

Report of the

**NEW ZEALAND  
ARTIFICIAL LIMB BOARD**

**For the Year Ended  
30 June 2011**

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

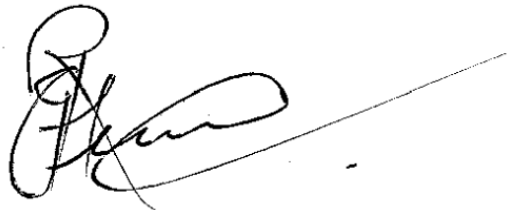
## To the Minister for Social Development and Employment

In accordance with the Crown Entities Act 2004, we present, on behalf of the New Zealand Artificial Limb Board, the Annual Report of the operations of the New Zealand Artificial Limb Board for the year ended 30 June 2011.



Claire Johnstone  
**Chair**

28 October 2011



George Reedy  
**Board member**

28 October 2011

## CONTENTS

	<i>Page</i>
About the New Zealand Artificial Limb Board _____	4
Chair's Report _____	6
Governance and Accountability Statement _____	10
Governance Philosophy _____	11
Statement of Responsibility _____	13
Audit report _____	14
Statement of Service Performance _____	17
Statement of Comprehensive Income _____	28
Statement of Financial Position _____	29
Statement of Movements in Equity _____	30
Statement of Cash Flows _____	31
Notes to the Financial Statements _____	32
Contact Information _____	53

## About the New Zealand Artificial Limb Board

The New Zealand Artificial Limb Board is an autonomous Crown entity that provides a national prosthetic limb service for New Zealand amputees<sup>1</sup>.

The functions of the New Zealand Artificial Limb Board, as defined by the Social Welfare Transitional Provisions 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 responsible Minister on matters relating to artificial limbs and similar devices.*

Under the Statement of Intent, the activities of the New Zealand Artificial Limb Board have been aligned to Government priorities:

*Value for Money.* Cost/benefit is a core value in prescribing individualised limbs for people that reflect their particular mobility levels, health and life circumstances. People's circumstances change throughout life, and accordingly affect the artificial limbs prescribed.

*Front-line Services.* Most of the New Zealand Artificial Limb Board's operations are at the front line, delivering our services to New Zealand amputees in Limb Centres and regional clinics. The New Zealand Artificial Limb Board also helps raise the skill levels of other health professionals dealing with amputees, through providing in-service courses on amputee care.

*Health – things done better, sooner and more conveniently.* The New Zealand Artificial Limb Board has an ongoing project on efficiency and effectiveness that continues to contribute to these aims. A major example is digital tracing of limbs, which is cleaner and quicker for many amputees than the alternative method of plaster casting.

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<sup>1</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.

There are five Limb Centres located in Auckland, Hamilton, Wellington, Christchurch and Dunedin, each of which also provides services in outlying areas on a regular basis:

<i>From:</i>	<i>To:</i>
Auckland Limb Centre	Whangarei Kaitaia New Plymouth
Hamilton Limb Centre	Gisborne Rotorua Tauranga
Wellington Limb Centre	Hastings Palmerston North Masterton Nelson Blenheim
Christchurch Limb Centre	Greymouth
Dunedin Limb Centre	Invercargill

The Limb Service provided by the New Zealand Artificial Limb Board covers services that include consultation with prosthetics professionals, orthopaedic surgeons, vascular surgeons, rehabilitation physicians, physiotherapists and occupational therapists.

Contracts with the Ministry of Health and ACC provide the funding for most amputees, with a small number of war amputees being funded separately, and a small number of prostheses being provided by private contract. Co-operative relationships are fostered between staff of the Limb Service and district health boards, community organisations, the Amputees Federation of New Zealand and its regional societies.

# **New Zealand Artificial Limb Board**

## **Chair's Report**

The New Zealand Artificial Limb Board has had another productive year with good progress being made on improving quality systems, staff training and reviewing new technology.

I pay tribute to my predecessor, Mr Graeme Hall, who was Chair from December 1996 until February 2011, and a Board member for 22 years. His commitment and dedication to working for the Board and amputees was outstanding and much appreciated by all.

Balancing individual needs with expectations and available funding is always a difficult exercise. In the current economic environment the Board has been careful to ensure wise use of funds while at the same time ensuring our clients receive the best possible service.

Amputees' expectations increasingly include high cost options they have researched on the internet, and involve self-prescription. Available funding is not geared to such expectations and this provides a challenge for the Board.

The 2010-11 year will long be remembered as the year of the earthquakes in Christchurch. Sadly some of the people caught in the February earthquake have now become clients of the New Zealand limb service. Our thoughts are with these people and their families along with our assurance that our staff will do all they can to help them return to productive lives.

There was only minor damage to the Christchurch Limb Centre building so we were closed for a few days only. However like all Cantabrians our staff were affected in different ways that took a personal toll on them. Despite this they continued to provide normal services and they are to be commended for their efforts.

The sense of loss is very real to people who lose a limb, whether it is from an accident or other traumatic events such as vascular diseases including diabetes, infection or cancer. A grieving process is quite usual. For others, where prolonged pain has occurred before amputation, the loss of the limb can actually be a relief.

In order to deal with such a wide variety of circumstances, ages, living styles and expectations, the New Zealand Artificial Limb Board staff must be sensitive to the individual and his/her needs and the needs of their families. They must adapt as people's lives and needs change – for example an active sportsperson has quite different expectations from a busy working mother. The model of service is therefore very much an individual one.

A highlight of the year was providing technical support to athletes competing in the 2011 IPC Athletics World Championships in Christchurch, in January/February 2011. The Christchurch Limb Centre provided a back-up workshop to the facilities provided at QE11 Stadium, and Limb Service staff supplemented the technical team provided by Otto Bock Ltd.

The New Zealand Artificial Limb Board has an active research function. The Board was pleased to establish a contestable research fund this year to promote research that would benefit amputees. The fund will primarily facilitate summer students to undertake research and applications were invited just before the end of the financial year.

During the 2010-11 year, the New Zealand Artificial Limb Service continued to make the current individualised service its highest priority.

### **The Year in Review**

Government aims in the health sector have formed a framework for the year's operations:

- *Value for Money*
- *Front-line Services*
- *Health – things done better, sooner and more conveniently*

The 2010-11 year was notable for the continuing enhancement of core internal procedures to ensure that individual prescriptions were appropriate and within budget constraints, that quality issues in production were addressed, and that patient notes were recorded fully and accurately. An example was stock, where work from previous years was continued to reduce stock levels. These levels went down even further than targets set at the beginning of the year.

In a changing world, it is necessary to keep skills up, and an emphasis for 2010-11 was on continuing professional development (CPD). Staff continued to attend courses on new products and procedures. New componentry was tested by staff to see if it was appropriate for New Zealand conditions. Staff also attended a technical training meeting overseas.

Staff also attended other relevant courses on a wide range of subjects such as first aid, CPR training, and diabetes.

A sophisticated IT system in patient management, product control and invoicing provides the infrastructure to deliver an efficient service.

An amputee is cared for by many other health professionals, and the Limb Service puts considerable effort into ensuring that these professionals are trained in amputee care. It did so this year by providing in-service courses to a wide range of occupational groups, such as theatre nurses, physiotherapists and medical specialists, and also by providing placements for students (e.g. prosthetics and orthotics, physiotherapy, podiatry) in the Limb Centres. This training will improve the front-line services provided to amputees externally.

Frontline services were made more convenient for amputees through:

- providing regional clinics at 13 centres from Kaitaia to Invercargill
- providing fitting through digital imaging for some patients, which is quicker and cleaner than traditional plaster casting

New patients had progress measured through outcomes-testing for mobility, independence, health related quality of life and employability. The results of this testing were analysed and contributed to setting benchmarks for the year.

The Ministry of Health conducted a service audit that covered all Limb Centres and National Office. No issues of high risk were identified. Some issues highlighted areas in which different Centres had different approaches and the Limb Service has been working to establish good practice and a higher level of consistency.

Staff throughout the country have been involved in highly specialised work providing prostheses for high-performing athletes, under a Memorandum of Understanding with Paralympics New Zealand. This work will continue in the ensuing year, as athletes prepare for the 2012 Paralympics in London.

