

Report of

**NZALS**

**New Zealand Artificial Limb Service**

Peke Waihangā, Aotearoa

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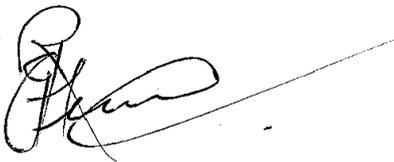
For the Year Ended  
30 June 2018

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 section 151 of the Crown Entities Act 2004, we submit the Annual Report of NZALS for the year ended 30 June 2018.



George Reedy  
Chair

31 October 2018



Faye Sumner  
Board Member

31 October 2018

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## Matakitenga

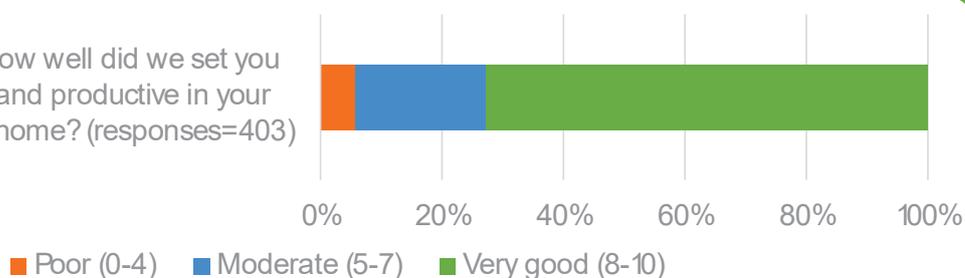
Kia motuhake me te whaihua ngā oranga o ō tātou tūroro.

## Koromakinga

Kia noho motuhake te tūroro mā te whakarato i ngā ratonga peke waihanga me te whakarauora.

## Delivering on our vision<sup>1</sup>

All things considered, how well did we set you up to be independent and productive in your local community and at home? (responses=403)



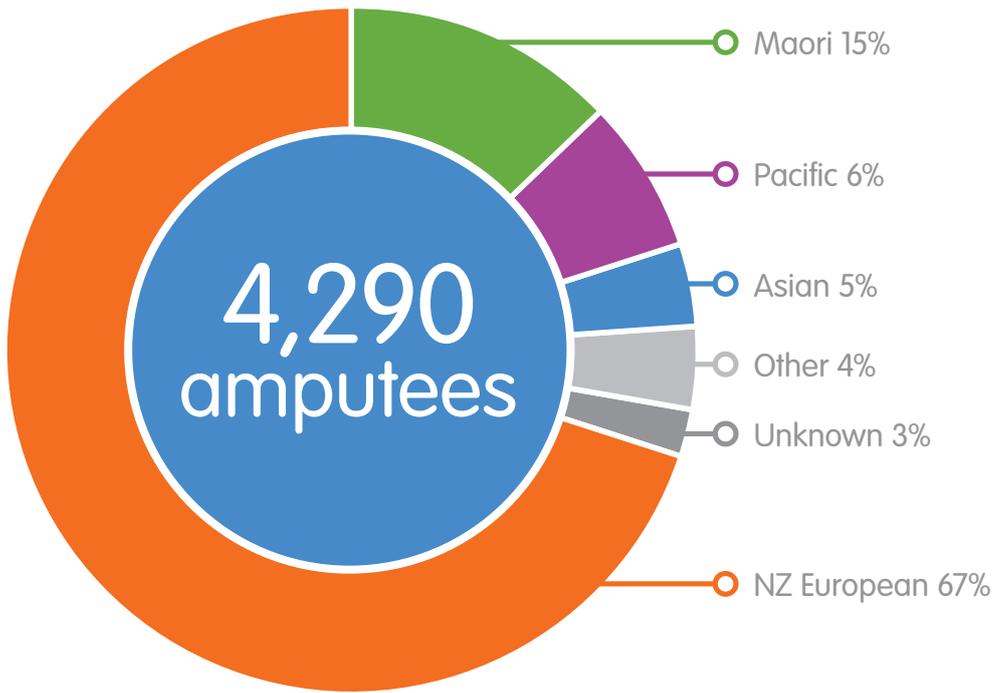
The above graph shows this year's patient response to our independent continuous improvement programme. The question scale was: 0 worst possible score and 10 best possible score.

## Outcomes

% of new amputees in 2016/17 that showed an improvement in 2017/18 on their initial outcome measures:

**87% Independence<sup>2</sup> & 96% Mobility<sup>3</sup>**

# 2018 Snapshot of NZALS



### Expert Workforce

- 5 Rehab Physicians
- 7 Orthopaedic Surgeons
- 11 Physiotherapists & Occupational Therapist
- 21 Device Technicians
- 22 Prosthetist/Orthotists
- 3 Peer Support Volunteers
- 12 Service Coordination & Support

amputees **74% male**  **26% female** 

This year:

**347 new amputees**

**52% diabetes and vascular amputations**

**31% trauma amputations**

**17% congenital, cancer and infection amputations**

**793 days of structured and mentoring professional development**

**14% increase in completed jobs compared to last year**

**57% increase in rehabilitation therapy and support**

## Our locations

There are five Centres, located in Auckland, Hamilton, Wellington, Christchurch and Dunedin, each of which also provides 14 Regional clinics to bring services to the following areas:



# Chairman's report

## Nau mai haere mai

It is very pleasing to see and hear the positive patient feedback to our service improvement programme. It has seen us continue to increase the appropriate provision of technology and more wraparound services for the people we care for.

Our service has the patient at the centre of everything we do. We continue to build on rehabilitation with more physiotherapy and occupational therapy input. Additionally, we have sought new contracts for orthotics service provision to provide more care to help prevent as much amputation as possible so that our health budget can be reprioritised as appropriate.

We continue to recruit the best for our expert workforce. This year, we up-skilled staff through their attendance at the Australian Orthotic and Prosthetic Association conference which is a world leading education forum. Additionally, we have encouraged the team to take on formal and informal learning opportunities with 793 days of professional development occurring this year.

Ensuring we have the most effective ownership structure to enhance service delivery for our strategy has been a key deliberation for the board. We look forward to engaging further about ownership of services with our responsible Minister to ensure we are doing the absolute best for our patients we support.

We continue to appropriately prescribe microprocessor knee technology to patients that may benefit from it. Our preliminary analysis of outcome measures have shown an approximately 94% reduction in self-reported falls for these patients. This is an amazing outcome and one that we continue to back.

Equity for outpatients is a critical concern for the whole team. We are pleased and proud of our relationship with DHBs that has seen an allocation of \$450,000 per annum to support patients with complex needs, technology requirements and additional rehabilitation support.

We have also collaborated with the Amputees Federation of New Zealand and Amputee Society of the Greater Wellington Region on two exciting pilot initiatives this year.

