
Report of the

**NEW ZEALAND
ARTIFICIAL LIMB BOARD**

**For the Year Ended
30 June 2003**

***Presented to the House of Representatives pursuant
to Section 44A of the Public Finance Act 1989***

To the Minister of Social Development and Employment

In accordance with Section 44A of 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 2003.

A handwritten signature in black ink, appearing to read 'A G Hall', with a long horizontal flourish extending to the right.

A G Hall
Chair

CONTENTS

	<i>Page</i>
Chairperson's Report	4
Statement of Objectives	5
Governance and Accountability Statement	8
Governance Philosophy	9
Statement of Responsibility	11
Audit New Zealand Report	12
Statement of Service Performance	14
Statement of Accounting Policies	18
Statement of Financial Performance	21
Statement of Movements in Equity	22
Statement of Financial Position	23
Statement of Cash Flows	24
Statement of Commitments	25
Statement of Contingent Liabilities	25
Notes to the Financial Statements	26
Contact Information	34



New Zealand Artificial Limb Board

Chair's Report

The New Zealand Artificial Limb Board is a Crown Entity that provides a national prosthetic limb service for New Zealand amputees. The service includes provision, fitting and maintenance of artificial limbs together with rehabilitation support.

The service's mission is to

deliver "state-of-the-art" services in prosthetics and rehabilitation to enable amputees and other clients to achieve their maximum quality of living, independence and participation in the life of their community.

The New Zealand Artificial Limb Board works with the professional help of prosthetists, limb-fitting orthopaedic surgeons, physiotherapists and occupational therapists, backed up by technicians and support staff. There are five limb centres located in Auckland, Hamilton, Wellington, Christchurch and Dunedin, which also provide services in outlying areas on a regular basis.

Contracts with the Ministry of Health and the ACC provide the funding for most amputees, with a declining number of war amputees being funded separately, and a small number of specialised prostheses provided by private contact. Co-operative relationships are fostered between staff of the Limb Service and District Health Boards, community organisations, the Amputees Federation of New Zealand and the War Amputees' Association.

The Year in Review

Objectives

The New Zealand Artificial Limb Board's objectives are to:

1. provide a comprehensive rehabilitative service by:
 - (i) manufacturing, fitting and maintaining prostheses
 - (ii) providing ancillary services to meet clients' needs
2. deliver its services in ways that are culturally appropriate
3. operate as a successful enterprise with efficient and effective business practices
4. access and participate in international research and development to make certain the New Zealand Artificial Limb Board is in the forefront of technological progress
5. build positive relationships with purchasers and stakeholders through communication and co-operation
6. develop a profile that leads to a recognized public image of a confident, energetic and innovative organisation.

The 2002/2003 year saw 255 new primary amputees, having 286 amputations, present for service from New Zealand Artificial Limb Board facilities. Comparable figures for the previous year were 270 and 316 respectively.

- 22% of primary amputations were for trauma-related causes and the remainder for health-related or congenital causes
- 57% of primary amputees were over the age of 60 years.

Both of these percentages show a small reversal of trends over previous years where trauma-related causes have been declining as a percentage of the total and where the proportion of older amputees has been increasing.

In addition to providing prosthetic limbs for new amputees, the New Zealand Artificial Limb Board maintains and services the prostheses of the amputee population generally. This latter involves the provision of new limbs as required.

During the year 1,125 new prosthetic limbs were completed which was a reduction of 98 on the number for the previous year. Part of this reduction was a result of newer, longer-lasting componentry enabling limbs to be maintained rather than replaced. Maintenance jobs for servicing, adaptations, adjustments and repairs rose by 342 accordingly, to a total of 7,467.

These measures of quantity are but part of the overall service where the New Zealand Artificial Limb Board seeks to create a rehabilitative environment that will enhance its service to amputees and their support persons. The aim is to make limbs that are firm in fit but comfortable to wear, provide stability, mobility or good functionality and contribute to amputees carrying on their lives as near to normally as possible. Physiotherapy, gait training, stump protection, pain management and a rehabilitative environment and support are all essential components of the service. The individualised and customised service helps achieve this end with amputees being fully involved in decisions regarding their prostheses and rehabilitation.