The New Zealand Artificial Limb Board's finances overall are sound as at the end of the June 2011 year. Prudent management has enabled efficiencies and savings this year to help counter steadily increasing costs and expectations.

In order to comply with requirements of the Health and Disability Commissioner, the Limb Service conducted an equal employment opportunity (EEO) survey to establish benchmarks against which to report changes. This is reported under the EEO section of this report. The survey showed that 84% of staff were frontline or directly supporting frontline staff.

## Financial Results

The Statement of Comprehensive Income shows gross revenue applied to operations of \$7,852,000 which compares with \$7,523,000 in the previous year. Income is derived principally from contracts with ACC for trauma-based amputees and with the Ministry of Health's agent, Capital & Coast District Health Board, for amputees with illness-based amputations 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 totalled \$8,182,000, compared with \$7,415,000 in the previous year, with higher operational costs for the reporting year. The increase in operational costs was due to increased material costs for service delivery (including high cost components), Wellington Centre upgrade costs and an internal review of clinical process<sup>2</sup>. This resulted in a loss of \$330,000 on operations for the year. Interest earnings decreased this loss to \$144,000 compared with a surplus of \$258,000 for the previous year.

The New Zealand Artificial Limb Board's financial position remains strong with \$3,760,000 in General Funds and \$2,173,000 in reserves for specific future needs as identified by the Board.

## The Year Ahead

During the coming year, the New Zealand Artificial Limb Board will:

- maintain and enhance its excellent service to New Zealanders with limb loss;
- continue to consolidate and develop current work items through:
  - its project to enhance efficiency and effectiveness in prescription of limbs
  - continuing to implement outcomes measurement of all new patients and gathering data for further analysis
  - funding and monitoring research projects
  - a range of internal reviews
  - providing technical support for amputee athletes as they prepare for the Paralympic Games in London in 2012, with Paralympics NZ/SPARC
  - completing premises refurbishment of Wellington Limb Centre
  - contributing to the public good through the provision of educational to health professionals and community health groups

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<sup>2</sup> See Financial Note 23 p. 52

## Membership of the Board

Board members are appointed by the Minister for Social Development and Employment under the Crown Entities Act 2004. Membership is determined by the Social Welfare (Transitional Provisions) Act 1990 which provides the nominating bodies and has a significant influence on the composition of the Board.

A significant change to the Board occurred at the end of February 2011 with the retirement of the long-serving chair, A. Graeme Hall. Mr Hall's association with the New Zealand Artificial Limb Board over 22 years included being Chair from December 1996-February 2011. His appointment was as nominee of the Board of the New Zealand Artificial Limb Board to provide particular expertise in business skills.

Claire Johnstone, previously Deputy Chair, and a member of the Board since July 2005, was appointed to the role of Chair from 1 March 2011. The Minister appointed George Reedy to replace Graeme Hall. The appointment of Deputy Chair was pending at the end of the financial year.

Board membership at year-end was:

<b>Chair</b>	Claire Johnstone
<b>Members</b>	Lorraine L Peacock QSM George Reedy Richard Sainsbury Barry Tietjens Kerry Wilfred-Riley

## Conclusion

The 2010-11 year was another successful year for the New Zealand Artificial Limb Board with consolidation of internal practices and services to amputees and the wider community of health professionals.

It is my privilege to pay tribute to my predecessor, Graeme Hall, who so ably led the Limb Service for so long. A farewell at Parliament noted that his wise counsel and good relationships with amputees and other stakeholders were much appreciated.

Thanks go to all those whose commitment contributes so much to the success of the New Zealand Artificial Limb Board - the management, staff, physiotherapists, and medical specialists. Thanks also to staff from other agencies who support our work.

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2011.



**Claire Johnstone**  
**Chair**

## **Governance and Accountability Statement**

### **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 New Zealand Artificial Limb Board 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
- Monitoring organisational performance towards achieving objectives
- Maintaining effective systems of internal control
- Accounting to the Minister on plans and progress against those plans.

### **New Zealand Artificial Limb Board Operations**

The Board has appointed a Chief Executive to manage all the New Zealand Artificial Limb Board operations. All other employees of the New Zealand Artificial Limb Board have been appointed by the Chief Executive and report to him. The Board directs the Chief Executive 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 Board, there has been little necessity for the appointment of standing committees of the Board, apart from one that deals with the performance review of the Chief Executive.

Working committees are appointed as needed, for example the IT Steering Group. During the 2010-11 year, the Board established a Research Committee to administer a Contestable Research Fund.

### **Equal Employment Opportunity**

The New Zealand Artificial Limb Board developed an EEO plan that addressed the elements of being a good employer. There were no changes in permanent staff. Priorities for the year were that:

- remuneration was reviewed under the collective agreement with the Public Service Association
- job descriptions were reviewed and implemented
- emphasis was placed on accountabilities through a review of prescription policy
- monitoring of a review of continuing professional development of staff occurred
- policies covering bullying and harassment and discipline were in place
- and health and safety issues were addressed through compliance with the relevant Government Acts such as the Hazardous Substance and New Organisms Act 1996, as well as through regular staff health and safety meetings.

The Limb Service conducted an EEO survey in April 2011 to establish benchmarks against which to report changes:

**FTE:** Reduced from 45.4 at the beginning of the financial year, to 45.3.

**Age:** The staff were weighted higher in the older age groups than the general New Zealand workforce.

**Ethnic profile:** The staff were heavily weighted towards NZ European (86%) with the remainder describing themselves as Asian or Other. There were no Māori or Pacific staff, although 2 Māori staff resigned over the past three years.

**Gender:** The majority of the staff were male (62%) compared with female (38%). Support staff were predominantly female, and physiotherapists were all female.

The New Zealand Artificial Limb Board continued its practice of employing staff on a flexible or part-time basis (16%). In the disability area, the organisation provided a part time position under the Mainstream programme during the year.

Health and safety issues are of paramount importance in a manufacturing-type environment and were routinely addressed at staff meetings. Extensive training was received by staff and is written up elsewhere in this report. Opportunities for clinical placements were provided for students of prosthetics and orthotics, physiotherapy and podiatry.

## **Governance Philosophy**

### **Board Membership**

Board members are appointed by the Minister for Social Development and Employment as the responsible Minister, on the nomination of various bodies as determined by the Social Welfare (Transitional Provisions) 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 New Zealand Artificial Limb Board. Members acknowledge that the Board must stand unified behind its decisions; individual members have no separate governing role outside the Board.

### **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. Quarterly reports inform the Minister.

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

A key to the efficient running of the New Zealand Artificial Limb Board is that there has been a clear division between the roles of the Board and management. The Board concentrates on setting policy and strategy, 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 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 that the affairs of the New Zealand Artificial Limb Board 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. The Board and management have acknowledged their responsibility by signing the Statement of Responsibility on page 13 of this report.

## **Risk Management**

The Board acknowledges that it is ultimately responsible for the management of risks to the New Zealand Artificial Limb Board including business continuity. The Board has charged the Chief Executive through its risk management policy with establishing and operating a risk management programme. This has been reviewed 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 for the development and operation of a programme to systematically identify compliance issues and ensure that all staff 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 a New Zealand Artificial Limb Board Code of Conduct, and expects Board members and staff 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 Code of Conduct.

## Directions Issued by Ministers

No directions were issued by the Minister for Social Development. She did, however, provide a Letter of Expectations listing specific priorities for 2010/2011:

- profiling client demographics to identify emerging issues or factors influencing demand for services in the next five years
- working with the Ministry for Social Development on property issues
- completing succession for the Chair and Deputy Chair when the previous Chair retired
- carrying out an operational review of the Board<sup>3</sup>
- providing technical support for the World Paralympic Games hosted by New Zealand in 2011

## Statement of Responsibility for the Year ended 30 June 2011

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the New Zealand Artificial Limb Board's financial statements and the statement of service performance, and for the judgments made in them.

The Board of the New Zealand Artificial Limb Board 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 and non-financial reporting.