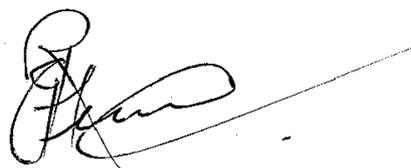
1. Parafed Wellington Kids Get Active day supported young people to have access to trial activity limbs to encourage participation in sports. This pilot event was a huge success and we will be looking to run more of these events next year.
2. We funded peer support training for 14 amputees from across the country. This received such positive feedback that we are looking to collaborate with the Amputees Federation to implement a national peer support programme for amputees.

In the face of significant service improvement over the last few years, it is disappointing that inaccurate and misleading comments about NZALS service levels and the qualifications of our team receives media attention from time to time. We are very mindful that confidence in our people and services is important to all our stakeholders, most especially our patients, and we therefore expend time, effort and cost ensuring that the public record is correct. We would prefer to put these efforts into services to the 4,290 people we care for.

It has been another big year and I would like to thank our Minister, the NZALS CEO and team, our board members, and all those that have collaborated with us to achieve increased mobility and independence for amputees.

I wish to also acknowledge the great work by our communities to provide amputees with opportunities to be included and to amputees in taking the initiative to be part of those activities.

Kia kaha, kia maia



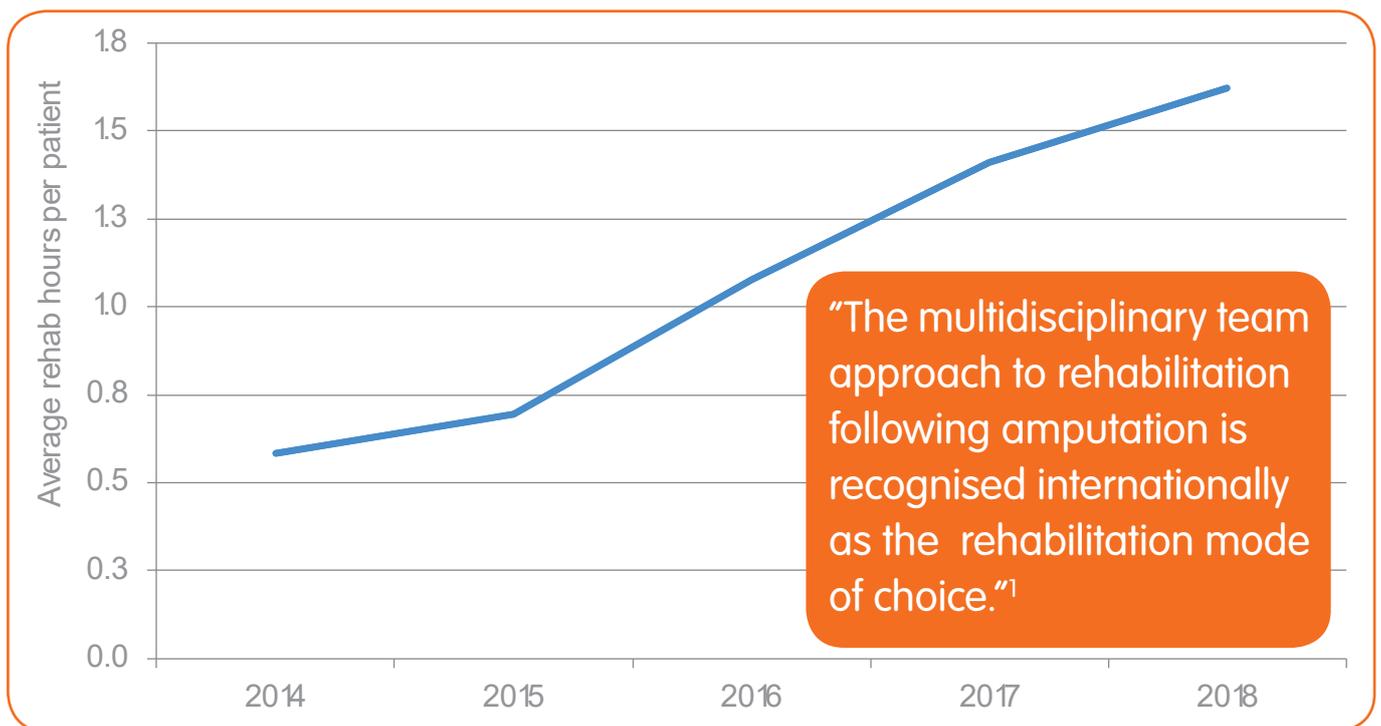
George Reedy  
Chair

# Service

Our 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.

## More rehabilitation

Rehabilitation services are critical for our patients. It ensures correct utilisation and maximises the benefit of the prosthetic and/or the orthotic we manufacture and fit. We have continued to build our rehabilitation services over the last four years with the below graph showing a 179% increase in the average rehabilitation (physiotherapy and occupational therapy) hours provided to patients that access the service.

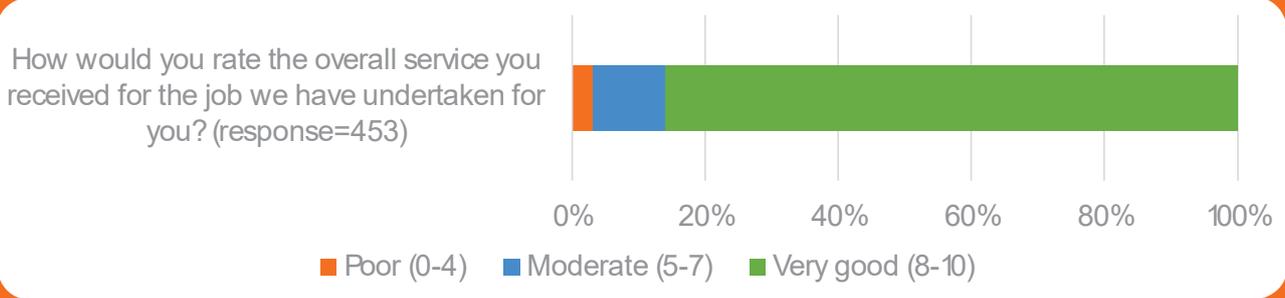


1. Clinical guidelines for the pre and post operative physiotherapy management of adults with lower limb amputations, 2nd Edition- 2016, British Association of Chartered Physiotherapists in Amputee Rehabilitation.



This year, we provided 3,956 rehabilitation therapy sessions which is a 57% increase on last year.

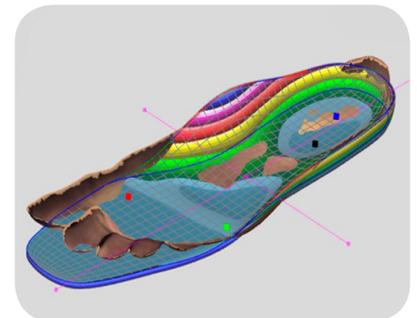
## High patient satisfaction



The above graph shows this year's patient response to our independent continuous improvement programme. The question scale was: 0 worst possible score and 10 best possible score.

