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Report of the

**NEW ZEALAND  
ARTIFICIAL LIMB BOARD**

**For the Year Ended  
30 June 2005**

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*Presented to the House of Representatives pursuant to the Public Finance Act  
1989*

## **To the Minister for Social Development and Employment**

In accordance with the Public Finance Act 1989, I 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 2005.

A Graeme Hall  
**Chair**

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## About the New Zealand Artificial Limb Board

The New Zealand Artificial Limb Board is a 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 rehabilitation 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.*

The Government goals<sup>2</sup> to which the New Zealand Artificial Limb Board contributes are:

- Maintain trust in the Government and provide strong social services
- Reduce inequalities in health, education, employment and housing

The limb service enhances amputees' mobility and facility to enable optimum participation in society. It achieves this by providing custom-fitted artificial limbs that take account of the individual needs and lifestyles of amputees, by servicing and maintaining the limbs and by providing related support services.

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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.

<sup>2</sup> Key Government Goals, Department of Prime Minister and Cabinet

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 at:

Auckland Limb Centre	Whangarei
	New Plymouth
Hamilton Limb Centre	Gisborne
Wellington Limb Centre	Hastings
	Palmerston North
	Masterton
	Nelson
	Blenheim
Christchurch Limb Centre	Greymouth
Dunedin Limb Centre	Invercargill

A survey was held during the year to assess demand for further clinics in Rotorua and Tauranga. A positive response led to planning for pilot clinics at those cities in the coming year.

The New Zealand Artificial Limb Board provides services that include consultation with prosthetics professionals, orthopaedic surgeons, vascular surgeons, physiotherapists and occupational therapists.

Contracts with the Ministry of Health and the ACC provide the funding for most amputees, with a small number of war amputees being funded separately, and with 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, and the Amputees Federation of New Zealand.

# New Zealand Artificial Limb Board



## Chair's Report

As the sole national provider of artificial limbs, the NZALB is conscious of its responsibility and contribution to enabling amputees to participate fully in society. Every year, therefore, the prime focus of the New Zealand Artificial Limb Board (NZALB) is to continue to deliver and improve rehabilitative services to New Zealand people who have limb loss.

The fitting, manufacture and maintenance of artificial limbs have been the principal services over the years, but there are constant changes that impact greatly on the service. The environment in which the NZALB operates, the nature of the people who present for care, and the technology applying to limbs and components all present challenges and opportunities.

## The Year in Review

The 2004-05 year brought about some notable changes and significant events.

The Crown Entities Act 2004, passed in December 2004, redefined the role of the NZ Artificial Limb Board as an autonomous Crown entity, bringing with it a range of legislative requirements such as the need for an outcomes framework and a Statement of Intent. The NZALB has been working steadily towards these goals for some time and has undertaken a project to identify its key outcome measures and related performance measures.

A cleaner and more convenient process for amputees in fitting sockets, in the form of CAD/CAM technology, was introduced in two centres last year. This year the Board extended the technology to the remaining three centres, so that amputees in all parts of the country can enjoy its benefits.

The International Society for Prosthetics and Orthotics held its triennial meeting in Hong Kong in August 2004. Staff of the New Zealand Artificial Limb Board presented three scientific papers and two poster presentations.

A national IT/patient management system introduced over the last two years has continued to enhance data collection, records and communication. The system capability has been further used in the development of outcome measures.

A research project in Christchurch has been conducted by Debbie Hockley, physiotherapist, and funded by the New Zealand Artificial Limb Board. It has included development of Interdisciplinary Care Guidelines for hospital management of amputees in Christchurch. The project has so far concentrated on services for older patients, where it brought considerable improvements. There is potential to expand the applications of the guidelines, both within Christchurch and more widely throughout New Zealand.

For some years, the Board has been encouraging tertiary qualifications for its prosthetist staff but has been hampered by the lack of courses available in New Zealand, caused partly by the small employment base. Its goal to have tertiary training in prosthetics and orthotics available in New Zealand came closer with the establishment of a Steering Group at the Auckland University of Technology that is looking to the possible establishment of a prosthetics and orthotics major for its existing Bachelor of Health Science degree.

As part of its objective to develop a profile that leads to a recognized public image of a confident, energetic and innovative organisation, the New Zealand Artificial Limb Board established a website at [www.nzalb.govt.nz](http://www.nzalb.govt.nz) in line with e-government requirements. Jointly with the International Society for Prosthetics and Orthotics, it plans to hold an international scientific conference in Wellington during March 2006.

## **Financial Results**

The Statement of Financial Performance shows revenue from operations before interest of \$6,086,981 for the year derived principally from contracts with ACC for trauma-based amputees and with the Ministry of Health for amputees arising principally from illness causes. These two contracts provide 96% of operating revenue with the remainder coming from payments on behalf of war amputees, private insurers, health benefits and civilian sales. Expenditure incurred in providing the Board's services was \$6,468,585 leaving an operating deficit for the year before interest of \$381,604. The Board has funded this deficit by appropriation of interest income on investments and by running down reserves put aside in past years primarily to cover capital requirements including provision of premises.