In the opinion of the Board, these financial statements and statement of service performance for the year ended 30 June 2011 fairly reflect the financial position and operations of the New Zealand Artificial Limb Board.



Claire Johnstone  
Chair

28 October 2011



George Reedy  
Board Member

28 October 2011

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<sup>3</sup> This is a five yearly requirement due in the 2011-12 year. Arrangements were instigated during the 2010-11 year for carrying out the review early the following year.

**Independent Auditor's Report****To the readers of the  
New Zealand Artificial Limb Board's  
financial statements and statement of service performance  
for the year ended 30 June 2011**

**The Auditor-General is the auditor of the New Zealand Artificial Limb Board (NZALB).** The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of NZALB on her behalf.

We have audited:

- the financial statements of NZALB on pages 28 to 52, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of NZALB on pages 24 to 27.

**Opinion**

In our opinion:

- the financial statements of NZALB on pages 28 to 52:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect NZALB's:
    - financial position as at 30 June 2011; and
    - financial performance and cash flows for the year ended on that date.
- the statement of service performance of NZALB on pages 24 to 27:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects, the output class for the year ended 30 June 2011, NZALB's
    - service performance compared with the forecasts in the statement of forecast service performance for the financial year; and
    - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 28 October 2011. 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 we 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 and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. 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 and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to NZALB's preparation of the financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control 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 NZALB'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 all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and 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 and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect NZALB's financial position, financial performance and cash flows; and
- fairly reflect its service performance.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Social Welfare (Transitional Provisions) Act 1990.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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



Ajay Sharma  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

### **Matters relating to the electronic presentation of the audited financial statements and statement of service performance**

This audit report relates to the financial statements and statement of service performance of New Zealand Artificial Limb Board for the year ended 30 June 2011 included on New Zealand Artificial Limb Board's website. The New Zealand Artificial Limb Board's Board is responsible for the maintenance and integrity of New Zealand Artificial Limb Board's website. We have not been engaged to report on the integrity of New Zealand Artificial Limb Board's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 28 October 2011 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

## **Statement of Service Performance for the Year ended 30 June 2011**

### **Context**

The New Zealand Artificial Limb Board provides a high quality service that enhances amputees' mobility and facility to fully participate in society. The New Zealand Artificial Limb Board provides services that routinely include consultation with and contributions from prosthetics professionals, orthopaedic surgeons, rehabilitation physicians, physiotherapists and occupational therapists.

The needs of amputees are both highly diverse and individual. Each limb is custom-made to fit the residual limb, and to take into account height, weight, activity levels and personal lifestyle. Staff also assist with gait training and facilitate contacts with other health and community services depending on the needs and circumstances of the individual. Close contact is maintained with local Amputee Societies.

### **New Referrals**

During 2010-11, the number of new patients referred and registered at the New Zealand Artificial Limb Board was 412 compared with 399 for the previous year.

Of the new referrals, 69% were male and 31% female. The under-20 age group comprised 6%, 35% were between 20 and 59 years, and 58% were over 60 years, with the remaining 1% unknown. New Zealand Europeans made up the largest group at 63%, with 15% being Māori, 9% Pacific people, and a range of others making up the remainder.

Some patients came to the New Zealand Artificial Limb Board for a pre-amputation visit, to help them make up their minds about going ahead with an amputation. In addition, there was a group of patients who attended after amputation but were advised against using a prosthesis for a variety of reasons – too ill, too frail, or considered incapable of managing one. There was a further group of patients who did not get referred to the limb service at all after amputation because their clinicians had not advised this course. During the 2010-11 year, of the 412 people referred to the limb service, 33 were considered unsuitable for fitting, 9 decided of their own accord not to proceed, and 38 died during the year.

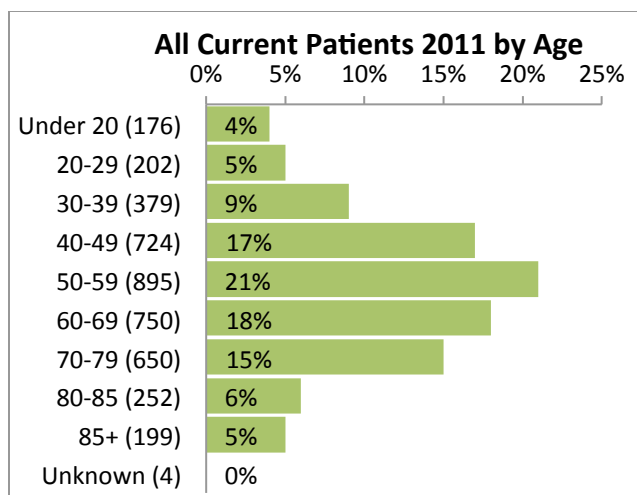
Those 412 newly registered had 454 amputations, which included 36 people with more than one amputation. Half the amputations (50%) were at the below knee level, with 34% being above knee, and 3% being upper limb amputations. A range of minor categories made up the remainder, for example hip disarticulations and through-knee amputations.

### **All Current Patients**

As at 30 June 2011 the service catered to 4,231 current patients registered with the New Zealand Artificial Limb Board throughout New Zealand.

The group was made up of 74% males, and 26% females. In ethnicity, 73% were New Zealand European, 12% Māori, and 7% were from the Pacific Islands. A variety of other ethnic backgrounds made up the remaining 8%.

All age groups were represented as shown by the following chart.



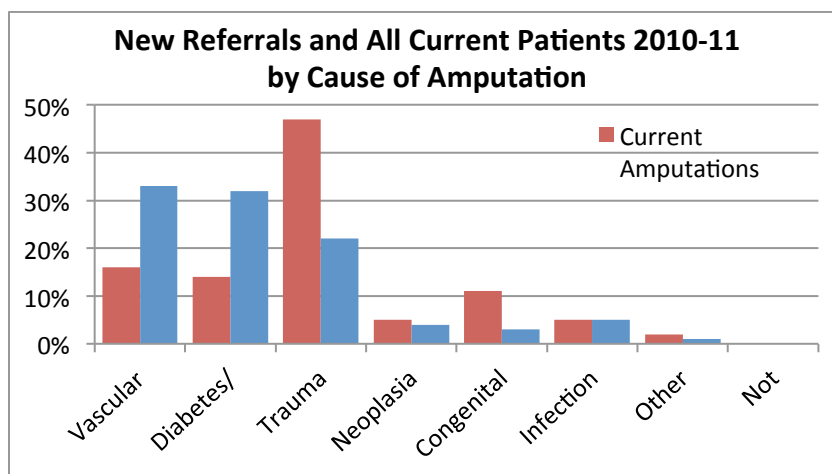
Of the 4,231 patients, trauma accounted for 47% of amputations, vascular failure 30% (including diabetes/vascular 14%), congenital limb loss 11%, and a variety of other causes such as infection and malignancy made up the remaining 12%.

Lower limb amputations of various types accounted for the bulk (88%) of the limb service patients, with 12% having amputations of the upper limb. As a generalisation the limb service is concerned with lower limb amputations anywhere between the mid-foot and the hip, and upper limb amputations between wrist and shoulder. Only a very few patients 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.

Differences are evident when a comparison is made of new 2010-11 referrals entering the services against the current database as at 30 June 2011. These differences are shown in the table below.

Of the new referrals, 65% were for vascular failure (diabetes and peripheral vascular disease) compared to the existing database figure of 30%, and trauma accounted for 22% compared with the database figure of 47%.

These differences 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.



## **Policy**

During the year an external reviewer continued a major review of policy and procedures relating to prescriptions. This exercise has led to enhanced recording of patient notes and reasons underlying individualised prescriptions and will contribute to both quality of service and risk management.

Further policies were introduced or updated as a result of a service review conducted by the Ministry of Health.

## **Productivity, efficiency and effectiveness**

This project is now in its fifth year. Benchmarks for stock were further reduced and were below target, giving rise to both financial and operational efficiencies. This involved writing off double the maximum set, but was the last step in many years of reductions. New processes for direct delivery of stock to Limb Centres have eliminated the need to carry stock reserves, and write-offs of this size will be most unlikely in the future.