## Building our orthotic capability

The orthotic consideration for amputees other limbs is an important part of our future wraparound service. Additionally, the provision of a orthosis to patients with diabetes and vascular disease is a key amputation prevention strategy.



Foot scan with mapping used to make insole orthosis.

This year, we were awarded the Waikato DHB's Orthotic Service Contract in collaboration with Orthotic House.

To support this new service, we have established Orthotic Service Waikato, to see more about this service, please visit [www.osw.co.nz](http://www.osw.co.nz).



## Improving the coordination of osseointegration

Osseointegration is a surgical alternative to the traditional sockets used for above knee amputees. It involves a metal implant into the femur bone that protrudes from the patients stump. The prosthetic knee is then connected to the implant. There were two osseointegration procedures completed this year and 11 amputees that have had the osseointegration procedure in New Zealand. To support these patients, this year we have taken a more active role in the coordination of this service.

## This year's service demand statistics

347 | New amputees

688 | New/replacement limbs made

3852 | Limbs repaired

4290 | All amputees

13K | Jobs completed (excluding consumables)

41K | Consumables provided (for example, liners)

# Expert workforce

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

## Workforce profile

Our success will be driven by having a workforce that reflects the wider community and its diversity. Our strategy is to attract workers with the right skills from more diverse backgrounds to enable us to understand our patients better, while adding breadth and depth to our workforce.

71

Employee Full Time Equivalents

38:38

Female:Male staff

30%

Part-time workers

100%

Qualified as per contracts

793

Days professional development

208

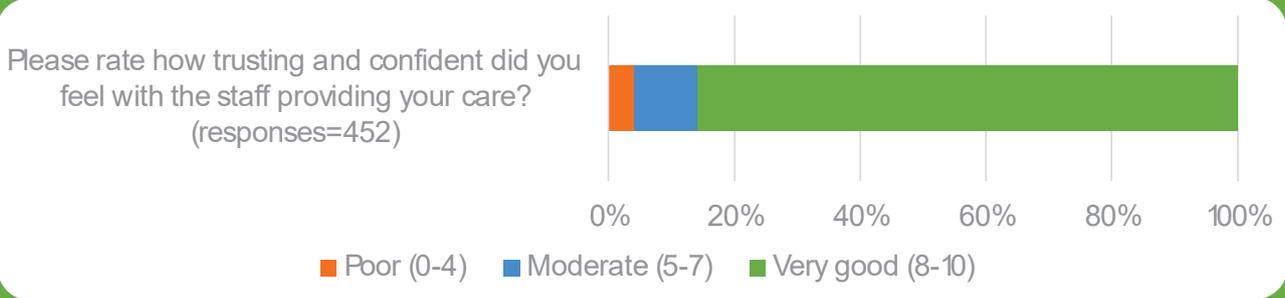
Compliance training modules completed



At the 2017 Australian Orthotic and Prosthetic Associations Annual Congress:

1. Elizabeth Carey, Prosthetist, Auckland Centre was awarded best congress presentation
2. Sean Gray, CEO, chaired the Orthotic and Prosthetic Education session.

## Patients have a high trust and confidence in our team



The above graph shows this year's patient response to our independent continuous improvement programme. The question scale was: 0 worst possible score and 10 best possible score.

## Experienced and qualified prosthetists

"New Zealand's health workforce also faces challenges. It is ageing – 40% of doctors and 45% of nurses are aged over 50 years. It also has a large unregulated workforce (numbering about 63,000), including care and support workers, or kaiawhina, who often have limited access to training. Many of our workforce have trained overseas – 42% of our doctors, 32% of our midwives and 26% of our nurses. This means we need to continually invest in training so that our health workforce has the skills needed to meet the health needs and expectations of caring for New Zealanders."<sup>1</sup>

There is currently no tertiary prosthetics and orthotics qualifications available in New Zealand.

	Degree	American/ Canadian Certified	NZ Polytech/CIT Certified	NZ Certificate
Prosthetists	11	3	7	1
Avg. years experience	7	19	31	44

We have a highly specialised expert workforce; 22 of the our 86 strong team are clinical prosthetists; self-regulated professionals. The above table shows our prosthetist by qualification and the relative average years prosthetic experience by qualification type. Meaning the people we care for have a variety and choice of highly capable prosthetists to provide them services.



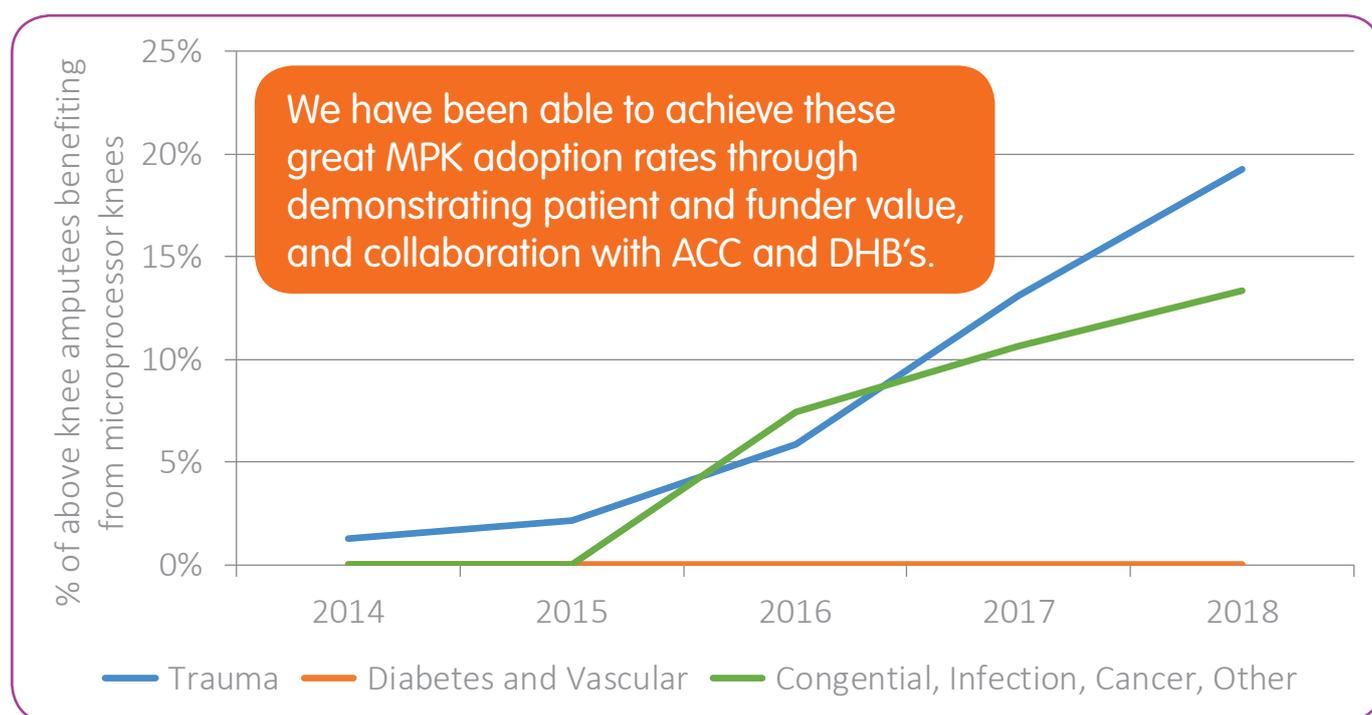
NZALS team at our 2018 Annual Staff Conference, 30–31 May.