The Board's funding from the Ministry of Health contract has remained at the same fixed sum since October 1999. Constant improvement and increased efficiencies have enabled the Board to work within this sum for all that time but the ability to continue to absorb increases in operating costs has run out. Approaches to the funder to recognise increased costs of working have been unsuccessful to date but the Board will be persisting with claims for recognition of these cost increases.

## The Year Ahead

During the coming year, the NZALB will:

- maintain and enhance its excellent service to New Zealanders with limb loss;
- work with the New Zealand Health Information Service to establish a set of agreed annual amputation statistics. This will increase its ability to plan for future needs and provide a basis for research on New Zealand amputees;
- continue to consolidate and develop current work items through:
  - continuing its work on outcomes measurement and developing its first Statement of Intent;
  - working with Tracer CAD to maximise the use of the new technology in its procedures;
  - considering ways in which findings from the Christchurch project on guidelines for interdisciplinary care for amputees may be spread to other regions;
  - holding an international scientific meeting.

## Membership of the Board

There were changes to the membership of the Board during the year. The terms of the following members ceased at 28 July 2004:

A W Beasley, appointed on the nomination of the NZ Orthopaedic Association  
M H Cooper, appointed on the nomination of the Minister of Health  
S D Sherwood, appointed on the nomination of the NZ War Amputees' Association

The Crown Entities Act 2004 brought about a further change from 24 January 2005, disestablishing the Board membership of the Chief Executive of the Ministry of Social Development held ex officio by N F Lavery as his nominee.

All these members of the Board made huge contributions to the New Zealand Artificial Limb Board over many years. Their dedication was appreciated by other Board members, staff and amputees. I wish to record my thanks for their expertise and enthusiasm.

Board membership at the year end was:

		<b>Appointed on the nomination of:</b>
<b>Chair</b>	A G Hall	NZ Artificial Limb Board
<b>Deputy Chair</b>	J A Thompson	Amputees Federation of NZ Inc.
	G F Lamb	NZ Orthopaedic Association
	N D Millar	Minister of Health
	L L Peacock	NZ War Amputees' Assoc. Inc.

A further appointment of C Johnstone was made from 5 July 2005.

## Conclusion

The 2004/05 year was a successful year for the New Zealand Artificial Limb Board in terms of its overall objectives. I wish to pay tribute to the dedication, hard work and initiative of the staff who achieve such success, and who bring to their work a personal touch that makes the service special to New Zealand amputees.

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2005.

**A. Graeme Hall**  
**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
- Delegating responsibility for achievement of specific objectives to the General Manager
- Monitoring organisational performance towards achieving objectives
- Maintaining effective systems of internal control
- Accounting to the Minister on plans and progress against them.

### **Structure of New Zealand Artificial Limb Board**

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

The Board has appointed a General Manager 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 General Manager and report to him. The Board directs the General Manager by delegating responsibility and authority for the achievement of objectives through setting policy.

Board members having specific expertise provide mentoring and advice as appropriate.

#### **Board Committees**

As a relatively small Board, there has been no necessity for the appointment of standing committees of the Board, apart from one that deals with the performance review of the General Manager. Working committees are appointed as needed, e.g. IT Steering Group, 2006 International Congress Committee.

## **Governance Philosophy**

### **Board Membership**

Board members are appointed by the Minister for Social Development and Employment as the responsible Minister. The Board is composed of members who have diverse skills and experience in order 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 cognisant of the responsible Minister's expectations. A quarterly report informs 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 is 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 General Manager is concise and complete, while providing mentoring and ideas-based experience for the assistance of management.

### **Accountability**

The Board holds monthly meetings 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.

### **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. The Board has charged the General Manager through its risk management policy with establishing and operating a risk management programme.

## **Legislative Compliance**

The Board acknowledges its responsibility to ensure the organisation complies with all legislation. The Board has delegated responsibility to the General Manager 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.

## **Ethics**

The Board has adopted a Code of Conduct and expects the staff to maintain high standards of ethical behaviour and practise the principles of 'good corporate citizenship'.

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

## **Statement of Responsibility for the Year ended 30 June 2005**

The Board and management of the New Zealand Artificial Limb Board accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The Board and management of the New Zealand Artificial Limb Board accept 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 and management of the New Zealand Artificial Limb Board, the annual Financial Statements for the year ended 30 June 2005 fairly reflect the financial position and operations of the New Zealand Artificial Limb Board.



A G Hall  
Chair



G A Forster  
Manager, Finance and Administration

28 October 2005



Audit New Zealand

## AUDIT REPORT

### TO THE READERS OF NEW ZEALAND ARTIFICIAL LIMB BOARD'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of the New Zealand Artificial Limb Board. 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 of the New Zealand Artificial Limb Board, on his behalf, for the year ended 30 June 2005.

#### **Unqualified opinion**

In our opinion the financial statements of the New Zealand Artificial Limb Board on pages 17 to 41:

- ▲ comply with generally accepted accounting practice in New Zealand; and
- ▲ fairly reflect:
  - New Zealand Artificial Limb Board's financial position as at 30 June 2005;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 28 October 2005, and 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 the Auditor, and explain our independence.