To ensure that all limbs supplied are of the highest quality the New Zealand Artificial Limb Board:

- employs skilled and experienced clinical prosthetists
- employs skilled and experienced prosthetic technicians
- uses consultant limb orthopaedic surgeons to head a team responsible for prescribing all new and replacement limbs
- monitors the quality of maintenance to limbs
- provides the services of physiotherapists to assist in rehabilitation
- provides on going training to staff to keep up with latest methods and technology

The year under review has been marked by extremely good progress in terms of the defined objectives.

Comments in the Statement of Service Performance appended include highlights from the year.

The Year Ahead

In addition to finalising and consolidating its IT development project, the Board has decided on further service enhancements in the form of CAD/CAM technology, which will be introduced in evaluated stages over the next year. The new technology uses laser tracing to make the initial measuring of the limbs which is more convenient and comfortable for amputees, as well as having advantages in digital storage of images and the ability to make modifications during the process. It will be introduced gradually into the New Zealand environment.

The New Zealand Artificial Limb Board will be carrying out its major client satisfaction survey again. This is held on a regular basis every three years and assists the organisation in its ongoing strategy of continuous improvement in service delivery.

Board Membership

Board membership at the year end was:

Chair	A G Hall	Appointed on the nomination of: NZ Artificial Limb Board
Deputy Chair	J Thompson	Amputees Federation of NZ Inc
	S D Sherwood	NZ War Amputees' Assoc. Inc.
	A W Beasley	NZ Orthopaedic Association
	M H Cooper	Minister of Health
	N F Lavery	Chief Executive of Ministry of Social Development

Conclusion

The 2002/2003 year was a busy and highly successful year for the New Zealand Artificial Limb Board. It has met its objectives for the year. Through the new IT system, the groundwork is laid for better information in the future for the Board and management to continually improve the services provided to New Zealand amputees. Through the Congress especially, the New Zealand Artificial Limb Board staff have both contributed and been exposed to international research, and the organisation is better recognised for its very real achievements.

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2003.



A G Hall
Chair

Governance and Accountability Statement

Role of the Board

The Minister of Social Development and Employment has appointed a governing Board. The Board's governance responsibilities include:

- Communicating with the Minister and other stakeholders to ensure their views are reflected in New Zealand Artificial Limb Board planning
- Delegating responsibility for achievement of specific objectives to the General Manager
- Monitoring organisational performance towards achieving objectives
- Accounting to the Minister on plans and progress against them
- Maintaining effective systems of internal control.

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, eg IT Steering Group and 2003 International Congress Committee.

Governance Philosophy

Board Membership

Board members are appointed by the Minister of 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 of views 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 has been initiated to 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 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 on 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 Audit

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 respectively have acknowledged their responsibility by signing the Statement of Responsibility on page 11 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 a draft Code of Conduct and expects 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 2003

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.

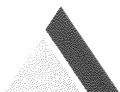
In the opinion of the Board and management of the New Zealand Artificial Limb Board, the annual Financial Statements for the year ended 30 June 2003 fairly reflect the financial position and operations of the New Zealand Artificial Limb Board.



A G Hall
Chair

G A Forster
Manager, Finance and Administration

Audit New Zealand report



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE NEW ZEALAND ARTIFICIAL LIMB BOARD FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements of on pages 14 to 33. The financial statements provide information about the past financial and service performance of the New Zealand Artificial Limb Board and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 18 to 20.

Responsibilities of the Board

The Public Finance Act 1989 requires the Board to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the New Zealand Artificial Limb Board as at 30 June 2003, the results of its operations, cash flows and service performance achievements for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Alan Shaw, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- ▲ whether the accounting policies are appropriate to the New Zealand Artificial Limb Board's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of

E.12a Annual Report 2002/2003

Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the New Zealand Artificial Limb Board.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the New Zealand Artificial Limb Board on pages 14 to 32:

- ▲ comply with generally accepted accounting practice in New Zealand; and
- ▲ fairly reflect:
 - the New Zealand Artificial Limb Board's financial position as at 30 June 2003;
 - the results of its operations and cash flows for the year ended on that date; and
 - the service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 2 October 2003 and our unqualified opinion is expressed as at that date.



Alan Shaw
Audit 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 2003 included on Office of the Clerk's website. The Clerk of the House of Representatives is responsible for the maintenance and integrity of the Office of the Clerk's website. We have not been engaged to report on the integrity of the Office of the Clerk'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.