# Technology and R&D

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

## Realising the benefit of microprocessor knees

Microprocessor knees (MPK) have the potential to significantly improve the lives of some above knee amputees. These benefits can be reduced falls, improved functionality, mobility, independence and quality of life. To realise these benefits, we have continued to appropriately prescribe micro processor knees. The below graph shows the percentage increase of above knee amputees using microprocessor knees in NZ.



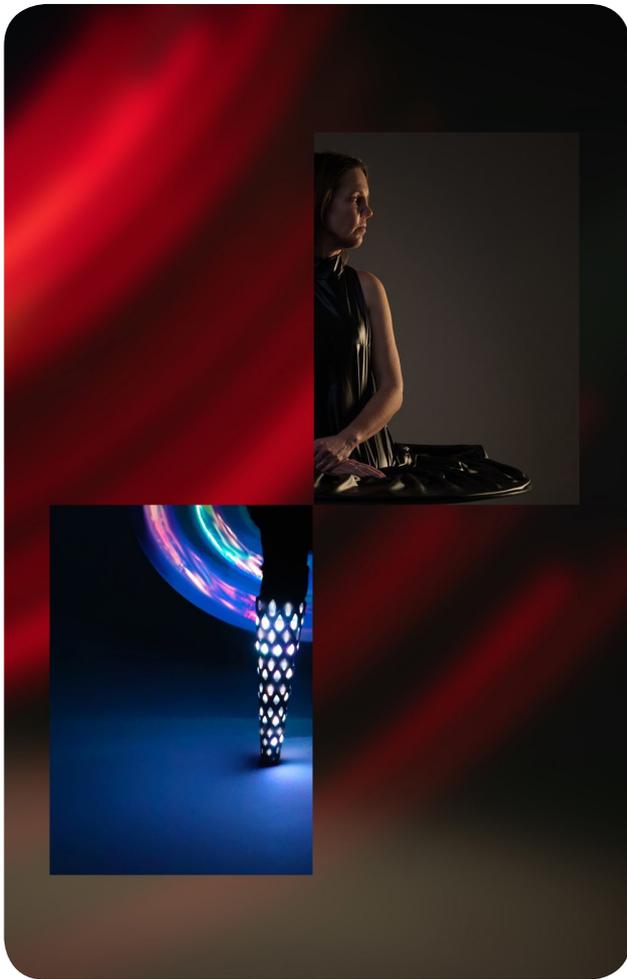
A preliminary review of feedback from amputees using microprocessor knees (MPK) suggests:

1. Prior to using a MPK, they fell on average 2.5 times per month
2. After 12 months of using a MPK, they were falling on average 0.15 times per month
3. This is a 94% reduction in falls.

## Research to guide service delivery improvements

This year we invested \$43,752 into research and development, examples follow:

### 3D printed prosthesis for performance enhancement



Social exclusion can be common for amputees. In recent times, there has been a development in the representation of amputees with the help of new technologically advanced and designed prosthetics in certain contexts. Unfortunately, the availability and promotion of designed prosthetics is limited. To build momentum around the development and diversification of social inclusion, this project focused on extending the area of immersion to the public by targeting the discipline of performance art.

**Fenella Richards, Masters Student, Victoria University.**

### Development of prosthetic hand



Prosthetic devices can enhance the quality of life for amputees and attempt to restore function. Until recent years the development of trans-radial prosthetics has been limited, however, the current technological climate and advances in research/development have opened the door to new opportunities in this area. There has never been a more opportune time to mimic the aesthetics, function and performance of the human hand. This research aims to minimize the design mismatch between prosthetic hands and human hands. This work introduces a 3D printed prosthetic hand that employs computer vision to recognise, grasp and manipulate objects in an unmodified human environment.

**ChiKit Au & Mahonri Owen, University of Waikato.**

# Pathways to the Paralympic Games: Exploring the sporting journeys of high performance Para athletes with a limb deficiency

Research funded by NZALS

Characteristics associated with sport expertise have been well researched for able-bodied athletes, however, little has been documented for Para athletes. It is important to understand the sporting journeys of successful Paralympians to better support the development of future elite Para athletes.

This research explored the sporting experiences of New Zealand Paralympians with a limb deficiency. Interviews were conducted with nine Paralympians with a limb deficiency to understand their sporting pathway, as well as any perceived influences on participation and sporting success. Three key influences emerged: sport influences, psychological influences, and impairment influences.

Feelings of support from coaches, parents and peers were considered to be particularly important to the Paralympians, who stated that people contributed to the positive vibe and successful culture surrounding their Para sport environment.

Perceptions of sporting competence were increased through the Paralympian's ability to apply mental skills training via techniques such as visualisation and positive self-talk.

Feelings surrounding impairment were often that of frustration. This was due to both society creating pre-conceived ideas of what people living with limb deficiency should be able to accomplish, and prosthetic technology not being accessible or meeting the requirements for the level of training necessary for the Paralympian to achieve optimal performance.

The main findings of this study suggest Paralympians have additional and unique development needs and considerations to able-bodied high performance athletes, and that having strong support networks and the ability to access appropriate resources are critical to influencing successful sporting pathways to elite Para sport.

The results from this study present an evidence-base which can give insight to New Zealand's Para sport sector on potential areas to improve future talent identification and development of emerging Para athletes.

Loretta Hogg<sup>1</sup>, Sarah-Kate Millar<sup>1</sup>, Simon Walters<sup>1</sup> & Melissa Wilson<sup>2</sup>

1. Auckland University of Technology
2. Paralympics New Zealand



Carl Murphy.



Cam Leslie



Kate Horan.

# Equity

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



Participants in the Kids Get Active day.

## Piloting an activity day for young people living with limb loss



In April, we piloted a Kids Get Active day in collaboration with Parafed Wellington. Based on the success of this day, next year, we plan to run similar activities in 5 locations across NZ. Visit <https://youtu.be/CLe8I9ib0oY> to see a video of the day.



This year, CentralTAS audited our national DHB contract, of the areas reviewed, they found our service to be 100% compliant with the Health and Disability Service Standard.

## Embracing peer support

In April, we collaborated with the Amputees Federation of NZ (AFNZ) and the Amputee Society of the Greater Wellington Region to bring Melissa Noonan, CEO, Limbs 4 Life to NZ. Melissa presented at the 2018 AFNZ

Conference and ran a peer support training day for approximately 14 amputees.