#### **Basis of opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- ▲ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- ▲ verifying samples of transactions and account balances;
- ▲ performing analyses to identify anomalies in the reported data;
- ▲ reviewing significant estimates and judgements made by the board
- ▲ confirming year-end balances;
- ▲ determining whether accounting policies are appropriate and consistently applied; and
- ▲ determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Board and the Auditor**

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the New Zealand Artificial Limb Board as at 30 June 2005. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989 and the Social Welfare (Transitional Provisions) Act 1990.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

## Independence

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

Other than the audit, we have no relationship with or interests in New Zealand Artificial Limb Board.



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**

This audit report relates to the financial statements of the New Zealand Artificial Limb Board for the year ended 30 June 2005 included on the New Zealand Artificial Limb Board's web-site. The Board of New Zealand Artificial Limb Board are responsible for the maintenance and integrity of the New Zealand Artificial Limb Board's web site. We have not been engaged to report on the integrity of the New Zealand Artificial Limb Board's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. 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 related audit report dated 28 October 2005 to confirm the information included in the audited financial statements presented on this web site.

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

## **Statement of Service Performance for the Year ended 30 June 2005**

### ***Context***

The New Zealand Artificial Limb Board provides a high quality service that enhances amputees' mobility and facility to enable full participation in society. The New Zealand Artificial Limb Board provides services that routinely include consultation with prosthetics professionals, orthopaedic surgeons, 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.

### **All Current Patients**

As at 30 June 2005 the service catered to 4,300 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, 77% were New Zealand European, 12% Maori, and 6% were from the Pacific Islands. A variety of other ethnic backgrounds made up the remainder. All age groups were represented, with 5% under 20 years, 51% between 20 and 59, and 44% over 60 years including 11% over 80 years.

Of the 4,300 patients, trauma accounted for 46% of amputations, vascular failure 18% and diabetes 11%, congenital limb loss 9%, and a variety of other causes such as infection and malignancy made up the remaining 16%.

Fifteen percent have amputations of the upper limb, but lower limb amputations of various types account for the bulk (85%) of the limb service patients. 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 in the hand or of the fingers find prosthetics useful. Amputations in the forefoot and of the toes are best dealt with by orthotics services.

Some of these statistics are graphically represented in the following pages, alongside new patients registered during the year.

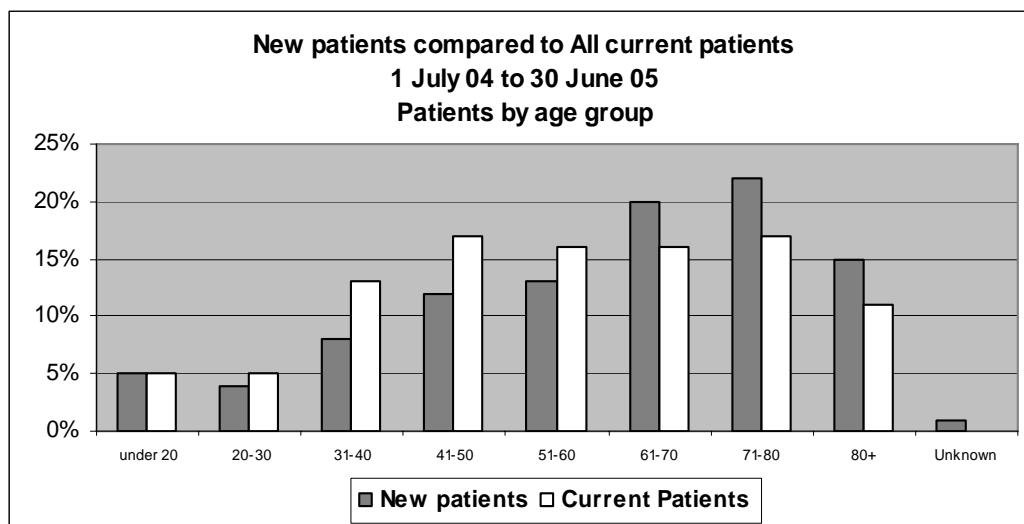
## New Patients

During the 2004-05 year, the number of new patients referred and registered at the New Zealand Artificial Limb Board was 408 compared with 377 for the previous year.

Of the new patients, 68% were male and 32% female. The under-20 years group was 4%, with 37% between 20 and 59 years, and 59% over 60 years. New Zealand Europeans made up the largest group at 66%, with 15% being Maori, 8% 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, in order 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 is a further group of patients who do not get referred to the limb service at all after amputation because their clinicians have not advised it. During the 2004-05 year, of the 408 referred to the limb service, 22 were considered unsuitable, 7 decided not to proceed, and 29 died during the year.

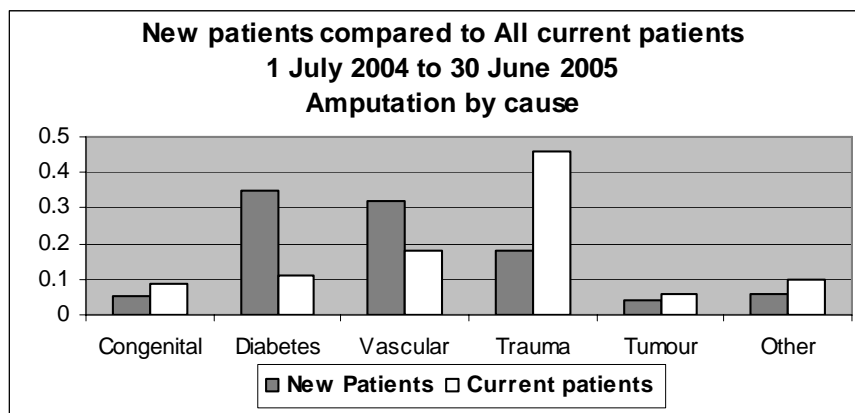
The graph below shows the ages of new patients for the current year compared with all patients registered with the New Zealand Artificial Limb Board who were current as at 30 June 2005.