We have not been engaged to report on any other electronic versions of the New Zealand Artificial Limb Board's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

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 2 October 2003 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 2003

Introduction

In essence, the New Zealand Artificial Limb Board's Service Performance obligations are to fulfil the requirements of its two principal contracts, viz, with the Ministry of Health for amputees as a result of health-related causes and with ACC for trauma-related amputees, as well as providing service to War amputees and direct clients.

Both these prime contracts involve regular reporting and monitoring, with regular audits of performance against contract requirements. Audit reports indicate satisfactory performance by the New Zealand Artificial Limb Board in respect of these contracts.

In responding to these contracts, the following aspects are relevant.

Quantity

The year 2002/2003 showed the continuation of a steady upwards trend in the number of jobs for servicing and maintenance of limbs. The higher quality of modern components used to manufacture limbs has led to products that last longer, and that can now be repaired where once they would have been replaced.

	Actual 2003	Actual 2002
New Limbs Supplied	1,125	1,223
Maintenance jobs on Limbs	7,467	7,125

To meet its service requirements for the 2002/2003 year the New Zealand Artificial Limb Board adopted broad objectives designed to enhance the service. Resources were focussed in these areas of emphasis.

A brief review of highlights in respect of these areas of emphasis follows.

Understand the requirements of amputees, including those with specific needs, and promote service enhancements to help meet their needs.

Ongoing. Rehabilitation services have been improved this year through a further increase in the provision of physiotherapy services. Regular fitness classes have been introduced, which are proving popular with amputees.

Outside activities have been facilitated, including a team of amputees and staff participating most successfully in the “Round the Bays” event in Wellington.

Know and understand what the purchasers expect, and work collegially with them to achieve desired outcomes.

Ongoing. There has been increased dialogue this year between the New Zealand Artificial Limb Board and its two major contract holders, the Ministry of Health and ACC. This was partly because of the renegotiation of the contracts and partly a result of introducing regular update meetings. The level of co-operation and understanding has been enhanced and strengthened through regular contact.

The New Zealand Artificial Limb Board is committed to giving the best possible service to New Zealand amputees and, to this end, has developed a good relationship with the NZ Amputees Federation. At the national level, the International Congress enabled the two organisations to work closely together, and the New Zealand Artificial Limb Board was grateful for the consumer perspectives provided in that forum. The General Manager addressed the AGM of the Federation during the Congress Weekend, and the amputees in turn played an active role in the Congress, from presenting papers to attending scientific sessions.

Develop Maori strategy

Ongoing. The New Zealand Artificial Limb Board has introduced a Maori Strategy to ensure that services are delivered in ways that are culturally appropriate. The appointment of an external Maori advisor has ensured steady development of the strategy. Courses on Maori cultural issues for staff were held, and a powhiri marked the opening of the New Zealand Artificial Limb Board’s International Congress in Wellington.

The New Zealand Artificial Limb Board successfully renegotiated its two major contracts with the Ministry of Health and ACC. Considerable work was done on redefining monitoring and reporting requirements and ensuring that the IT system was built to reflect them.

Develop a public relations plan to promote the New Zealand Artificial Limb Board’s image and the knowledge of its services, both nationally and internationally.

“PROS·TH·OTICS” Congress

One of the major events for the New Zealand Artificial Limb Board in the 2002/2003 year was its sponsorship of the ProsTHotics Congress in Wellington on “Prosthetics, Orthotics and Rehabilitation in the New Century”. The Congress was a significant international event with more than 140 delegates from 23 countries attending, together with a strong

contingent from the Amputees Federation who coincided their own AGM with the Congress timing. Organisers worked co-operatively with the Amputees Federation to maximise the consumer perspective. Industrial sponsorship was welcomed from Ossur and Otto Bock.

The primary aims of the Congress were to raise the profile of the prosthetics and orthotics services both nationally and internationally, and to create a training opportunity in the latest research for New Zealand Artificial Limb Board staff. The Congress achieved both of these aims.

The programme included a wide range of technical papers on scientific topics, and a seminar on diabetes. New Zealanders were well represented and delivered a range of high quality research papers.

It was the first international conference on prosthetics and orthotics held in this country. Feedback indicated that it was highly successful and clearly demonstrated that the New Zealand prosthetics service is the equal of any in the world. The New Zealand Artificial Limb Board, as prime sponsor, derived significant benefit from the occasion and was gratified by its success.

