commitments              |               |               |
| Property, plant and equipment    | 213           | 43            |
| <b>Total capital commitments</b> | <b>213</b>    | <b>43</b>     |

### Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

|   | 2015<br>\$000 | 2014<br>\$000 |
|---|---------------|---------------|
| Not later than one year                           | 10            | 40            |
| Later than one year and not later than five years | -             | 10            |
| Later than five years                             | -             | -             |
| <b>Total non-cancellable operating leases</b>     | <b>10</b>     | <b>50</b>     |

The NZALS has commercial leases on two properties:

- Dunedin Centre lease – a three-year variation has been agreed, extending the lease to April 2016. No commercial rent is payable with fixed outgoings of \$20,754 per annum
- Wellington – the National Office lease expires September 2015. Intention to extend for further 6+6 months at current rent.

Auckland, Hamilton, Wellington and Christchurch Limb Centres are in premises provided as Crown assets at nominal rents and are managed through the Ministry of Social Development. Formal lease/sub-lease arrangements for Auckland and Hamilton were renewed during the 2012 year, and assignment of lease for Wellington was executed in 2013. The Christchurch sub-lease has been signed by NZALS and is awaiting execution by the Ministry of Social Development and Canterbury District Health Board. NZALS is responsible for all associated outgoings and maintenance of these premises.

## 16 Contingencies

### Contingent liabilities

#### Superannuation schemes

The NZALS is a participating employer in the DBP Contributors Scheme ('the Scheme'), which is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2015, the Scheme had a past service surplus of \$20.9 million, being 11.4% of total liabilities (2014: \$16.2 million – 8.0% of total liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

The Actuary of the Scheme has recommended the employer contributions are suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

There are no other contingent liabilities (2014: \$nil).

#### Contingent assets

The NZALS has no contingent assets (2014: \$nil).

## 17 Related party transactions

There are no transactions outside normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect NZALS would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

### Key management personnel compensation

|  | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--|-------------------------|-------------------------|
| <i>Board Members</i>                               |                         |                         |
| Remuneration                                       | \$72,700                | \$70,325                |
| Full-time equivalent members                       | 1.25                    | 1.25                    |
| <i>Leadership Team</i>                             |                         |                         |
| Remuneration                                       | \$977,318               | \$887,776               |
| Full-time equivalent members                       | 7                       | 7                       |
| <b>Total key management personnel remuneration</b> | <b>\$1,050,018</b>      | <b>\$958,101</b>        |
| <b>Total full time equivalent personnel</b>        | <b>8.25</b>             | <b>8.25</b>             |

## 18 Board member remuneration

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

|  | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|--|-------------------------|-------------------------|
| G Reedy                                | 25                      | 25                      |
| R Sainsbury                            | 10                      | 10                      |
| F Sumner                               | 10                      | 10                      |
| P Tesoriero                            | 10                      | 10                      |
| B Tietjens                             | -                       | 7                       |
| A Thurston                             | 10                      | -                       |
| K Wilfred-Riley                        | 10                      | 10                      |
| <b>Total Board member remuneration</b> | <b>75</b>               | <b>72</b>               |

There have been no payments made to committee members appointed by the Board who were not members of the Board during the financial year.

No Board members received compensation or other benefits in relation to cessation (2014: nil).

## 19 Employee remuneration

| Total remuneration paid or payable | Actual<br>2015 | Actual<br>2014 |
|------------------------------------|----------------|----------------|
| \$100,000 – \$109,999              | 1              | -              |
| \$110,000 – \$119,999              | 2              | 2              |
| \$120,000 – \$129,999              | -              | -              |
| \$130,000 – \$139,999              | 2              | 2              |
| \$140,000 – \$149,999              | -              | -              |
| \$150,000 – \$159,999              | -              | -              |
| \$160,000 – \$169,999              | -              | -              |
| \$170,000 – \$179,999              | -              | -              |
| \$180,000 – \$189,999              | 1              | -              |
| \$190,000 – \$199,999              | -              | -              |
| \$200,000 – \$209,999              | -              | 1              |
| <b>Total employees</b>             | <b>6</b>       | <b>5</b>       |

During the year ended 30 June 2015, no employees received compensation and other benefits in relation to cessation (2014: \$nil).

## 20 Events after the balance date

There were no significant events after the balance date.

## 21 Categories of financial assets and liabilities

The carrying amount of financial assets and liabilities in each of the PBE IPSAS 30 categories are as follows:

|   | Actual<br>2015<br>\$000 | Actual<br>2014<br>\$000 |
|---|-------------------------|-------------------------|
| <i>Loans and receivables</i>                                  |                         |                         |
| Cash and cash equivalents                                     | 899                     | 806                     |
| Term deposits   | 3,848                   | 4,218                   |
| Debtors and other receivables                                 | 1,065                   | 807                     |
| <b>Total loans and receivables</b>                            | <b>5,812</b>            | <b>5,831</b>            |
| <i>Financial liabilities measured at amortised cost</i>       |                         |                         |
| Creditors and other payables                                  | 701                     | 576                     |
| <b>Total financial liabilities measured at amortised cost</b> | <b>701</b>              | <b>576</b>              |

## **22 Explanation of significant variances against budget**

Explanations for significant variations from the NZALS budgeted figures in the Statement of Performance Expectations are as follows:

### **Statement of Revenue and Expense**

#### **Revenue**

The revenue increase of \$824,000 on that budgeted was principally due to the increased use of specialised technologies for trauma-related amputations.

#### **Operating expenses**

Other expenses were greater than budgeted by \$794,000; material costs being the most significant accounted for \$694,000, a combination of specialised technology componentry and increased service demand for health-funded amputations; legal costs increased by \$115,000 mainly due to privacy and information requests along with non-budgeted recruitment costs of \$75,000. Depreciation and amortisation expense was \$88,000 less than budgeted due to timing of plant and equipment additions.

## **23 Adjustments arising on the transition to the new PBE accounting standards**

#### **Reclassification adjustments**

There have been no reclassifications on the face of the financial statements in adopting the new PBE accounting standards

#### **Recognition and measurement adjustments**

There have been no changes made to recognition and measurement adjustments to the 30 June 2014 comparative information resulting from the transition to the new PBE accounting standards.

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