Those 408 newly registered had 438 amputations, which included one quadrilateral, three tri-lateral and 29 bi-laterals. The majority (58%) were below knee amputations, with 24% being above knee, and 14% being upper limb amputations. A range of minor categories made up the remainder, e.g. through knee amputations.

## Trends

Trends may be observed when new patients entering the services are compared with all current patients registered, as shown in the table below.



The graph compares the causes of amputation of the 2004-05 new patients with all patients on the database as at 30 June 2005. Of the **new** patients, 67% were for vascular failure (diabetes and peripheral vascular disease) compared to the database figure of 29%, and trauma accounted for only 18% compared with the database figure of 46%.

This difference does not represent a new trend, but reflects the short life expectancy of many vascular amputees compared with the many years as an amputee to be expected of congenital amputees, traumatic amputees and many of the amputees for malignancy.

## Service Performance

The Board defined objectives within its Strategic and Business Plans for the 2004-05 financial year. Key objectives and performance against those objectives were:

1. **To provide a comprehensive rehabilitative service of high quality by:**

- **constructing, fitting and servicing prostheses;**
- **providing ancillary services to meet clients' needs.**

**a. Contract compliance.** The New Zealand Artificial Limb Board responded to this objective by meeting the needs of amputees and other clients through compliance with its contracts with the Ministry of Health and the ACC, to whom it reported directly.

**b. Quantitative goals** are inappropriate given their needs-driven nature. The goal was therefore expressed in terms of service capacity, which was successfully maintained during the year to meet demand.

<b>Goal</b>	Actual <b>2005</b>	Actual <b>2004</b>
The New Zealand Artificial Limb Board will ensure it has the capacity to make, fit and service prostheses to at least the same level as previous years:		
New Limbs Supplied	937	1,002
Maintenance and Adjustments to limbs	8,936	8,352

The decrease in new limbs supplied reflects the reduced number of primary patients<sup>3</sup> presenting, plus the increasing durability of modern prostheses which leads to a lower number of replacements being required. There is, however, a corresponding increase in the number of maintenance and adjustment activities, which this year included 161 remodels and 8,775 adjustments.

**c. Quality.** To ensure that amputees receive the best advice possible on their custom-made limbs, the NZALB has always had a team approach, with patients being assessed by a surgeon, a prosthetist, a physiotherapist and others as required. This year was no exception.

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<sup>3</sup> Primary patients are a sub-category of new patients: amputees presenting with their first amputation, and for whom a limb is ordered. In 2004-05, 266 presented compared with 297 for the previous year.

Ongoing training, trialling and testing new components, and peer support and review are also used to contribute towards high quality limbs. During the year, 12 technical training courses and 16 general<sup>4</sup> courses were delivered to staff.

The last external survey on client satisfaction reported in the previous annual report showed that a very high proportion of respondents (94%) were satisfied or very satisfied with the overall service, a similar result to the two previous surveys. Although no survey was conducted during the year under review, there was no indication that the situation had changed. Only 7 complaints were received out of 9,873 new limbs and maintenance adjustments. All complaints were resolved.

The New Zealand Artificial Limb Board's mission statement is:

*to deliver, in partnership with key stakeholders, "state-of-the-art" services in prosthetics and associated rehabilitation services to enable people with limb loss to achieve their desired maximum quality of independent life in their community.*

In order to further develop the goal in the mission statement, and in order to comply with new requirements to provide outcome measures as part of a Statement of Intent, the New Zealand Artificial Limb Board embarked on a major project to develop such measures. This project subsumed the intended development of internal surveys to measure mobility outcomes.

The New Zealand Artificial Limb Board has, for some years, been developing its information base to provide excellent data to assist both in measuring and managing its activities. It has worked steadily with the New Zealand Health Information Service over the last year towards establishing annual New Zealand limb amputation statistics, which will be available by December 2005.

The statistics will provide base data that will allow more accurate comparison between the total amputations performed in hospitals and the numbers of amputees seen by the New Zealand Artificial Limb Board. This should enable the ultimate tracking of amputees who may be suitable for prostheses but who may, under current referral practices, be missing that opportunity.

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<sup>4</sup> E.g. IT training, first aid, patient care, etc.

**d. New technology.** To utilise existing skills in prosthetics to provide a more convenient service for amputees:

**Goal:**

The New Zealand Artificial Limb Board will:

- establish Tracer CAD technology in a further three centres
- train 20 staff in Tracer CAD use
- monitor and develop suitable application of the technology in the New Zealand environment

In addition to its use in the Wellington and Christchurch Limb Centres, the New Zealand Artificial Limb Board established Tracer CAD technology in Auckland, Hamilton and Dunedin Limb Centres. All centres received the software upgrade in May, and a week of training occurred from 9-13 May 2005.