## Neuromuscular collaboration

NZALS' current capability and capacity, and our evolving wrap around service model is creating new collaboration opportunities. For example, this year we progressed our collaboration with Polio NZ and the Duncan Foundation by running post-polio patient clinics and assessments at our centre and providing access to our centres to international orthotic specialist Marmaduke D. R. Loke from Dynamic Bracing – USA. Mr Loke utilised our workshops and provided professional development for NZ orthotists who observed the patient services.

## Compliance

We continue to seek feedback on our service and encourage patients to discuss service issues and complaints with the team. This feedback is the critical information we need to improve our services. Following are key statistics on our compliance function.

Complaints

14 (25 last year)

Privacy Act Requests

55 (25 last year)

OIA Requests

18 (11 last year)

Updated or new policies

30 (39 last year)

## Health and safety

The health and safety for our patients and workforce is a very important aspect of our business. Following are key statistics on our health and safety function.

Serious incidents

0 (0 last year)

Accidents and incidents

19 (19 last year)

H&S centre inspections

46 (45 last year)

H&S committee meetings

4 (4 last year)

## Improving our centres

We have negotiated for property costs to be incorporated into our national contracts with ACC and DHBs. This has allowed us to start the work required to transfer the Ministry of Social Development's interest in our centres to NZALS. This is an exciting outcome for the people we care for, as it will see significant investment over the coming years, in the facilities where they receive services.

# NZALS as a good employer

NZALS promotes staff participation in the development of 'good employer' programmes and practices through regular employee collaboration meetings, recruitment panels and health and safety policies.

We engage with our employees and the New Zealand Public Service Association which represents approximately 50% of our workforce to comply with the 'good employer' and equal employment opportunities provisions.

## Leadership, accountability and culture

- NZALS' values of challenging, fair, impartial, responsive, trustworthy and quality, guide our leadership team in making decisions that positively impact our patients and staff and create a strong and positive internal culture.
- Providing our people with ongoing context, direction and leadership on the performance of NZALS within a rapidly changing industry landscape.
- We provide coaching for our managers on key leadership capabilities including authentic leadership, influencing others, change agility & resilience, inspiring & motivating others and having brave conversations.

## Recruitment selection and induction

- Attracting and retaining the best employees is critically important to our expert workforce strategy and we have implemented a comprehensive organisation-wide induction programme for new employees, with e-learning, workshops and on-the-job tools and resources.
- Educating our business leaders on unconscious bias and the importance of inclusion and diversity in selection and promotion. For example, NZALS now employs equal numbers of women and men within the organisation.
- Actively engage staff through Be. Accessible – a social enterprise focused on creating equal opportunities for all New Zealanders and the Ministry of Social Development Mainstream employment programme which focuses on young graduates with disabilities moving into the workforce.
- NZALS is an 'accredited employer' with Immigration NZ. As an organisation we meet strict criteria in respect of our robust Human Resources practices and our commitment to training and employing New Zealanders (where appropriate).

## Employee development and promotion

- We harness the talent of our people and ensure they understand how they contribute to our wider success.
- Succession planning, internal growth strategies, training and development and continued professional development are all key themes in our expert workforce strategy.
- Through our world class training & development programmes, we encourage the development of professional skills and provide specialist training in prosthetics, orthotics, rehabilitation and technology.
- All prosthetists currently employed by NZALS hold a tertiary qualification in orthotics or prosthetics. This includes qualifications gained through universities, polytechnics and institutes of technology.

## Flexibility and work design

- NZALS actively supports many non-standard work arrangements where business demands enable these to occur, including part-time, flexible working hours, working from home and other forms of remote working.
- We tailor our support in these situations to individual need, and actively support return-to-work programmes for ill and injured employees.

## Remuneration, recognition and conditions

- Our remuneration processes have been developed by robust job sizing evaluations, ensuring that remuneration reflects the complexity of each role and the level of skill required.
- We have embarked on a review of our performance development, remuneration, and recognition systems to ensure that they meet the needs of both the organisation and our employees.

## Harassment and bullying prevention

- A revised Managing Bullying, Harassment and Discrimination in the Workplace policy was written detailing no tolerance for any form of discrimination or harassment within our organisation.

## Safe and healthy environment

- We are implementing a comprehensive internal health and safety strategy and have implemented new approaches to hazard and risk identification and management, and accident and incident reporting and investigation.
- Strategies for effectively managing our biggest risks are well embedded. We provide an Employee Assistance Programme, discounted health insurance, health monitoring checks, and influenza vaccinations.

We are committed to being a good employer and have adopted the guidelines of the Human Rights Commission in monitoring seven aspects of our engagement with our employees.

# Board Members

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 during the year were:

## **George Reedy – Chair**

George is from Ngati Porou, has a background in business and Maori economic development, non-government organisations and the public sector. A chartered accountant (with an MBA) by profession, his main roles are concentrated on strategy and business development especially in online digital environments.

## **Faye Sumner – Board Member**

Faye is the Chief Executive Officer of the Medical Technology Association of New Zealand (MTANZ). In this role, Faye has been at the forefront of negotiations with the New Zealand Government and Ministry of Health in the proposed development and reforms within New Zealand medical device regulations and procurement. Faye is a Board member of the NZ Standards Approval Board and the Medtech CoRE Governing Board.

## **Professor Alan Thurston – Board Member**

Professor Thurston is the Associate Professor of Orthopaedic Surgery and Consultant Hand Surgeon at the Wellington School of Medicine & Health Sciences and Wellington Hospital. Alan has been holding clinics at the Wellington Artificial Limb Centre for over 30 years.

## **Kevin Ross – Board Member**

Kevin served as the Chief Executive of the Whanganui District Council for seven years before retiring in 2015. In his various roles within the Council he has had considerable experience dealing with most sectors of the community and focussed on developing genuine and committed partnerships with local Iwi. Kevin currently chairs the Tararua District Council Audit and Risk Committee.

## **Cynthia Bennett – Board Member**

Cynthia is a specialist trained Medical Doctor in Physical Medicine and Rehabilitation. She practices Rehabilitation Medicine as a Fellow of the Australasian Faculty of Rehabilitation Medicine in NZ. Cynthia is the Clinical Head of Rehabilitation and the Auckland Spinal Rehabilitation Unit for Counties Manukau Health. In addition Cynthia holds the position of the NZ Branch Chair of the Australasian Faculty of Rehabilitation Medicine and is a member of the AFRM PAC.

## **Kate Horan – Board Member**

Kate is a dual Paralympian in athletics and cycling, winning Silver in the 200m at the 2008 Beijing Paralympic Games and has her sights on para cycling at the 2020 Paralympic Games which would be her fourth Paralympic Games. In her role with ParaFed Wellington, Kate has developed and implemented activity initiatives that have empowered many people leading to improved self-esteem and general wellbeing. Notably, at ParaFed Wellington, Kate and the team have developed an amazing youth activity programme that supports 100 families which will have life-long social and health benefits for those involved.