Continue staff development so that skills and knowledge are underpinned by understanding and good communication.

Ongoing. In addition to the training provided through the Congress, staff skills have been increased through a variety of courses, especially in IT training. There have been significant numbers of courses throughout the country on technical aspects of prosthetics such as new components and manufacturers' settings, as well as more general courses such as first aid and patient care.

Training can be two-way, and staff have not only received training but have provided it to others. New Zealand Artificial Limb Board staff held seminars on various aspects of prosthetics, including demonstrating the use of rigid removable dressings to a range of health professionals, particularly in hospitals. These courses have been well received and will continue to contribute to improving services to amputees.

The New Zealand Artificial Limb Board provided two placements for prosthetists during the year. The first was under the auspices of the Ministry of Foreign Affairs Aid programme, in the form of a ten week work-experience placement in the Auckland Limb Centre for a prosthetist from Fiji. In addition, a one-year placement was provided for a visiting prosthetist. This was to give a new graduate an employment opportunity to learn and practise alongside experienced New Zealand prosthetists. The placement in Wellington Centre was granted to a new graduate from La Trobe University in Melbourne. These two placements have been mutually beneficial and enthusiastically received.

Define and implement efficiencies in service delivery and overheads.

The New Zealand Artificial Limb Board continued its updating of computer systems, a process which began last year and has continued within budget. It had a significant impact and brought about wide-reaching changes, leading to further efficiencies in the New Zealand Artificial Limb Board and its provision of services.

All Centres have been integrated into a national system, which has streamlined the reporting function and provided the basis for better information for planning purposes. Computer hardware has been upgraded.

Financial Performance

	Notes	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
Income		6,320	6,303	6,258
Expenditure		6,777	6,073	5,931
Net surplus/deficit		(457)	230	327

Statement of Accounting Policies for the Year Ended 30 June 2003

Reporting entity

These are the financial statements of the New Zealand Artificial Limb Board, a Crown entity in terms of the Public Finance Act 1989. These statements have been prepared in accordance with Section 41 of 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 derives revenue through the provision of a single output to the Crown, 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 market value.

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 diminishing value 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%
Computer Equipment	2 years	50%

*** includes software development costs*

Employee Entitlements

Provision is made in respect of the New Zealand Artificial Limb Board's liability for annual and long service leave. Entitlements have been calculated on the basis of current rates of pay.

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.

Cost of service statements

The cost of service statements, as reported in the statement of objectives and service performance, report the net cost of services for the outputs of the New Zealand Artificial Limb Board and are represented by the costs of providing the output less all the revenue that can be allocated to these activities.

Cost allocation

The New Zealand Artificial Limb Board has derived the net cost of service for the New Zealand Artificial Limb Board using the cost allocation system outlined below.

Criteria for direct and indirect costs

"Direct costs" are those costs directly attributable to producing services.

"Indirect costs" are those costs which cannot be identified in an economically feasible manner and form part of overall overhead costs.

For the year ended 30 June 2003, indirect costs accounted for 12% of the New Zealand Artificial Limb Board's total costs (2002: 12%).

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 basis consistent with previous years.

Statement of Financial Performance for the Year Ended 30 June 2003

	Notes	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
Revenue				
Crown revenue		6,013	6,018	5,989
Other revenue		93	65	48
Interest income		214	220	221
Total revenue		6,320	6,303	6,258
Expenditure				
Personnel		2,690	2,135	2,196
Operating		3,678	3,519	3,302
Depreciation		172	39	36
Rehabilitation		124	120	148
Training & Research		113	260	249
Total Expenses	1	6,777	6,073	5,931
Net surplus/(loss) from operations		(457)	230	327

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

Statement of Movements in Equity for the Year Ended 30 June 2003

	Notes	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
Public equity as at 1 July 2002		6,475	6,475	6,148
Net surplus/(loss)		(457)	230	327
<i>Total recognised revenues and expenses for the period</i>		(457)	230	327
Public equity as at 30 June 2003	2	6,018	6,705	6,475