Prescription policy was also involved in aspects of operations that fed into stock levels. An external examiner continued to review current work practices, including alignment of prescribed components to mobility levels. All staff have been involved in this project and where necessary training has been undertaken in all Limb Centres. Considerable progress has also been made in the quality and quantity of recorded patient notes and increasing the consistency of procedures.

Savings were achieved through streamlining the way IT licences were purchased, resulting in savings. National data network costs were re-negotiated resulting in a 15% reduction in annual costs. Various other analysis work completed during the year brought efficiency gains, such as a new staff leave system accessible through the internet. Further savings were made through participating in the All-of-Government procurement programme.

Two cost-efficiency measures were introduced in 2010 relating to staffing. The first was to manage fulltime equivalent staff numbers while maintaining organisational capability. The benchmark was set at 47.5 (capped at 2009 levels). The FTEs at the beginning of the financial year were 45.4 and at the end of the financial year were 45.3.

The second measure was to reduce to 6% the proportion of staff with outstanding accumulated leave balances in excess of 30 days. The New Zealand Artificial Limb Board did not meet this target and at the end of the year there were 18% of staff in this category. However, leave plans have now been set for all of them to achieve the target.

## **Quality through establishing Outcome Measures**

In its 2010-11 Statement of Intent, the New Zealand Artificial Limb Board outlined the framework for the outcome measures project and outlined the outcomes for New Zealand amputees that it aimed to measure:

- Mobility
- Independence
- Health-related Quality of Life
- Employability

A variety of objective and subjective measuring tools had been chosen to measure the outcomes, for example:

- a. *annual statistics* on all new amputations (see under Objective 2, below);
- b. *questionnaires and walking tests* that measured new lower limb patients at entry, three to six months later, and again a year later;
- c. *a postal survey* that canvassed a significant proportion of all the New Zealand Artificial Limb Board patients – this is done at three year intervals and was last carried out in February 2010.

Results from patient cohorts consisting of new patients who entered the New Zealand Artificial Limb Board system between July 2007 and June 2008 were analysed in December 2009 and, along with results from the previous year, were used to set benchmarks for the year<sup>4</sup>. One of the goals was to collect results for the 2008-09 year and thus have three years' worth of data to set benchmarks, which was achieved in December 2010.

*Questionnaires and walking tests.* These are designed to measure the extent to which amputees achieve mobility and independence after they are fitted with artificial limbs. Two tests are used - a questionnaire - the Locomotor Capability Index<sup>5</sup>, and a walking test - the Timed Up and Go test. For both tests, Measure 1 is taken shortly after being fitted with an artificial limb, and Measure 2 is taken six months later.

The aim for mobility testing was that 78% of new lower limb amputees would receive mobility testing from physiotherapists<sup>6</sup>. The percentage achieved was 71%, lower than the 78% target. Subsequently it was found that there had been an administrative error in one Limb Centre and some tests administered had not been included in the data extraction, which artificially lowered the final result. Procedures have since been reviewed and rectified.

New patients who completed measures 1 and 2 of the Locomotor Capability Index improved their overall median scores by 27% or more, when the target was 24%.

The level of mobility and independence achieved six months after the initial limb fitting as a percentage of the optimal level of mobility and independence was 75% with a target of 75.5%.

*Employability* was measured in the client survey. Of all respondents, 33% were in paid employment, although only 53% of the total were of working age 16 to 64 years. This is equivalent to 62% of those of working age in paid work. It compares well with the 64% labour participation rate of New Zealanders 15 to 64 yrs with a disability given that "labour participation" for this rate includes those who are unemployed and actively looking for work.<sup>7</sup>

Of those in paid employment, 94% of amputees surveyed considered their limb enabled them to work in employment. 61% had remained in the same job as before the amputation, and the remainder changed occupation, hours, retrained etc. For the first time a question on participation in voluntary work was asked, and 18% of respondents were contributing to society in this way.

*Health-related Quality of Life* was also measured with an internationally widely used questionnaire called the SF-12, which measures both physical and mental health. Of those measured, 43% of the 2008-09 cohort completed all three measures. The average of the physical health scores went from 35 to 39, which is less than the US norm of 50 but is what one would expect, given the level of disability involved. The mental health scores reduced from 54 for Measure 1 to 52 for Measure 3, which is higher than the U.S. norm of 50<sup>8</sup>.

4 See Statement of Intent 2010-13

5 A tool especially designed for amputees and used extensively overseas

6 This figure is equivalent to the number who receive treatment plans

7 Disability and the Labour Market in New Zealand in 2006, Statistics New Zealand 2006.

8 For further information see New Zealand Artificial Limb Board Statement of Intent 2010-13, pp 19-20

*Working co-operatively with other agencies.* Quarterly reports, including public good issues, were provided in a timely manner to the Minister for Social Development and Employment.

ACC and the New Zealand Artificial Limb Board continue to refine existing robust co-ordinated systems, supported by IT, that enable fast and efficient processing of assessments and invoicing so that amputees receive an excellent service.

Close relationships continued between Limb Centres and Amputee Societies at a local level and with the Amputees Federation of New Zealand at a national level. The Chief Executive of the New Zealand Artificial Limb Board delivered a presentation at the Annual General Meeting of the Amputees Federation of New Zealand in March 2011. It remains, however, that the cultural core of the agency is the interactions of the staff with individuals, giving an individualised service.

There has been close co-operation during the year between the Ministry for Social Development and the New Zealand Artificial Limb Board on a property plan, involving all the Limb Centres. A maintenance programme ensures the Limb Centres comply with building requirements. This year the Wellington Limb Centre was refurbished and updated, and now provides a fresh aspect and welcoming environment for its patients. Considerable repair work was also carried out on the roof.

The Ministry of Economic Development is the driver of the Government procurement project in which, like other Government agencies, the New Zealand Artificial Limb Board has participated. Significant savings have been achieved as a result.

*Contract compliance.* The New Zealand Artificial Limb Board has two main contracts, with the Ministry of Health and ACC.

The New Zealand Artificial Limb Board complied with its contractual requirements with the Ministry of Health and ACC, to whom it reported directly, and regularly through quarterly reports.

*Quality through maximising referrals.* Enhanced co-ordination between District Health Boards and the New Zealand Artificial Limb Board continued with regard to referrals of amputees, primarily through physiotherapists. This quality measure is designed to check that appropriate referral practices occur at hospitals, as well as making sure no amputee “falls through the gap”. The rate of referrals was 88% compared with 82% for the previous year, an increase of 6%. In the 2010-11 year the New Zealand Artificial Limb Board worked with two hospitals on reviews of amputee procedures.

Those amputees not referred were for sound reasons – complicated above knee amputations, diabetes and older age groups associated with high levels of co-morbidities. We thank the Ministry of Health for its help with this aspect of the project.

Higher referral rates meant that more amputees only marginally suitable for a prosthesis were referred, which increased those assessed but not ultimately fitted. In turn, this reduced the numbers who received mobility testing.

*Quality service through staff training.* Emphasis is placed on training staff to keep them up to date with new overseas technology and procedures through training. In 2010-11, staff attended 16 technical courses, and 34 general training courses. Technicians also attended a technical training course held by the Australian Association of Orthotists and Prosthetists.

There has been considerable emphasis on continuing professional development for staff during the 2010-11 year, and folders and training have been provided to staff to enable them to record their own professional development.

## Public good

Public good aspects of the work of the New Zealand Artificial Limb Board were incorporated into the Statement of Intent 2010-13 and the Memorandum of Understanding with the Minister for Social Development and Employment.

It had been noted in previous years that physiotherapists in the community were lacking in knowledge of amputee care and gait issues. The New Zealand Artificial Limb Board considered that workshops and seminars for physiotherapists on these topics could help redress this gap. Over time, the recipients of workshops and seminars have expanded to include orthopaedic registrars, orthotists, occupational therapists, and rest home staff.

In all, 24 such education courses were delivered during the year. A subsidiary aim was to collect data to measure the level of satisfaction with the courses in terms of skills enhancement to set targets for the following year. Of these, seven were not evaluated for a range of reasons that will be addressed in the coming year. There were 248 participants in the remaining 17 courses, of whom:

- 95% of those who completed evaluation forms<sup>9</sup> considered their understanding of amputee care had improved significantly or very significantly as a result of the course (used as satisfaction level)<sup>10</sup>

The target for the next year will be to equal or better the above 95% satisfaction level.