# Statement of performance expectations 2017/2018

The responsible Minister and NZALS have agreed to include the following set of voluntary measures which are aligned to the Strategic Objectives from NZALS' Statement of Intent.

Performance measures and standards	2017/18 Targets	Results
Minimum number of business days that services are available to amputees through all five NZALS limb centres	230	250
Minimum number of regional clinics held	14	15
Minimum number of days that information is available to amputees through the NZALS website	365	365
Percentage of new amputees with improved independence and mobility assessed using Time to up and go <sup>1</sup> and Locomotor Capability Index <sup>2</sup> within 18 months of fitting a new artificial limb	95–100%	TUG 96% <sup>5</sup> LCI 87% <sup>6</sup>
Surveyed amputees who positively rate the services provided <sup>3</sup>	Positive Net Promoter Score	80%
Percentage of NZALS clinical and technical employees with recognised certification and/or qualifications <sup>4</sup>	100%	100%
Number of collaborative research projects undertaken on issues designed to improve the provision of services to amputees	2	2 <sup>6</sup>

1. Time to up and go (TUG) – is an objective measure involving a simple walking test where the amputee sits, gets up, walks a measured distance, returns and sits down again.
2. Locomotor Capability Index (LCI) – is a subjective measure administered by a Physiotherapist with seven questions based on day to day activities and a further seven questions based on advanced activities.
3. The Net Promoter Score (NPS) measures the loyalty and satisfaction that exists between a provider and a consumer. An NPS that is positive (i.e. Higher than zero) is considered to be good.
4. As defined in NZALS contract with ACC.
5. This result achieved target, assessed on 25 patients.
6. This result did not achieve target, however on average these patients achieved a 48% improvement in independence assessed on 23 patients.
6. Fenella Richards – 3D Printed Prosthetics for Performance Enhancement – Victoria University of Wellington / Chi Kit Au & Mahonri Owen – Development of a Prosthetic Hand – University of Waikato.

# Financial statements

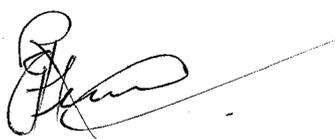
## Statement of responsibility For the year ended 30 June 2018

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 2018 fairly reflect the financial position and operations of the NZALS.



George Reedy  
Chair

31 October 2018



Faye Sumner  
Board member

31 October 2018

## Independent Auditor's Report

### To the readers of the New Zealand Artificial Limb Service's financial statements for the year ended 30 June 2018

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

#### Opinion

We have audited:

- the financial statements of the NZALS on pages 22 to 40, that comprise the statement of financial position as at 30 June 2018, 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 including a summary of significant accounting policies and other explanatory information.

In our opinion:

- the financial statements of the NZALS on pages 22 to 40:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 31 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

## **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

## **Responsibilities of the Board for the financial statements**

The Board are responsible on behalf of the NZALS for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board are responsible for such internal control as they determine necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible on behalf of the NZALS for assessing the NZALS's ability to continue as a going concern. The Board are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the NZALS, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the NZALS's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 the NZALS's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NZALS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NZALS to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Board are responsible for the other information. The other information comprises the information included on pages 1 to 21, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Independence**

We are independent of the NZALS in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the NZALS.



Kelly Rushton  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

# Financial results

The Statement of Comprehensive Revenue and Expense shows gross revenue (excluding interest) of \$14,430,000 which is an increase of 15% on the previous year of \$12,524,000. Revenue 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, revenue is received from payments on behalf of war amputees, private insurers, health benefits and private supply.

Operational costs for the year totaled \$14,001,000 (2017: \$13,775,000) resulting in a surplus of \$467,000. This follows a deficit last year of \$1,205,000.

NZALS' financial position remains strong with \$4,609,000 in reserves.

# Statement of comprehensive revenue and expense

## For the year ended 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Revenue</b>				
Government contract funding	2	14,262	13,235	12,289
Interest revenue		38	60	46
Other revenue		168	182	235
<b>Total revenue</b>		<b>14,468</b>	<b>13,477</b>	<b>12,570</b>
<b>Expenditure</b>				
Personnel costs	3	4,709	5,066	4,453
Depreciation and amortisation expense	9	206	189	187
Other expenses	4	9,086	8,213	9,135
<b>Total expenditure</b>		<b>14,001</b>	<b>13,468</b>	<b>13,775</b>
<b>Total comprehensive revenue &amp; expense</b>		<b>467</b>	<b>9</b>	<b>(1,205)</b>

Explanations of significant variances against budget are detailed in note 20 (on page 40).

The accompanying notes form part of these financial statements (on pages 27-40).

# Statement of financial position

## As at 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	938	341	836
Receivables	6	1,571	1,017	936
Prepayments		72	39	171
Inventories	7	1,293	1,982	1,374
Investments	8	1,108	1,090	1,063
Total current assets		4,982	4,469	4,381
<b>Non-current assets</b>				
Property, plant and equipment	9	1,158	1,108	1,193
Intangible assets		3	0	6
Total non-current assets		1,161	1,108	1,199
Total assets		6,143	5,557	5,580

The accompanying notes form part of these financial statements (on pages 27-40).

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Current liabilities</b>				
Payables	10	959	1,013	869
Employee entitlements	11	486	421	488
Total current liabilities		1,445	1,434	1,357
<b>Non-current liabilities</b>				
Employee entitlements	11	89	108	82
Total non-current liabilities		89	108	82
Total liabilities		1,534	1,542	1,439
<b>Net assets</b>		4,609	4,035	4,142
<b>Equity</b>				
General funds	12	4,609	1,696	3,568
Board-created reserves	12	0	2,339	574
Total equity		4,609	4,035	4,142

Explanations of significant variances against budget are detailed in note 20 (on page 40).  
The accompanying notes form part of these financial statements (on pages 27-40).

## Statement of changes in equity For the year ended 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Balance at 1 July		4,142	4,026	5,347
Total comprehensive revenue & expense		467	9	(1,205)
Balance at 30 June	12	4,609	4,035	4,142

Explanations of significant variances against budget are detailed in note 20 (on page 40).  
The accompanying notes form part of these financial statements (on pages 27-40).

# Statement of cash flows

## For the year ended 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Cash flows from operating activities</b>				
Receipts from government contract funding		13,596	13,177	12,659
Interest received		47	60	47
Receipts from other revenue		168	183	257
Payments to suppliers		(8,900)	(8,524)	(8,853)
Payments to employees		(4,704)	(4,644)	(4,459)
Goods and services tax (net)		108	-	85
<b>Net cash from operating activities</b>		<b>315</b>	<b>251</b>	<b>(264)</b>
<b>Cash flows from investing activities</b>				
Sale of investments		(45)	0	530
Purchase of property, plant & equipment		(168)	(120)	(129)
<b>Net cash from investing activities</b>		<b>(213)</b>	<b>(120)</b>	<b>401</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>102</b>	<b>131</b>	<b>137</b>
Cash and cash equivalents at the beginning of the year		836	210	699
<b>Cash and cash equivalents at the end of the year</b>	5	<b>938</b>	<b>341</b>	<b>836</b>

Explanations of significant variances against budget are detailed in note 20 (on page 40).  
The accompanying notes form part of these financial statements (on pages 27-40).