The technology has now been incorporated into the day-to-day fitting and production of limbs throughout the country. Monitoring is ongoing, and further training will be provided where needed.

The benefits to amputees are: a cleaner and more convenient process for fitting their limbs, and a reduction in the time they need to spend at the Limb Centre for the fitting process.

**e. Establish a tertiary qualification in prosthetics/orthotics in New Zealand.**

At present the nearest source of tertiary qualifications in prosthetics is in Melbourne.

**Goal:**

The New Zealand Artificial Limb Board will:

- develop options for establishing a New Zealand qualification in prosthetics/orthotics.

The New Zealand Artificial Limb Board, along with representatives of orthotics services, has been working towards establishing a New Zealand degree in prosthetics and orthotics. The Auckland University of Technology met with both groups and a Steering Group was formed to work through the requirements for such a degree, possibly with some input from La Trobe University in Melbourne. It would be necessary to have student placements in the Auckland Centre, the practicalities of which will be worked through.

**2. To build positive relationships with purchasers and stakeholders through communication and co-operation**

Goal:

The New Zealand Artificial Limb Board will:

- regularly report to the Ministry of Health, the ACC and the responsible Minister, and
- communicate to a standard that meets their expectations.

Written quarterly reports were made to the above stakeholders within the specified timeframe and to their expectations, complemented by meetings held when required.

**3. To operate as a successful enterprise with efficient and effective business practices**

Goal:

The New Zealand Artificial Limb Board will:

- develop options for the Auckland Limb Centre's future in the context of service delivery for the wider Auckland area.

***Auckland Premises.*** The Auckland Limb Centre services a very large and growing population, and is the oldest purpose-built Limb Centre in the country. Whilst the building has been maintained regularly, the need for major upgrade has become apparent.

This year new flooring was installed in the Auckland Centre's workshop area, which was refurbished to provide 12 workbenches and a dedicated computer area. The New Zealand Artificial Limb Board, along with a firm of architects, also examined options for further major upgrading including the clinical areas and replacement of the roof. This is ongoing.

4. **To initiate research and development and access international research and development to ensure the New Zealand Artificial Limb Board is at the forefront of professional progress.**

**Goals:**

- i. International Society for Prosthetics and Orthotics meeting:  
New Zealand professionals will:
  - contribute four papers on technical aspects of prosthetics
  - be up-dated on the latest developments in the field and evaluate them for potential use in New Zealand
- ii. The New Zealand Artificial Limb Board will continue to support other specific research projects:
  - Development of Best Practice Guidelines for Hospital Care of Amputees – Christchurch study

**a. Sharing knowledge.** Every three years a major educational experience for prosthetics professionals is provided by the International Society for Prosthetics and Orthotics. This occurred in August 2004 in Hong Kong. The New Zealand contingent made a significant contribution to this meeting by contributing three scientific papers and two poster presentations. It also took the opportunity to promote its own scientific conference, to be held in March 2006.

Valuable networking occurred as well as updates on new products and services, both of which benefit New Zealand amputees.

The New Zealand Artificial Limb Board also provided training for a wide range of professionals involved in amputee care. Over 20 presentations were made by New Zealand Artificial Limb Board staff to other health professionals during the year.

**b. Research.** The New Zealand Artificial Limb Board supported and sponsored a research project in Christchurch undertaken by Debbie Hockley, physiotherapist, to improve hospital services to amputees. This project brought about the establishment of an amputee interdisciplinary care checklist, better co-ordinated services, better information for amputees, more consistent involvement from the Amputees' Society, routine input from Social Workers for addressing any grief and loss issues for patients, improved referral and review procedures, and the training of hospital professionals in a range of amputee-related areas including the application of rigid removable dressings.

The project has led to improvements in hospital care for Christchurch amputees, and the work has been enthusiastically endorsed and supported by the Christchurch District Health Board. It provides a sound basis for similar practices to be developed elsewhere in the country.

**5. To develop a profile that leads to a recognized public image of a confident, energetic and innovative organization.**

**Goal:**  
 The New Zealand Artificial Limb Board will:

- establish a website in line with e-government requirements.

**a. Website**

A website for the New Zealand Artificial Limb Board went live on 22 April 2005, and was designed to emphasise a "can-do" approach for amputees.

The website provides the basis for a more interactive approach with New Zealand amputees and is expected to be further developed in the coming year.

**b. ProsTHotics Congress**

In conjunction with the International Society of Prosthetics and Orthotics (ISPO) NZ Society the New Zealand Artificial Limb Board will be hosting its second international scientific meeting in Wellington in March 2006. Considerable work and planning for this congress occurred during the 2004-05 financial year. The key speaker will be the International President of ISPO, a first for New Zealand.

**Financial Performance**

Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
Income	6,291	6,670	6,436
Expenditure	6,468	6,663	6,441
<b>Net surplus/(deficit)</b>	<b>(177)</b>	<b>7</b>	<b>(5)</b>

## **Statement of Accounting Policies for the Year ended 30 June 2005**

### **Reporting entity**

These are the financial statements of the New Zealand Artificial Limb Board, a Crown entity in terms of the Crown Entities Act 2004. These statements have been prepared in accordance with the Public Finance Act 1989.

### **Measurement base**

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

### **Accounting policies**

The following particular accounting policies which materially affect the measurement of financial performance and financial management have been applied.