Students also benefited from both day placements and extended placements at Limb Centres. Two prosthetics and orthotics students from La Trobe University (the only tertiary institution in Australasia providing courses on prosthetics and orthotics) and four physiotherapy students spent several weeks in Limb Centres.

Resources were made available to district health boards and Amputee Societies. Included were information packs about amputation and services available from the New Zealand Artificial Limb Board.

Overall, the New Zealand Artificial Limb Board is confident that these initiatives will lead to enhanced care for amputees.

## Research

In order to support research that would ultimately benefit amputees, the Board established a contestable research fund that was intended primarily for research by summer students. The first applications were invited just before the end of the financial year.

The Dunedin Limb Centre worked with Siliconcoach to implement a new gait analysis software package specifically for prosthetics. This will be introduced initially to Dunedin Limb Centre for evaluation.

Other areas of research included:

- assistance to Dr Helen Lunt's team at the Diabetes Centre, Christchurch Hospital, for a research project – "Audit of Major Lower Limbs in Christchurch"
- funding for Prasath Jayakaran of the University of Otago Physiotherapy School for project on "Quantification of balance and postural demands during functional activities in unilateral trans-tibial geriatric amputees fitted with prostheses"

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<sup>9</sup> 76% completed evaluation forms

<sup>10</sup> Note 4% were neutral

- funding for Hemakumar Devan of the Otago Physiotherapy School for a survey on “Association between physical activity levels and low back pain in people with a traumatic above-knee amputation”
- internal research on
  - analysis of outcome measures
  - a compilation of New Zealand Artificial Limb Board annual statistics
  - hospital amputations statistics for the year 2009-10 through the Ministry of Health
  - a new environmentally-friendly resin, a trial of which was initiated during the year
  - three new components trials

### **Paralympics New Zealand**

Under a Memorandum of Understanding, artificial limbs, training and technical support were provided for high performing amputee athletes by the New Zealand Artificial Limb Board and funded by Paralympics New Zealand.

A highlight of the year was the provision of technical support by staff at the Paralympic World Games in Christchurch in January-February 2011. This was the second largest international sporting meeting ever held in New Zealand. The Limb Service provided a support role to Otto Bock Ltd, who provided the maintenance and support facility to keep the athletes' prostheses repaired and maintained. A workshop at the QE11 stadium was backed up by the Christchurch Limb Centre workshop throughout the Games.

Supported athletes under the Memorandum of Understanding are now working towards the London Paralympic Games in 2012.

## Service Performance

### Key Objectives

Key objectives of the Strategic and Business Plans adopted for the 2010-11 financial year were:

#### Objective 1

- assist New Zealand amputees by providing a high quality rehabilitative service through:
  - prescribing, constructing, fitting and servicing appropriate prostheses
  - contributing to amputee rehabilitation by working with other health service providers to develop a more integrated service.

Focus	Output/Outcomes		2010-11	
<i>Capacity</i>	Organisational capacity to make, fit and service prostheses to at least the same level			
	<b>Actual 2010</b>	<b>Actual 2009</b>	<b>Actual 2011</b>	
	New and Replacement Limbs Supplied	687	828	734
	Remodels	253	174	218
	Resockets	378	421	423
	Servicing Jobs	9,192	9,157	9,422

*Capacity.* The service is demand-driven and the emphasis is therefore on maintaining capacity rather than increasing production. Capacity remained the same as the previous year, and a drop in demand for replacement limbs was somewhat balanced by an increase in remodels and servicing jobs. Production levels were slightly up on the previous year. Limbs have become more durable over time, leading to fewer new limbs and more remodels and servicing jobs. The mix varies slightly from year to year.

#### Output Measure

Focus	Output/Outcomes	2010-11
<i>Receipt of treatment plans</i>	The percentage of new primary, lower limb adult amputees who receive treatment plans by limb service physiotherapists will be at least 78% <sup>11</sup>	<b>Did not reach target: 71% received mobility testing<sup>12</sup> – see p. 20.</b>
<i>Quality measure re timeliness of limbs supplied</i>	2010 client satisfaction survey <sup>13</sup> : 92% or more of clients are satisfied with the timeliness of the limbs supplied (average of 2 surveys)	<b>Exceeded target by 2%. Of respondents, 94% were satisfied with the timeliness of the limbs supplied, as per survey conducted Feb. 2010</b>
<i>Amputee satisfaction with the service</i>	2010 client survey: Client overall satisfaction with the service will be 94% or more (average of 4 surveys)	<b>Exceeded target by 2%. Of respondents, 96% expressed overall satisfaction with the service, as per survey conducted Feb. 2010</b>

<sup>11</sup> Recipients of treatment plans = those tested for Measure 1 of the Timed Up and Go Test. Noted based on average of previous two years.

<sup>12</sup> 71% of 2008-09 cohort measured in December 2010

<sup>13</sup> Note: The NZALB employs an external firm to conduct a client satisfaction survey every three years

## Cost Efficiency Measure

Focus	Cost Efficiency Measure	Benchmark or Target
<i>Stock management (see p. 19)</i>	<p>To optimise the way in which the organisation holds inventory by working with overseas suppliers to</p> <ul style="list-style-type: none"> <li>o customise procurement process</li> <li>o maximise efficiency</li> <li>o reduce losses incurred due to shelf life and obsolescence</li> </ul> <p><b>Reported stock holding as at 30 June 2011 includes provision for stock impairment of \$43,000 (2010: \$16,000)</b></p>	<p><i>Benchmarks:</i> <i>Maximum material stock holding not to exceed \$850,000</i></p> <p><b>Improved on target: stockholding as at 30 June 2011 \$674,730.60 (2010: \$708,455.81)</b></p> <p><i>Average stock turnover to be no less than 3.2 times per year</i></p> <p><b>Improved on target: average stock turnover for 30 June 2011 5.4 times (2010: 4.5 times)</b></p> <p><i>Maximum value of material write off not to exceed 3% of total holding.</i></p> <p><b>Target not met, as actual stock write-off 6% of total holding (2010:2.2%).</b> Obsolete stock no longer supported by suppliers was returned from centres. Stock holding restructure now complete.</p>

**Objective 2**

- Manage and enhance resources and skills to provide quality services in a changing environment.

## Output Measure

Focus	Output Measure	Benchmark or Target
<i>Working co-operatively with other agencies (see p. 21)</i>	With the Ministry of Health, collate and analyse annual hospital amputations statistics, including referrals and non-referrals	<p>Hospital Amputations Statistics 2009-10 – including referrals and non-referrals. Statistics collated.</p> <p><b>2009-10 referrals up 6% (2008-09: up 2%) over previous year, thus helping to maximise likelihood of patients being fitted and mobilised</b></p>
	With Paralympics NZ/SPARC, provide technical support for the IPC World Athletics Games in Christchurch, January 2011 (see p. 23)	<p>Technical support provided:</p> <p><b>10 staff over two weeks; backup workshop facilities.</b></p>

## Cost Efficiency Measure

Focus	Cost Efficiency Measure	Benchmark or Target
<i>Management of staffing level</i> (p. 19)	Actively manage full-time equivalent (FTE) staff numbers, capped at 2009 levels whilst maintaining organisational capability	Progress against Benchmark of 47.5 FTEs  <b>Improved on target: 45.3 as at 30 June 2011 (2010: 45.4)</b>
<i>Reduction of accumulated leave</i> (p. 19)	To reduce the proportion of staff with outstanding accumulated leave balances in excess of 30 days	Benchmark: 6% of staff will have leave balances above 30 days by 30 June 2011  <b>18%: 30 June 2011 (2010: 20%)</b>  <b>Did not meet target.</b> However, all staff with 30 days and over now have leave plans in place

## Objective 3

- Initiate and access research and development to ensure the New Zealand Artificial Limb Board is in the forefront of professional progress.