# Notes to the financial statements

## 1. Statement of accounting policies for the year ended 30 June 2018

### Reporting entity

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, New Zealand Artificial Limb Service's (NZALS) ultimate parent is the New Zealand Crown.

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

The financial statements for NZALS are for the year ended 30 June 2018, and were approved by the Board on 31 October 2018.

### Basis of preparation

#### Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP').

The financial statements have been prepared in accordance with Public Benefit Entities (PBE) standards Reduced Disclosure Regime (RDR). The criteria under which an entity is eligible to report in accordance with PBE standards RDR are that it does not have public accountability and it is not large.

#### 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.

#### Revenue from Government Contract Funding

NZALS principally derives its revenue from the Crown through contracts with CCDHB and ACC for services to third parties. Revenue from Government Contract Funding is recognised as revenue when earned and is reported in the financial period to which it relates.

#### Interest

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

#### Other revenue

Other revenue, derived through the provision of services to third parties, is recognised as revenue when earned and is reported in the financial period to which it relates.

#### 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.

#### 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.

#### Receivables

Receivables are recorded at the amount due less any provision for uncollectibility.

A receivable is considered uncollectible when there is evidence the amount due will not be fully collected. The amount that is uncollectible is the difference between the amount due and the present value of the amount expected to be collected.

## Investments

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

The carrying amounts of investments with maturities less than 12 months approximates their fair value.

If an investments carrying amount exceeds its recoverable amount, the investment is impaired and the carrying amount is written down to the recoverable amount.

## Inventories

Inventories are held for the provision of goods and services and measured at the lower of cost (calculated using the weighted average cost method) and net realisable value.

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 of the materials plus cost of labour.

## 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.

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

Costs associated with the development and maintenance of 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

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 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.

## Payables

Payables are recorded at the amount payable.

## Employee entitlements

### Short-term employee entitlements

Employee entitlements that are due 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.

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 rates are as specified by Treasury for accounting valuation purposes as at 30 June 2018 of 1 year 1.78%, 2 year 1.9%, 3 year plus 3.55% (2017: 1 year 1.97%, 2 year 2.36%, 3 year plus 3.92%). The calculation assumes a salary growth rate of 2.7%.

## 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

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 deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

## Equity

Equity is measured as the difference between total assets and total liabilities. Previously equity was allocated between general and board-created reserves. For the 2018 financial year all board-created reserves have been consolidated with general funds.

### 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.

### 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

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 and have not been audited.

### 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 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. NZALS minimises the risk of this estimation by physical inspection of assets and review of second-hand market prices for similar assets.

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

### Property leases

Note 13 provides detail in relation to treatment of NZALS property leases. NZALS has operating leases for its Dunedin centre and finance leases for Auckland, Hamilton, Wellington and Christchurch centres' accommodation. No rent is payable for Dunedin centre and the others are paid at nominal rents. NZALS has elected to account for property lease transactions as a service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

### Long service leave

Note 11 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave liabilities.

## 2. Revenue

NZALS receives funding from a contract with 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. This is a bulk funding contract, the funding of which is restricted in its use to the purpose of meeting contract service specifications.

NZALS also receives revenue from a contract with ACC for trauma-based amputees for supply of specific goods and services supplied to amputees of ACC.

## 3. Personnel costs

	Actual 2018 \$000	Actual 2017 \$000
Salaries and wages	4,562	4,340
Employer contributions to superannuation schemes	142	129
Increase/(decrease) in employee entitlements (note 11)	5	(16)
Total personnel costs	4,709	4,453

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

## 4. Other expenses

	Actual 2018 \$000	Actual 2017 \$000
Fees to auditor – Audit fees for financial statement audit	35	34
Board members' fees	62	67
Board members' expenses	10	12
Board approved High Needs & Specialised Technology Limbs	-	408
Cleaning & laundry	130	133
Computer expense	187	183
Legal expense	291	147
Material costs	7,135	6,920
Operating lease expense	37	48
Other	1,199	1,183
Total other expenses	9,086	9,135

## 5. Cash and cash equivalents

	Actual 2018 \$000	Actual 2017 \$000
Cash on hand and at bank	938	836

## 6. Receivables

	Actual 2018 \$000	Actual 2017 \$000
Trade debtors	1,491	877
Other receivables	65	35
Interest accrual	15	24
Total debtors and other receivables	1,571	936

The carrying value of receivables approximates their fair value.

## 7. Inventories

	Actual 2018 \$000	Actual 2017 \$000
Materials	680	773
Work in progress	613	601
Total inventories	1,293	1,374

NZALS does not currently hold any inventory for distribution (2017: nil).

NZALS has a provision for obsolete stock of \$125,403 (2017: \$125,403).

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

## 8. Investments

	Actual 2018 \$000	Actual 2017 \$000
Current investments are represented by term deposit	1,108	1,063

The weighted average effective interest rate for term deposits is 3.36% (2017: 3.41%).

There were no impairment provisions for investments.

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

## 9. Property, plant and equipment

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

	Leasehold improvements \$000	Plant and equipment \$000	Furniture and fittings \$000	Computer equipment \$000	Total \$000
Cost or valuation					
Balance at 1 July 2016	1,003	1,093	448	258	2,802
Additions	-	45	33	52	130
Disposals	(17)	(129)	(141)	(26)	(313)
Balance at 30 June 2017	986	1,009	340	284	2,619
Balance at 1 July 2017	986	1,009	340	284	2,619
Additions	-	59	11	98	168
Disposals	-	-	(2)	(2)	(4)
Balance at 30 June 2018	986	1,068	349	380	2,783
Accumulated depreciation and impairment losses					
Balance at 1 July 2016	446	557	358	191	1,552
Depreciation expense	41	69	29	43	182
Eliminate on disposal	(17)	(129)	(137)	(25)	(308)
Balance at 30 June 2017	470	497	250	209	1,426
Balance at 1 July 2017	470	497	250	209	1,426
Depreciation expense	40	76	32	55	203
Eliminate on disposal	-	-	(2)	(2)	(4)
Balance at 30 June 2018	510	573	280	262	1,625
Carrying amounts					
At 1 July 2016	557	536	90	67	1,250
At 30 June and 1 July 2017	516	512	90	75	1,193
At 30 June 2018	476	495	69	118	1,158

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

## 10. Payables and Revenue in advance

	Actual 2018 \$000	Actual 2017 \$000
Creditors	336	339
Revenue in advance	55	107
Accrued expenses	295	258
GST	273	165
Total creditors and other payables	959	869

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.