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

Statement of Financial Position as at 30 June 2003

	Notes	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
General Fund	2	6,475	6,475	6,148
Net Surplus/(Loss)		(457)	230	327
Total Public Equity		6,018	6,705	6,475
Represented by:				
Current Assets				
Cash and Bank		313	689	599
Receivables and prepayments	3	719	516	519
Short-term deposits		3,196	4,075	3,863
Inventory	4	1,390	1,600	1,623
Total current assets		5,618	6,880	6,604
Non-current assets				
Fixed assets	5	909	345	403
Total non-current assets		909	345	403
Total assets		6,527	7,225	7,007
Current liabilities				
Payables	6	201	300	297
Employee entitlements	7	169	150	132
Accruals salaries	7	65	-	27
Total current liabilities		435	450	456
Non-current liabilities				
Employee entitlements	7	74	70	76
Total non-current liabilities		74	70	76
Total liabilities		509	520	532
Net assets		6,018	6,705	6,475

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

Statement of Cash Flows for the Year Ended 30 June 2003

	Notes	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
Cash flows from operating activities				
Cash was provided from:				
Supply of services		5,925	6,020	6092
Interest received		206	200	226
		6,131	6,220	6,318
Cash was applied to:				
Payments to employees		(2,617)	(2,220)	(2,160)
Payments to suppliers		(3,593)	(3,550)	(3,758)
Net Goods and Services tax		(15)	-	(5)
		(6,225)	(5,770)	(5,923)
Net cash flows from operating activities	8	(94)	450	395
Cash flows from investing activities:				
Cash was applied to:				
Purchase of fixed assets		(859)	(100)	(25)
Decrease in term deposits		667	(260)	(113)
Net cashflow from investing activities		(192)	(360)	(138)
Net increase/(decrease) in cash held		(286)	90	257
Add opening cash		599	599	342
Closing cash		313	689	599

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

Statement of Commitments as at 30 June 2003

	2003 \$000	2002 \$000
Non-cancellable operating lease commitments *		
Not later than one year	85	85
Later than one year and not later than two years	56	77
Later than two years and not later than five years	90	15
Later than five years	-	-
Capital commitments		
Not later than one year	312	-
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-
Total commitments	543	177

* accommodation commitments include all future rights of renewal.

Statement of Contingent Liabilities as at 30 June 2003

The New Zealand Artificial Limb Board has no contingent liabilities as at 30 June 2003 (30 June 2002: Nil).

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

Notes to the Financial Statements for the Year Ended 30 June 2003

Note 1: Operating Surplus/(Deficit)

	2003	2002
	\$000	\$000
The net deficit/surplus is after charging for		
Personnel costs	2,692	2,190
Change in long service leave provision	(2)	6
Total personnel costs	2,690	2,196
Operational costs	994	1,041
Material costs	2,757	2,533
Fees paid to auditors		
- external audit **	31	15
Board members' fees and expenses	55	65
Depreciation		
Buildings	2	2
Plant & equipment	10	5
Furniture & fittings	75	18
Computer equipment	85	11
Total depreciation for the year	172	36
Rental expense on operating leases	78	45
Total costs for operations	6,777	5,931

** Audit fee timing adjustment – reported expense for the year ending 30 June 2003 includes costs for two years audit fees.

Changes to depreciation

The depreciation charge for this year includes a write off adjustment for all assets with a book value of less than \$200. The financial effect of this adjustment has been to increase the depreciation charge for the year by \$15,575.

Note 2: Public Equity

	2003 \$000	2002 \$000
General funds		
Opening balance	6,475	6,148
Net surplus/(loss)	(457)	327
	6,018	6,475
Less Board created reserves		
Property occupancy reserve	(2,500)	(2,500)
IT enhancement reserve	(233)	(304)
Centre upgrading reserve	(112)	(180)
Research and development reserve	(255)	(264)
Closing general funds	2,918	3,227
Movement in Board reserves		
Property occupancy reserve		
Opening balance	2,500	2,500
Transferred from general funds	-	-
Balance as at 30 June 2003	2,500	2,500
IT enhancement reserve		
Opening balance	304	400
Transferred from general funds	(71)	(96)
Balance as at 30 June 2003	233	304
Centre upgrading reserve		
Opening balance	180	200
Transferred from general funds	(68)	(20)
Balance as at 30 June 2003	112	180
Research and development reserve		
Opening balance	264	250
Transferred from general funds	(9)	14
Balance as at 30 June 2003	255	264
Total Board created reserves	3,100	3,248

Note 3: Receivables and prepayments

Accounts receivable and prepayments	2003 \$000	2002 \$000
Trade debtors	669	500
Other amounts receivable	22	-
Interest accrual	21	13
Prepayments	7	6
Total	719	519