Focus	Output/Outcomes	Benchmark or target
<i>Service to amputees: enhancement through product and staff development: research, shared ideas and new information</i> (p. 22)	A total of at least 20 training sessions delivered to allied health professionals/ACC staff, and placements for students.  Monitor attendance and measure their satisfaction levels in terms of skill enhancement. 2011: 248 (76%) of attendees completed evaluation forms.	24 training sessions delivered to allied health professionals (2010: 26)  6 extended placements for students (4 physiotherapy, and 2 prosthetics and orthotics) (2010: 3)  <b>Satisfaction level: 94% satisfaction levels<sup>14</sup> in terms of skill enhancement<sup>15</sup></b>

<sup>14</sup> 94% of those who completed evaluation forms

<sup>15</sup> 4% were neutral

**Financial Performance – Artificial Limb Service**

	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
Income	8,038	7,666	7,673
Expenditure	8,182	7,504	7,415
<b>Net surplus/(deficit)</b>	<b>(144)</b>	<b>162</b>	<b>258</b>

## Statement of Comprehensive Income for the Year ended 30 June 2011

	Note	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
<b>Income</b>				
Revenue from Crown	2	7,764	7,398	7,387
Interest income		186	162	150
Other income		88	106	136
<i>Total income</i>		<b>8,038</b>	<b>7,666</b>	<b>7,673</b>
<b>Expenditure</b>				
Personnel costs	3	3,202	3,155	3,086
Depreciation and amortisation expense	9, 10	154	164	139
Other expenses	4	4,640	3,995	3,967
Rehabilitation		125	112	117
Training & Research		61	78	106
<i>Total expenditure</i>		<b>8,182</b>	<b>7,504</b>	<b>7,415</b>
<b>Net surplus/(deficit)</b>		<b>(144)</b>	<b>162</b>	<b>258</b>
Other comprehensive income		-	-	-
<b>Total comprehensive income</b>		<b>(144)</b>	<b>162</b>	<b>258</b>

Explanations of significant variances against budget are detailed in note 23.

The accompanying notes form part of these financial statements.

## Statement of Financial Position as at 30 June 2011

	Note	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	635	3,079	2,509
Debtors and other receivables	6	739	581	582
Prepayments		30	34	31
Inventories	7	913	870	892
Investments	8	3,486	1,325	1,635
<i>Total current assets</i>		<b>5,803</b>	<b>5,889</b>	<b>5,649</b>
<b>Non-current assets</b>				
Property, plant and equipment	9	1,062	1,111	1,160
Intangible assets	10	40	65	33
<i>Total non-current assets</i>		<b>1,102</b>	<b>1,176</b>	<b>1,193</b>
<b>Total assets</b>		<b>6,905</b>	<b>7,065</b>	<b>6,842</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors and other payables	11	517	406	362
Employee entitlements	12	383	365	336
<i>Total current liabilities</i>		<b>900</b>	<b>771</b>	<b>698</b>
<b>Non-current liabilities</b>				
Employee entitlements	12	72	78	67
<i>Total non-current liabilities</i>		<b>72</b>	<b>78</b>	<b>67</b>
<b>Total liabilities</b>		<b>972</b>	<b>849</b>	<b>765</b>
<b>Net Assets</b>		<b>5,933</b>	<b>6,216</b>	<b>6,077</b>
<b>Equity</b>				
General funds	13	3,760	4,040	3,765
Board created reserves	13	2,173	2,176	2,312
<b>Total equity</b>		<b>5,933</b>	<b>6,216</b>	<b>6,077</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity for the Year ended 30 June 2011

	Note	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
<b>Balance at 1 July</b>		<b>6,077</b>	<b>6,054</b>	<b>5,819</b>
Total recognised comprehensive income		(144)	162	258
<b>Balance at 30 June</b>		<b>5,933</b>	<b>6,216</b>	<b>6,077</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows for the Year ended 30 June 2011

	Note	Actual 2011 \$000	Budget 2011 \$000	Actual 2010 \$000
<b>Cash flows from operating activities</b>				
Receipts from Crown revenue		7,647	7,388	7,370
Interest received		155	162	139
Receipts from other revenue		88	106	137
Payments to suppliers		(4,744)	(4,093)	(3,897)
Payments to employees		(3,150)	(3,182)	(3,150)
Goods and services tax (net)		46	(5)	-
Net cash from operating activities	14	<b>42</b>	<b>376</b>	<b>599</b>
<b>Cash flows from investing activities</b>				
Receipts from sale of property, plant and equipment		-	-	-
Acquisition of investments		(1,851)	(59)	(1,160)
Purchase of property, plant and equipment		(46)	(75)	(83)
Purchase of intangible assets		(19)	(40)	(25)
Net cash from investing activities		<b>(1,916)</b>	<b>(174)</b>	<b>(1,268)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,874)</b>	<b>202</b>	<b>(669)</b>
Cash and cash equivalents at the beginning of the year		2,509	2,877	3,178
<b>Cash and cash equivalents at the end of the year</b>	5	<b>635</b>	<b>3,079</b>	<b>2,509</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.

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

### 1 Statement of accounting policies for the year ended 30 June 2011

#### Reporting entity

The New Zealand Artificial Limb Board 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 Board's ultimate parent is the New Zealand Crown.

The New Zealand Artificial Limb Board's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return. Accordingly, the New Zealand Artificial Limb Board has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the New Zealand Artificial Limb Board are for the year ended 30 June 2011, and were approved by the Board on 28 October 2011.

#### Basis of preparation

#### Statement of Compliance

The financial statements of the New Zealand Artificial Limb Board have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

New Zealand Artificial Limb Board is a qualifying entity under the Framework of Differential Reporting as it not deemed publicly accountable for this purpose and is a small entity.

Accordingly, New Zealand Artificial Limb Board has taken the following exemptions allowed under the Framework

- IAS 1 paragraph 122 & 125
- IAS 8 paragraph 30
- IAS 24 paragraph 17
- IFRS 7 paragraph 25
- IFRS 7 paragraph 27 – 42

#### Early adopted amendments to standards

The following amendments to standards have been early adopted:

- NZ IFRS 7 *Financial Instruments: Disclosures* – The effect of early adopting these amendments is the following information is no longer disclosed:
  - the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
  - the maximum exposure to credit risk by class of financial instrument is the maximum credit risk exposure is best represented by their carrying amount.

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* – The effect of early adopting the revised NZ IAS 24 is:
  - more information is required to be disclosed about transactions between the New Zealand Artificial Limb Board and entities controlled, jointly controlled, or significantly influenced by the Crown;
  - commitments with related parties require disclosure;
  - information is required to be disclosed about any related party transactions with Ministers of the Crown

There are no further standards, amendments and interpretations issued that are relevant to New Zealand Artificial Limb Board.

### **Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted**

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following main phases: Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2014. The New Zealand Artificial Limb Board has not yet assessed the effect of the new standard and expects it will not be early adopted.

### **Measurement base**

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

### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the New Zealand Artificial Limb Board is New Zealand dollars.

### **Significant accounting policies**

#### **Revenue**

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

#### *Revenue from the Crown*

The New Zealand Artificial Limb Board principally derives its revenue from the Crown through contracts with the Ministry of Health and ACC for services to third parties. The funding is restricted in its use to the purpose of meeting the New Zealand Artificial Limb Board's objectives as specified in the statement of intent.

Revenue from the Crown 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. Interest income on an impaired financial asset is recognised using the original effective interest rate.

#### *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 New Zealand Artificial Limb Board 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 income.

### **Grant expenditure**

Discretionary grants are those where the New Zealand Artificial Limb Board has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Board and the approval has been communicated to the applicant.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, other short-term, highly liquid investments, with original maturities of three months or less and bank overdrafts.

### **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 New Zealand Artificial Limb Board 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 income. 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 New Zealand Artificial Limb Board 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 New Zealand Artificial Limb Board 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 income in the period when the write-down occurs.

## **Accounting for foreign currency transactions**

Foreign currency transactions are translated into New Zealand dollars 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 statement of comprehensive income.

The New Zealand Artificial Limb Board 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 New Zealand Artificial Limb Board and the cost of the item can be measured reliably.

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 income.