### **Budget figures**

The budget figures are those approved by the Board at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

### **Revenue**

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 and from interest on investments. Such revenue is recognized when earned and is reported in the financial period to which it relates.

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

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable which are stated with GST included.

### **Taxation**

The New Zealand Artificial Limb Board is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

## **Accounts receivable**

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectable debts.

## **Investments**

Short term investments are deposited with registered New Zealand banks and are stated at cost.

## **Property, Plant and Equipment**

All fixed assets are recorded at cost. Any write-down of an item to its recoverable amount is recognized in the statement of financial performance.

## **Depreciation**

Depreciation is provided on a straight line basis on all fixed assets, at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

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

Buildings	40 years	2.5%
Plant and equipment	10 years	10%
Furniture and Fittings	5 years	20%
Software	5 years	20%
Computer Equipment	3 years	33%

## **Employee Entitlements**

Provision is made in respect of the New Zealand Artificial Limb Board's liability for annual leave entitlements calculated on the basis of current rates of pay. Long service leave has been calculated and valued on an actuarial basis every two years and adjusted for actual leave taken on alternate years.

## **Operating leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognized on a systematic basis over the period of the lease.

## **Financial instruments**

The New Zealand Artificial Limb Board is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognized in the statement of financial position and all revenues and expenses in relation to financial instruments are recognized in the statement of financial performance.

## **Statement of cash flows**

*Cash* means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the New Zealand Artificial Limb Board invests as part of its day-to-day cash management.

*Operating activities* includes all activities other than investing and financial activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support the New Zealand Artificial Limb Board's operating activities. Cash outflows include payments made to employees, suppliers and for taxes.

*Investing activities* are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

*Financing activities* are those activities relating to changes in equity and debt capital structure of the New Zealand Artificial Limb Board and those activities relating to the cost of servicing the New Zealand Artificial Limb Board's equity capital.

## **Changes in accounting policies**

There have been no changes in accounting policies since the date of the last audited financial statements. All policies have been applied on a consistent basis with previous years.

## **Foreign exchange**

Foreign currency transactions are converted into New Zealand dollars at the exchange rate at the date of the transaction. Where a forward exchange contract has been used to establish the price of a transaction, the forward rate specified in that foreign exchange contract is used to convert that transaction to New Zealand dollars. Consequently, no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

Monetary assets and liabilities are translated to New Zealand dollars at the closing exchange rate. The resulting unrealised exchange gain or loss is

recognised in the Statement of Financial Performance. Other exchange gains or losses, whether realised or unrealised, are recognised in the Statement of Financial Performance in the period to which they relate.

**Statement of Financial Performance for the  
Year ended 30 June 2005**

	Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
<b>Revenue</b>				
Crown revenue		6,030	6,458	6,216
Other revenue		57	60	58
Interest income		204	152	162
<b>Total revenue</b>		<b>6,291</b>	<b>6,670</b>	<b>6,436</b>
<b>Expenditure</b>				
Personnel		2,579	2,627	2,543
Operating		3,332	3,390	3,370
Depreciation		293	306	282
Rehabilitation		131	180	152
Training & Research		133	160	94
<b>Total Expenses</b>	1	<b>6,468</b>	<b>6,663</b>	<b>6,441</b>
<b>Net surplus/(deficit) from operations</b>		<b>(177)</b>	<b>7</b>	<b>(5)</b>

**Statement of Movements in Equity for the  
Year ended 30 June 2005**

	Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
Operating surplus/(deficit)		(177)	7	(5)
<b>Total recognised revenues and expenses for the period</b>		<b>(177)</b>	<b>7</b>	<b>(5)</b>
<b>Public equity as at 1 July 2004</b>		<b>6,013</b>	<b>6,021</b>	<b>6,018</b>
<b>Public equity as at 30 June 2005</b>	2	<b>5,836</b>	<b>6,028</b>	<b>6,013</b>

The accompanying accounting policies and notes form part of these financial statements.

**Statement of Financial Position  
as at 30 June 2005**

	Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
<b>Total Public Equity</b>		<b>5,836</b>	<b>6,028</b>	<b>6,013</b>
<b>Represented by:</b>				
<b>Current Assets</b>				
Cash and Bank		498	454	417
Receivables and prepayments	3	641	650	824
Short-term deposits		2,887	3,040	2,868
Inventory	4	1,426	1,420	1,432
<b>Total current assets</b>		<b>5,452</b>	<b>5,564</b>	<b>5,541</b>
<b>Non-current assets</b>				
Fixed assets	5	1,020	1,046	1,104
<b>Total non-current assets</b>		<b>1,020</b>	<b>1,046</b>	<b>1,104</b>
<b>Total assets</b>		<b>6,472</b>	<b>6,610</b>	<b>6,645</b>
<b>Current liabilities</b>				
Payables	6	301	220	263
Employee entitlements	7	175	207	209
Accruals salaries	7	97	65	93
<b>Total current liabilities</b>		<b>573</b>	<b>492</b>	<b>565</b>
<b>Non-current liabilities</b>				
Employee entitlements	7	63	90	67
<b>Total non-current liabilities</b>		<b>63</b>	<b>90</b>	<b>67</b>
<b>Total liabilities</b>		<b>636</b>	<b>582</b>	<b>632</b>
<b>Net assets</b>		<b>5,836</b>	<b>6,028</b>	<b>6,013</b>

The accompanying accounting policies and notes form part of these financial statements.