Note 4: Stock

Stock on hand	2003 \$000	2002 \$000
Materials	1,264	1,282
Work in progress	126	341
Total	1,390	1,623

Note 5: Property, plant and equipment

Actual 2003	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Buildings	62	(17)	45
Plant and equipment	230	(148)	82
Furniture and fittings	903	(396)	507
Computer equipment	356	(197)	159
Work in progress – furniture and fittings	116	-	116
Total	1,667	(758)	909

Actual 2002	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Buildings	62	(16)	46
Plant and equipment	218	(137)	81
Furniture and fittings	403	(323)	80
Computer equipment	317	(121)	196
Total	1,000	(597)	403

Note 6: Payables and accruals

	2003	2002
	\$000	\$000
Trade creditors	128	91
Accrued expenses	53	181
Income in advance	10	-
GST provision	10	25
Total	201	297

Note 7: Employee entitlements

	2003	2002
	\$000	\$000
Accrued salaries	65	27
Annual leave	169	132
Long service leave	74	76
Total	308	235
Current	234	159
Non-current	74	76
Total	308	235

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

	2003 \$000	2002 \$000
Net surplus/(deficit) from operations	(457)	327
Add (less) non-cash items:		
Depreciation	172	36
Decrease in non-current employee entitlements	(2)	7
Total non-cash items	170	43
Add (less) movements in working capital items:		
Increase in receivables and prepayments	(200)	61
Increase in payables	85	7
Decrease in Work in Progress and Stock	233	(72)
Increase in current employee entitlements	75	29
Total movements in working capital	193	25
Net cash flow from operating activities	(94)	395

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 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 to be entered into.

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 as far as possible. 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 on its investments.

Note 11: Employees' remuneration

\$000	Number of Employees 2003	Number of Employees 2002
110-120	1	-

The General Manager's remuneration is in the band of \$110,000-\$120,000

Note 12: Board Members' fees and expenses

Fees paid to members of the Board were as follows

	2003 \$000	2002 \$000
A G Hall	18	21
S D Sherwood	5	5
J Thompson	5	5
A W Beasley	5	5
M H Cooper	5	5
CE Ministry of Social Development	-	-
Board expenses	17	24
Total	55	65

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 \$457,000 on the year's operations compared with a projected budget surplus of \$230,000. The main items contributing to this variance include:

- Supply of necessary services to health-related amputees in excess of the fixed sum provided by the Ministry of Health contract
- Increased depreciation expense arising from the IT upgrade
- Personnel costs in excess of budget, mainly due to changed reporting methods. In previous years, personnel costs associated with staff development and research and development were included as an operating expense. This method was also reflected in the 2003 budget.
- Sundry expenditure for unbudgeted items in respect of Head Office Relocation, audit fees not accrued, sponsorship support for 2003 International Congress and additional network costs relating to IT upgrade

NEW ZEALAND ARTIFICIAL LIMB BOARD

Contact Information

HEAD OFFICE

General Manager
Executive Manager, Corporate
Manager Finance & Administration

G W P Mitchell
M Lineham
G A Forster

59 Adelaide Road
P O Box 7281
Newtown
WELLINGTON

Telephone: (04) 385 9410
Telephone: (04) 385 9408
Fax: (04) 385 9412
Email: info@nzalb.govt.nz

AUCKLAND LIMB CENTRE

7 Horopito Street
AUCKLAND

Manager: P Bargh

Telephone: (09) 630 0644
Fax: (09) 631 0041

HAMILTON LIMB CENTRE

222 Pembroke Street
P O Box 1418
HAMILTON

Manager: C W Dobbs

Telephone: (07) 383 3269
Fax: (07) 383 3271

WELLINGTON LIMB CENTRE

42-46 Mein Street
P O Box 7341
Newtown
WELLINGTON

Manager: R V Binet

Telephone: (04) 389 2045
Fax: (04) 389 8552

CHRISTCHURCH LIMB CENTRE

330 Burwood Road
CHRISTCHURCH

Manager: G J Flanagan

Telephone: (03) 383 0501
Fax: (03) 383 3566

DUNEDIN LIMB CENTRE

Great King Street
DUNEDIN

Manager: G W P Mitchell

Telephone: (03) 474 7983
Fax: (03) 479 2413