### *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 New Zealand Artificial Limb Board 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 income 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 New Zealand Artificial Limb Board, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of overheads. Staff 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 New Zealand Artificial Limb Board's website are 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 income.

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 non-financial 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 the New Zealand Artificial Limb Board 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 initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **Employee entitlements**

#### *Short-term employee entitlements*

Employee entitlements that the New Zealand Artificial Limb Board expects to be settled within 12 months of balance date are measured at undiscounted nominal values 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 New Zealand Artificial Limb Board recognises a liability for sick leave to the extent that compensated 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 New Zealand Artificial Limb Board anticipates it will be used by staff to cover those future absences.

The New Zealand Artificial Limb Board 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.

#### *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 staff, based on years of service, years to entitlement, the likelihood that staff 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 are 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 NZ Artificial Limb Board Superannuation Scheme are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

#### *Defined benefit schemes*

The New Zealand Artificial Limb Board makes contributions to 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 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 New Zealand Artificial Limb Board 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 a finance cost.

## **Goods and Service 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 New Zealand Artificial Limb Board 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 Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the New Zealand Artificial Limb Board for the preparation of the financial statements.

## **Critical accounting estimates and assumptions**

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

At each balance date, the useful lives and residual values of property, plant, and equipment 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 New Zealand Artificial Limb Board, and expect disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The New Zealand Artificial Limb Board minimizes the risk of this estimation by:

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

The New Zealand Artificial Limb Board has not made significant changes to past assumptions concerning useful lives and residual values.

### Long service leave

Note 12 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 New Zealand Artificial Limb Board.

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.

## Changes in accounting policy

There have been no changes in accounting policy.

## 2 Revenue from Crown

The New Zealand Artificial Limb Board has been provided with funding principally from the Crown for the specific purposes of the New Zealand Artificial Limb Board as set out in its founding legislation and the scope of the relevant Government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding (2010: nil).

## 3 Personnel costs

	Actual 2011 \$000	Actual 2010 \$000
Salaries and wages	3,034	3,033
Employer contributions to defined contribution plans	116	117
Increase/(decrease) in employee entitlements (note 12)	52	(64)
<b>Total personnel costs</b>	<b>3,202</b>	<b>3,086</b>

Employer contributions to defined contribution plans include contributions to Kiwisaver, NZ Artificial Limb Board Superannuation Plan with New Zealand Retirement Trust and the National Provident DBP Contributors Scheme.

#### 4 Other Expenses

	Actual 2011 \$000	Actual 2010 \$000
Fees to auditor		
Audit fees for financial statement audit	29	29
Board members' fees	81	79
Board members' expenses	19	20
Material costs	3,639	3,140
Operating lease expense	136	135
Consultancy	57	36
Net foreign exchange losses	12	5
Net loss on sale of property, plant and equipment	-	1
Other	667	522
<b>Total other expenses</b>	<b>4,640</b>	<b>3,967</b>

#### 5 Cash and cash equivalents

	Actual 2011 \$000	Actual 2010 \$000
Cash on hand and at bank	635	545
Cash equivalents – term deposits	-	1,964
<b>Total cash and cash equivalents</b>	<b>635</b>	<b>2,509</b>

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

The weighted average effective interest rate for term deposits is 4.67% (2010: 3.93%).

#### 6 Debtors and other receivables

	Actual 2011 \$000	Actual 2010 \$000
Trade debtors	663	531
Other receivables	20	26
Interest accrual	56	25
<b>Total debtors and other receivables</b>	<b>739</b>	<b>582</b>

The carrying value of receivables approximates their fair value.

## 7 Inventories

	Actual 2011 \$000	Actual 2010 \$000
Materials	675	709
Work in progress	238	183
<b>Total inventories</b>	<b>913</b>	<b>892</b>

The New Zealand Artificial Limb Board does not currently hold any inventory for distribution (2010: nil).

The write-down of materials held for production amounted to \$43,444 (2010: \$16,000). There have been no reversals of write-downs.

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 2011 \$000	Actual 2010 \$000
Current investments are represented by:		
Term deposits	3,486	1,635
<b>Total investments</b>	<b>3,486</b>	<b>1,635</b>

There were no impairment provisions for investments.

The carrying amount of term deposits with maturities less than twelve months approximate their fair value.

## 9 Property, plant and equipment

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

	Leasehold Improve ments \$000	Plant & equip ment \$000	Furniture and fittings \$000	Computer Equipment \$000	Total \$000
<b>Cost or valuation</b>					
Balance at 1 July 2009	998	710	354	257	2,319
Additions	-	39	23	21	83
Disposals	-	(16)	(27)	(34)	(77)
Balance at 30 June 2010	998	733	350	244	2,325
Balance at 1 July 2010	998	733	350	244	2,325
Additions	-	9	8	27	44
Disposals	-	(1)	(2)	(31)	(34)
Balance at 30 June 2011	998	741	356	240	2,335
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 July 2009	120	439	311	240	1,110
Depreciation expense	50	56	18	8	132
Impairment losses	-	-	-	-	-
Eliminate on disposal	-	(16)	(27)	(34)	(77)
Balance at 30 June 2010	170	479	302	214	1,165
Balance at 1 July 2010	170	479	302	214	1,165
Depreciation expense	50	58	18	16	142
Impairment losses	-	-	-	-	-
Eliminate on disposal	-	(1)	(2)	(31)	(34)
Balance at 30 June 2011	220	536	318	199	1,273
<b>Carrying amounts</b>					
At 1 July 2009	878	271	43	17	1,209
At 30 June and 1 July 2010	828	254	48	30	1,160
At 30 June 2011	778	205	38	41	1,062

There are no restrictions over the title of the New Zealand Artificial Limb Board's plant and equipment, nor are there any plant and equipment pledged as security for liabilities.

## 10 Intangible assets

	Acquired software \$000	Internally generated software \$000	Total \$000
<b>Cost</b>			
Balance at 1 July 2009	210	540	750
Additions	24	-	24
Balance at 30 June 2010	234	540	774
Balance at 1 July 2010	234	540	774
Additions	19	-	19
Balance at 30 June 2011	253	540	793
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 July 2009	196	538	734
Amortisation expense	6	1	7
Balance at 30 June 2010	202	539	741
Balance at 1 July 2010	202	539	741
Amortisation expense	11	1	12
Balance at 30 June 2011	213	540	753
<b>Carrying amounts</b>			
At 1 July 2009	14	2	16
At 30 June and 1 July 2010	32	1	33
At 30 June 2011	40	-	40

There are no restrictions over the title of the New Zealand Artificial Limb Board's intangible assets, nor are there any intangible assets pledged as security for liabilities.

## 11 Creditors and other payables

	Actual 2011 \$000	Actual 2010 \$000
Creditors	160	128
Income in advance	14	15
Accrued expenses	199	133
GST	144	86
<b>Total creditors and other payables</b>	<b>517</b>	<b>362</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.

## 12 Employee entitlements

	Actual 2011 \$000	Actual 2010 \$000
<b>Current employee entitlements are represented by:</b>		
Accrued salaries and wages	76	99
Annual leave	283	223
Sick leave	5	1
Long service leave	19	13
<i>Total current portion</i>	383	336
Non-current employee entitlements are represented by:		
Long service leave	72	67
<i>Total non-current portion</i>	72	67
<b>Total employee entitlements</b>	<b>455</b>	<b>403</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 Board considered the interest rates on NZ Government bonds which have terms to maturity that match, as closely to possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns by an independent actuary. A weighted average discount rate of 6.2% (2010:6.2%) and an inflation factor of 3.0% (2010: 3.0%) were used.