**Statement of Cash Flows for the  
Year ended 30 June 2005**

	Notes	Actual 2005 \$000	Budget 2005 \$000	Actual 2004 \$000
<b>Cash flows from operating Activities</b>				
<b>Cash was provided from:</b>				
Supply of services		6,262	6,470	6,199
Interest received	10	188	158	165
		<b>6,450</b>	<b>6,628</b>	<b>6,364</b>
<b>Cash was applied to:</b>				
Payments to employees		(2,613)	(2,628)	(2,482)
Payments to suppliers		(3,547)	(3,662)	(3,671)
Net Goods and Services tax		25	-	42
		<b>(6,135)</b>	<b>(6,290)</b>	<b>(6,111)</b>
<b>Net cash flows from operating activities</b>	8	<b>315</b>	<b>338</b>	<b>253</b>
<b>Cash flows from investing activities:</b>				
<b>Cash was provided from:</b>				
Sale of fixed assets		3	-	9
		<b>3</b>	<b>-</b>	<b>9</b>
<b>Cash was applied to:</b>				
Purchase of fixed assets		(219)	(257)	(486)
Decrease in term deposits		(18)	(172)	328
		<b>(237)</b>	<b>(429)</b>	<b>(158)</b>
<b>Net cashflow from investing activities</b>		<b>(234)</b>	<b>(429)</b>	<b>(149)</b>
<b>Net increase/(decrease) in cash held</b>		<b>81</b>	<b>(91)</b>	<b>104</b>
Add opening cash		417	545	313
<b>Closing cash</b>		<b>498</b>	<b>454</b>	<b>417</b>

The accompanying accounting policies and notes form part of these financial statements.

**Statement of Commitments  
as at 30 June 2005**

	2005 \$000	2004 \$000
<b>Non-cancellable operating lease commitments</b>		
Not later than one year	52	58
Later than one year and not later than two years	42	50
Later than two years and not later than five years	4	40
Later than five years	-	-
<b>Capital commitments</b>		
Not later than one year	-	-
<b>Total commitments</b>	<b>98</b>	<b>148</b>

**Statement of Contingent Liabilities  
as at 30 June 2005**

The New Zealand Artificial Limb Board has no contingent liabilities as at 30 June 2005 (30 June 2004: Nil).

The accompanying accounting policies and notes form part of these financial statements.

**Notes to the Financial Statements for the  
Year Ended 30 June 2005**

**Note 1: Operating deficit**

	2005	2004
	\$000	\$000
<b>The net deficit after charging for</b>		
Personnel costs	2,583	2,550
Change in long service leave provision	(4)	(7)
<b>Total personnel costs</b>	<b>2,579</b>	<b>2,543</b>
Operational costs	862	773
Material costs	2,532	2,662
Fees paid to auditors	22	23
Board members' fees	51	46
Board members' expenses	18	21
Depreciation		
Buildings	1	1
Plant & equipment	45	37
Furniture & fittings	31	34
Computer equipment	73	80
Software	143	130
<b>Total depreciation for the year</b>	<b>293</b>	<b>282</b>
Rental expense on operating leases	103	91
Bad debts written off	1	2
<b>Total costs for operations</b>	<b>6,461</b>	<b>6,443</b>
<b>After adjusting</b>		
Net loss/(gain) on sale of fixed assets	7	(2)
<b>Total costs for operations</b>	<b>6,468</b>	<b>6,441</b>

## Note 2: Public Equity

	2005	2004
	\$000	\$000
<b>General funds</b>		
<b>Opening balance</b>	6,013	6,018
Net surplus/(deficit)	(177)	(5)
	<b>5,836</b>	<b>6,013</b>
<b>Less Board-created reserves</b>		
Property occupancy reserve	(2,491)	(2,500)
IT enhancement reserve	(220)	(233)
Centre upgrading reserve	(99)	(112)
Research and development reserve	(247)	(255)
<b>Closing general funds</b>	<b>2,779</b>	<b>2,913</b>
<b>Movement in Board reserves</b>		
<b>Property occupancy reserve</b>		
Opening balance	2,500	2,500
Transferred from general funds	(9)	-
Balance as at 30 June 2005	<b>2,491</b>	<b>2,500</b>
<b>IT enhancement reserve</b>		
Opening balance	233	233
Transferred from general funds	(13)	-
Balance as at 30 June 2005	<b>220</b>	<b>233</b>
<b>Centre upgrading reserve</b>		
Opening balance	112	112
Transferred from general funds	(13)	-
Balance as at 30 June 2005	<b>99</b>	<b>112</b>
<b>Research and development reserve</b>		
Opening balance	255	255
Transferred from general funds	(8)	-
Balance as at 30 June 2005	<b>247</b>	<b>255</b>
<b>Total Board created reserves</b>	<b>3,057</b>	<b>3,100</b>

### Note 3: Receivables and prepayments

<b>Accounts receivable and prepayments</b>	2005 \$000	2004 \$000
Trade debtors	553	758
Other amounts receivable	17	15
Interest accrual	34	18
Prepayments	37	33
<b>Total</b>	<b>641</b>	<b>824</b>