## 11. Employee entitlements

	Actual 2018 \$000	Actual 2017 \$000
<b>Current employee entitlements are represented by:</b>		
Accrued salaries and wages	200	161
Annual leave	243	273
Sick leave	22	22
Long service leave	21	32
Total current portion	486	488
<b>Non-current employee entitlements are represented by:</b>		
Long service leave	89	82
Total non-current portion	89	82
Total employee entitlements	575	570

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, NZALS used the discount rates published by the Treasury for the purpose of valuing employee benefits as at 30 June 2018 of 1 year 1.78%, 2 year 1.9%, 3 year plus 3.55% (2017: 1 year 1.97%, 2 year 2.36%, 3 year plus 3.92%). The salary growth factor of 2.7% (2017:2.7%) has been determined after considering historical salary inflation patterns by an independent actuary.

Using the discount rate used in 2017 the carrying amount of the liability would be an estimated \$2,000 lower. If the salary growth factor were to differ by 1% from 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 lower if salary growth is 1% lower and \$7,000 higher if salary growth is 1% higher.

## 12. Equity

### General funds

	Actual 2018 \$000	Actual 2017 \$000
Balance at 1 July	4,142	5,347
Surplus/(deficit)	467	(1,205)
Balance at 30 June	4,609	4,142
<b>Less Board-created reserves</b>		
Property occupancy reserve	-	-
IT enhancement reserve	-	(200)
Centre upgrading reserve	-	-
Research and development reserve	-	-
Special funding reserve	-	-
Health-funded high needs pool	-	(224)
Health-funded specialised technology pool	-	(150)
Closing general funds	4,609	3,568

## Movement in Board reserves

	Actual 2018 \$000	Actual 2017 \$000
<b>Property occupancy reserves</b>		
Opening balance	-	1,467
Transferred from general funds	-	(1,467)
Balance as at 30 June	-	-
<b>IT enhancement reserve</b>		
Opening balance	200	199
Transferred from general funds	(200)	1
Balance as at 30 June	-	200
<b>Centre upgrading reserve</b>		
Opening balance	-	135
Transferred from general funds	-	(135)
Balance as at 30 June	-	-
<b>Research and development reserve</b>		
Opening balance	-	345
Transferred from general funds	-	(345)
Balance as at 30 June	-	-
<b>Special funding reserve</b>		
Opening balance	-	12
Transferred from general funds	-	(12)
Balance as at 30 June	-	-
<b>High needs pool</b>		
Opening balance	224	402
Transferred from general funds	(224)	(178)
Balance as at 30 June	-	224
<b>Specialised technology pool</b>		
Opening balance	150	81
Transferred from general funds	(150)	69
Balance as at 30 June	-	150
Total Board-created reserves	-	574

During the year the Board reviewed the various existing Board reserves and determined separate Board created reserves were no longer required so have returned the funds to general funds.

## 13. Capital commitments and operating leases

### Capital commitments

There are no capital commitments (2017:Nil).

### Operating leases

There are no future aggregate minimum lease payments to be paid under non-cancellable operating leases (2017:Nil).

NZALS has commercial leases on the following properties:

- National Office lease expired September 2015. No new lease has been entered into and is currently occupied by NZALS on a month by month basis.
- Dunedin Centre lease – a three-year variation has been verbally agreed, extending the lease to April 2019. No commercial rent is payable with fixed outgoings of \$20,754 per annum. This lease has not been signed. NZALS has elected to account for the property lease transactions as a service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

### Finance leases

The Auckland, Hamilton, Wellington and Christchurch centres are in premises provided as crown assets at nominal rents. These leases are deemed as Finance leases.

The leases expire as follows:

Auckland – June 2075

Hamilton – June 2030

Wellington – June 2079

Christchurch – June 2045

NZALS has elected to account for the property lease transactions as service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

## 14. Contingencies

### Contingent liabilities

#### Superannuation schemes

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 2018, the Scheme had a past service surplus of \$6.6 million, being 6.1% of total liabilities (2017: \$8.0 million – 6.2% 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 to the Scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

If the other participating employers ceased to participate in the Scheme, the employer could be responsible for any deficit of the Scheme. Similarly, if a number of employers cease to have employees participating in the Scheme; the employer could be responsible for an increased share of any deficit.

There are no other contingent liabilities (2017: \$nil).

#### Contingent assets

The NZALS has no contingent assets (2017: \$nil).

## 15. Related party transactions

Other than as noted below, there are no transactions outside normal supplier or amputee/recipient relationship on terms and conditions 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.

As noted at note 13, NZALS has property lease agreements at nominal rental with the Ministry of Social Development. All other transactions with 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.

<b>Key management personnel compensation</b>	Actual 2018	Actual 2017
<b>Board Members</b>		
Remuneration	\$63,991	\$66,366
Full-time equivalent members	1.20	1.20
<b>Leadership Team</b>		
Remuneration	\$875,512	\$820,454
Full-time equivalent personnel	6.63	5.93
Total key management personnel remuneration	\$939,503	\$886,820
Total full time equivalent personnel	7.83	7.13

## 16. Board member remuneration

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

	Actual 2018 \$000	Actual 2017 \$000
G. Reedy	25	25
F. Sumner	9	10
P. Tesoriero	1	10
A. Thurston	9	10
C. Bennett	9	6
K. Ross	9	6
Total Board member remuneration	62	67

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 (2017: nil).

## 17. Employee remuneration

<b>Total remuneration paid or payable</b>	Actual 2018 \$000	Actual 2017 \$000
\$100,000 – \$109,999	3	4
\$110,000 – \$119,999	1	-
\$120,000 – \$129,999	1	2
\$140,000 – \$149,999	1	1
\$210,000 – \$219,999	1	1
Total employees	7	8

During the year ended 30 June 2018, no employees received compensation and other benefits in relation to cessation (2017: \$16,145).

## 18. Events after the balance date

There were no significant events after the balance date.

## 19. Categories of financial assets and liabilities

The carrying amount of financial assets and liabilities in each of financial instrument categories are as follows:

	Actual 2018 \$000	Actual 2017 \$000
<b>Loans and receivables</b>		
Cash and cash equivalents	938	976
Term deposits	1,108	923
Receivables	1,571	936
Total loans and receivables	3,617	2,836
<b>Financial liabilities measured at amortised cost</b>		
Payables	959	869
Total financial liabilities measured at amortised cost	959	869

## 20. 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 additional Government contracted revenue of \$1,027,000 over that budgeted has been generated from services to ACC amputees through the delivery of advanced technology componentry and provision of funding for property from CCDHB of \$412,000.

#### Operating expenses

Total operating expenditure exceeded budget by \$533,000. This was principally due to the increased cost of materials resulting from costs associated with the delivery of the advanced technology components to ACC amputees together with increased service demand to health funded amputees.

The other significant expenses exceeding budget was legal costs associated with ongoing official information and privacy requests and other legal matters.

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