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

### 13 Equity

	Actual 2011 \$000	Actual 2010 \$000
<b>General funds</b>		
Balance at 1 July	6,077	5,819
Surplus/(deficit)	(144)	258
<b>Balance at 30 June</b>	<b>5,933</b>	<b>6,077</b>
<b>Less Board-created reserves</b>		
Property occupancy reserve	(1,483)	(1,561)
IT enhancement reserve	(178)	(178)
Centre upgrading reserve	(183)	(215)
Research and development reserve	(317)	(346)
Special funding reserve	(12)	(12)
<b>Closing general funds</b>	<b>3,760</b>	<b>3,765</b>
<b>Movement in Board reserves</b>		
<b>Property occupancy reserves</b>		
Opening balance	1,561	1,561
Transferred from general funds	(78)	-
Balance as at 30 June	<b>1,483</b>	<b>1,561</b>
<b>IT enhancement reserve</b>		
Opening balance	178	178
Transferred from general funds	-	-
Balance as at 30 June	<b>178</b>	<b>178</b>
<b>Centre upgrading reserve</b>		
Opening balance	215	81
Transferred from general funds	(32)	134
Balance as at 30 June	<b>183</b>	<b>215</b>
<b>Research and development reserve</b>		
Opening balance	346	354
Transferred from general funds	(29)	(8)
Balance as at 30 June	<b>317</b>	<b>346</b>
<b>Special funding reserve</b>		
Opening balance	12	12
Transferred from general funds	-	-
Balance as at 30 June	<b>12</b>	<b>12</b>
<b>Total Board created reserves</b>	<b>2,173</b>	<b>2,312</b>

#### 14 Reconciliation of net surplus/(deficit) to net cash from operating activities

	Actual 2011 \$000	Actual 2010 \$000
<b>Net surplus/(deficit)</b>	<b>(144)</b>	<b>258</b>
<b>Add/(less) non-cash items</b>		
Depreciation and amortisation expense	154	139
<i>Total non-cash items</i>	154	139
<b>Add/(less) items classified as investing activities</b>		
(Gains)/losses on disposal of property, plant and equipment	-	1
<i>Total items classified as investing activities</i>	-	1
<b>Add/(less) movements in working capital items</b>		
Debtors and other receivables	(156)	(25)
Inventories	(21)	334
Creditors and other payables	157	(45)
Employee entitlements	52	(63)
<i>Net movements in working capital items</i>	32	201
<b>Net cash from operating activities</b>	<b>42</b>	<b>599</b>

#### 15 Capital commitments and operating leases

	2011 \$000	2010 \$000
<b>Other operating commitments</b>		
Property, plant and equipment	63	50
<b>Total operating commitments</b>	<b>63</b>	<b>50</b>

### Operating leases as lessee

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

	2011 \$000	2010 \$000
Not later than one year	112	112
Later than one year and not later than two years	69	112
Later than two years and not later than five years	-	69
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>181</b>	<b>293</b>

The New Zealand Artificial Limb Board has commercial leases on two properties:

- Dunedin Limb Centre, lease expires in April 2013
- National Office in Wellington, lease expires September 2015 with one option to vacate the premises at the lease renewal date of September 2012.
- Leases for the Auckland, Hamilton & Wellington Limb Centre are currently being updated. These premises are provided as Crown assets at nominal rentals and are managed through the Ministry of Social Development. New Zealand Artificial Limb Board is responsible for all associated outgoings and maintenance of the premises.

## 16 Contingencies

### Contingent liabilities

#### *Superannuation schemes*

The New Zealand Artificial Limb Board 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 2010<sup>16</sup>, the Scheme has a past service surplus of \$43.601 million (18.2% of the liabilities). This amount is exclusive of Specified Superannuation Contribution Withholding 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 NZ IAS 19.

The Actuary of the Scheme has recommended the employer contributions are suspended with effect from 1 April 2011.

### Contingent assets

The New Zealand Artificial Limb Board has no contingent assets (2010: \$nil)

<sup>16</sup> Reported is the most current valuation; the National Provident Fund actuary valuation is not available until December of each year.

## 17 Related party transactions and key management personnel

The New Zealand Artificial Limb Board is a wholly owned entity of the Crown.

All related party transactions have been entered into on an arms' length basis.

### *Significant transactions with government-related entities*

The Government significantly influences the role of the New Zealand Artificial Limb Board in addition to being its major source of revenue. The New Zealand Artificial Limb Board has been provided with funding, mainly through contracts from entities controlled, significantly influenced, or jointly controlled by the Crown of \$7.764m (2010: \$7.387m) for the provision of services to amputees.

### *Collectively, but not individually, significant, transactions with government-related entities*

In conducting its activities, the New Zealand Artificial Limb Board is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The New Zealand Artificial Limb Board is exempt from paying income tax.

The New Zealand Artificial Limb Board also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totalled \$0.301 million (2010: \$0.299 million). These purchases included the purchase of electricity from Genesis, air travel from Air New Zealand, purchase of services from District Health Boards, and postal services from New Zealand Post.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Transaction	Ref	Transaction value year ended 30 June		Balance outstanding year ended 30 June	
			2011	2010	2011	2010
L Peacock	Amputees' Federation	ii	228	148	-	-
B Tietjens	Clinical services & attendance fees	i	2,210	2,000	1,400	2,390

(i) The New Zealand Artificial Limb Board paid fees to one individual Board member in relation to clinical services as a consulting surgeon. Amounts were billed based on normal rates for such services and were due and payable under normal commercial terms.

(ii) The New Zealand Artificial Limb Board paid registrations for the Chair and Chief Executive to attend the Amputees' Federation Conference. L Peacock is the National Coordinator.

## 18 Board member remuneration

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

	Actual 2011 \$000	Actual 2010 \$000
A G Hall (Chair - retired)	19	30
C Johnstone (Chair – new apt 2011)	19	10
J Thompson (Deputy Chairperson)	-	8
L L Peacock	10	10
G Reedy	3	-
R Sainsbury	10	9
B Tietjens	10	10
K Wilfred-Riley	10	3
<b>Total Board member remuneration</b>	<b>81</b>	<b>80</b>

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

No Board members received compensation or other benefits in relation to cessation (2010: Nil).

## 19 Employee remuneration

Total remuneration paid or payable	Actual 2011	Actual 2010
100,000 – 109,999	2	2
110,000 – 119,999	2	1
120,000 – 129,999	-	-
130,000 – 139,999	-	-
140,000 – 149,999	-	-
150,000 – 159,999	-	-
160,000 – 169,999	-	-
170,000 – 179,999	-	1
180,000 – 189,999	1	-
<b>Total employees</b>	<b>5</b>	<b>4</b>

During the year ended 30 June 2011, no (2010: nil) employees received compensation and other benefits in relation to cessation (2010: \$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 NZ IAS 39 categories are as follows:

	Actual 2011 \$000	Actual 2010 \$000
<i>Loans and receivables</i>		
Cash and cash equivalents	635	2,509
Term deposits	3,486	1,635
Debtors and other receivables	739	613
<b>Total loans and receivables</b>	<b>4,860</b>	<b>4,757</b>
<i>Financial liabilities measured at amortised cost</i>		
Creditors and other payables	517	362
<b>Total financial liabilities measured at amortised cost</b>	<b>517</b>	<b>362</b>

## 22 Capital management

The New Zealand Artificial Limb Board's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The New Zealand Artificial Limb Board is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The New Zealand Artificial Limb Board manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure the New Zealand Artificial Limb Board effectively achieves its objectives and purpose, whilst remaining a going concern.

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

Explanations for significant variations from the New Zealand Artificial Limb Board's budgeted figures in the statement of intent are as follows:

### **Statement of Comprehensive Income**

#### *Revenue*

Revenue increase of \$366,000 is largely a result of increased use of technically advanced componentry in the year's prescription requirements and increased number of new limbs supplied.

#### *Interest revenue*

Interest revenue is higher than budgeted by \$24,000 due to tailoring investments to bank special interest rates; all term investments are generally greater than 90 days.

#### *Operating expenses*

Other expenses were greater than budgeted by \$645,000. The majority of this variance was the increase in the material cost of \$499,000 which is largely due to the increased output of new limbs; more technically advanced componentry was a contributing factor. A sum of \$149,000 funded from Board Reserves for Special project work on efficient clinical practice and Wellington Centre upgrade costs is also included.

## **NEW ZEALAND ARTIFICIAL LIMB BOARD**

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#### **CHRISTCHURCH LIMB CENTRE**

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#### **DUNEDIN LIMB CENTRE**

C/o Public Hospital  
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DUNEDIN 9016  
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DUNEDIN 9016

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