### Note 4: Inventory

<b>Inventory on hand</b>	2005 \$000	2004 \$000
Materials	1,225	1,222
Work in progress	201	210
<b>Total</b>	<b>1,426</b>	<b>1,432</b>

### Note 5: Property, plant and equipment

<b>Actual 2005</b>	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Buildings	68	(20)	48
Plant and equipment	688	(209)	479
Furniture and fittings	324	(263)	61
Computer equipment	284	(256)	28
Software	720	(316)	404
<b>Total</b>	<b>2,084</b>	<b>(1,064)</b>	<b>1,020</b>

<b>Actual 2004</b>	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Buildings	68	(19)	49
Plant and equipment	507	(176)	331
Furniture and fittings	349	(264)	85
Computer equipment	317	(219)	98
Software	714	(173)	541
<b>Total</b>	<b>1,955</b>	<b>(851)</b>	<b>1,104</b>

### Note 6: Payables and accruals

	2005	2004
	\$000	\$000
Trade creditors	155	107
Accrued expenses	86	89
Income in advance	3	8
GST provision	57	59
<b>Total</b>	<b>301</b>	<b>263</b>

### Note 7: Employee entitlements

	2005	2004
	\$000	\$000
Salary related accruals	97	93
Annual leave	175	209
Long service leave	63	67
<b>Total</b>	<b>335</b>	<b>369</b>
Current	272	302
Non-current	63	67
<b>Total</b>	<b>335</b>	<b>369</b>

**Note 8: Reconciliation of the net surplus/(deficit) from operations with the net cashflows from operating activities**

	2005	2004
	\$000	\$000
<b>Net surplus/(deficit) from operations</b>	<b>(177)</b>	<b>(5)</b>
<b>Add (less) non-cash items:</b>		
Depreciation	293	282
Loss on disposal of fixed assets	7	-
Increase/(decrease) in non-current employee entitlements	(4)	(7)
<b>Total non-cash items</b>	<b>296</b>	<b>275</b>
<b>Add (less) movements in working capital items:</b>		
Movement in receivables and prepayments	183	(105)
Movement in payables	37	62
Movement in Work in Progress and Stock	6	(42)
Movement in current employee entitlements	(30)	68
<b>Total movements in working capital</b>	<b>196</b>	<b>(17)</b>
<b>Net cash flow from operating activities</b>	<b>315</b>	<b>253</b>

**Note 9: Related party transactions**

The New Zealand Artificial Limb Board is a wholly owned entity of the Crown. All transactions entered into with other government departments and State Owned Enterprises are conducted at arm's length on normal business terms except for the lease agreements with Crown in place for the use of premises which are at nominal rents.

No severance payments have been made to Board members. Remuneration through fees is all-inclusive.

## **Note 10: Financial instruments**

The New Zealand Artificial Limb Board is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts, bank deposits, accounts receivable and accounts payable.

The New Zealand Artificial Limb Board is risk averse and seeks to minimise its exposure from its operating activities. Its policies do not allow any transactions which are speculative in nature.

### **Credit Risk**

Credit risk is the risk that a third party will default on its obligation to the New Zealand Artificial Limb Board, causing the New Zealand Artificial Limb Board to incur a loss.

The New Zealand Artificial Limb Board has a credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits and accounts receivable.

The New Zealand Artificial Limb Board places its investments with institutions that have a high credit rating. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. The New Zealand Artificial Limb Board believes that these policies reduce the risk of any loss which could arise from its investment activities. The New Zealand Artificial Limb Board does not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk.

### **Fair value**

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

### **Currency risk**

The New Zealand Artificial Limb Board avoids the risk of loss through fluctuating overseas currency exchange rates by operating on a cost plus charge out policy. No foreign currency hedge transactions are entered into.

### **Interest rate risk**

The New Zealand Artificial Limb Board does not consider that there is any significant interest exposure to interest risk on its investments. Interest rates for short term deposits ranged from 5.37 – 7.06%.

### Note 11: Employees' remuneration

\$000	Number of Employees 2005	Number of Employees 2004
100-110	1	1
110-120	-	-
120-130	-	1
130-140	1	-

The General Manager's remuneration is in the band of \$130,000-\$140,000 (2004: \$120,000 - \$130,000).

## **Note 12: Board Members' fees**

Fees paid to members of the Board were as follows

	2005	2004
	\$000	\$000
A G Hall	19	18
S D Sherwood	-	7
J Thompson	8	7
A W Beasley	-	7
M H Cooper	-	7
G F Lamb	8	-
N D Millar	8	-
L L Peacock	8	-
CEO Ministry of Social Development (ex-officio)	-	-
<b>Total</b>	<b>51</b>	<b>46</b>

## **Note 13: Post balance date events**

There are no events after balance date that affect the presentation of these financial statements.

## **Note 14: Major budget variations**

The financial statements show a deficit of \$177,000 on the year's operations compared with a projected budget surplus of \$7,000. The main item contributing to this variance is as follows:

Crown revenue: Application to the Ministry of Health for increased funding was unsuccessful resulting in a \$300,000 variance in actual revenue compared to budget. This contract has remained at the same fixed sum since October 1999.

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