
Report of the

**NEW ZEALAND
ARTIFICIAL LIMB BOARD**

**For the Year Ended
30 June 2004**

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

To the Minister for 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 2004.

A G Hall
Chair

CONTENTS

	<i>Page</i>
Chair's Report	4
Statement of Objectives	6
Governance and Accountability Statement	10
Governance Philosophy	11
Statement of Responsibility	13
Audit Report	14
Statement of Service Performance	17
Statement of Accounting Policies	25
Statement of Financial Performance	28
Statement of Movements in Equity	29
Statement of Financial Position	30
Statement of Cash Flows	31
Statement of Commitments	32
Statement of Contingent Liabilities	32
Notes to the Financial Statements	33
Contact Information	40



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 amputees¹.

The limb service enhances amputees' mobility and facility to enable full 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.

The functions of the New Zealand Artificial Limb Board, as defined by the legislation, 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 Minister² on matters relating to artificial limbs and similar devices.*

¹ 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.

² Minister for Social Development and Employment

The Government goals³ 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

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.

The needs of amputees are both highly diverse and individual. The New Zealand Artificial Limb Board provides services that include consultation with prosthetics professionals, orthopaedic surgeons, physiotherapists and occupational therapists. As well as providing custom-fitted limbs and maintaining these to take account of changes in health, physique, activity levels and wear, staff 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.

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 contracts. Co-operative relationships are fostered between staff of the Limb Service and District Health Boards, community organisations, and the Amputees Federation of New Zealand.

³ Key Government Goals, Department of Prime Minister and Cabinet

The Year in Review

Statement of Objectives

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

1. provide a comprehensive rehabilitative service of high quality by:
 - (i) constructing, fitting and servicing 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 ensure 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 organization.

Services

New Amputees

In 2003/04 the New Zealand Artificial Limb Board provided services to 377 new amputees having 405 amputations including double amputations and re-amputations. Some amputees were seen for assessment purposes only as they were found to be unsuited to limb use because of illness, frailty or the nature of their amputation. This group was recorded statistically for the first time under the New Zealand Artificial Limb Board's new patient management system.

Of the new amputees:

- 56% were over 60 years of age,
- 21% of amputations were for trauma-related reasons and the remainder for health or congenital reasons.

These percentages are each slightly lower than for the previous year.

Ethnicities of new amputees were: New Zealand Europeans 69%, Maori 13%, Pacific people 7%, with a range of other ethnicities making up the remainder.

A sub-group of the new amputees are primary amputees, who are defined as those presenting for the first time with a first amputation for which a limb is prescribed. This group comprised 297 in 2003/04, an increase over the comparable figures of 255 and 270 for the previous two years respectively.

Continuing amputees

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 or remodels as required.

During the year, 1,002 new limbs were completed, with a reduction of 113 on the number for the previous year. Maintenance jobs for servicing, adaptations, adjustments and repairs rose by 885 to a total of 8,352. Both of these changes reflect the longer-lasting nature of modern componentry, which enables limbs to be maintained for longer without replacement.

Further information about the general amputee population is contained in the Statement of Service Performance on p. 17.

Quality

Quality issues are addressed in a range of ways in the work environment, including:

- a team approach to patient care
- an individualised assessment of the needs of each amputee based on their particular requirements and activity levels
- a high level of staff training and
- regular monitoring.

As part of the monitoring regime, once every three years the New Zealand Artificial Limb Board engages an external research firm to undertake a survey of client satisfaction.

The survey occurred in late 2003 and, as previously, had a high response rate (51%). Results were consistent with other years, showing that a very high proportion of respondents (94%) were satisfied or very satisfied with the overall service. Of particular note was that the levels of those who were "very satisfied" rose significantly. The results reflect the New Zealand Artificial Limb Board's culture of being primarily patient-focussed.

The New Zealand Artificial Limb Board uses complaints as a means of not only addressing individual patient concerns but, where applicable, improving services generally. In 2003-04 five complaints were received and resolved.

A further development to make the process of fitting sockets a cleaner and more convenient procedure for amputees was introduced this year. CAD/CAM technology uses a tracer or cameras to make an electronic image of limbs that can be modified on-screen and then used to produce a cast on which to mould a socket. The process was introduced in Wellington and Christchurch during the year for evaluation purposes. Staff responded well to the challenge and are mastering the use of this major new development. Responses from amputees have been favourable.

An IT development project was completed during the year, and has provided an expanded information base to give better management information and improve efficiency.

Comments in the Statement of Service Performance appended include a more detailed outline of the achievements of the New Zealand Artificial Limb Board in light of its objectives for the year.

The Year Ahead

The prime focus every year for the New Zealand Artificial Limb Board is to maintain an excellent service to New Zealand's amputees.

In addition, the coming year will include the expansion of the CAD/CAM technology to Auckland, Hamilton and Dunedin, which will ensure that the benefits of the new system will be enjoyed by amputees throughout the country.

Other areas of work will include the development of options for tertiary training in prosthetics and orthotics in New Zealand,

undertaking and supporting research, and addressing service facilities in Auckland.

Board Membership

Board membership at the year end was:

		Appointed on the nomination of:
Chair	A G Hall	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
		Chief Executive Ministry of Social Development (ex officio) {N F Lavery}

Conclusion

The 2003/04 year was a busy and successful year for the New Zealand Artificial Limb Board. It met its objectives for the year. The new CAD/CAM system was a further improvement to the high quality services provided to New Zealand amputees, and embedded the infrastructure necessary to maintain the New Zealand service at the forefront of developments in prosthetics services.

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2004.

A G 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 2004

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 2004 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 2004

Audit Report



AUDIT REPORT

TO THE READERS OF NEW ZEALAND ARTIFICIAL LIMB BOARD'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of New Zealand Artificial Limb Board (the NZALB). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the NZALB, on his behalf, for the year ended 30 June 2004.

Unqualified opinion

In our opinion the financial statements of NZALB on pages 17 to 39:

- ▲ comply with generally accepted accounting practice in New Zealand; and
- ▲ fairly reflect:
 - the NZALB's financial position as at 30 June 2004;
 - 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 2004, and is the date at which our opinion is expressed.

The basis of the 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 our 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 the opinion.

Our 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 the 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 NZALB as at 30 June 2004. 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 section 43(1) of 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 the NZALB.



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

Statement of Service Performance for the Year ended 30 June 2004

The year's progress is backgrounded by a description of the context in which the New Zealand Artificial Limb Board operates.

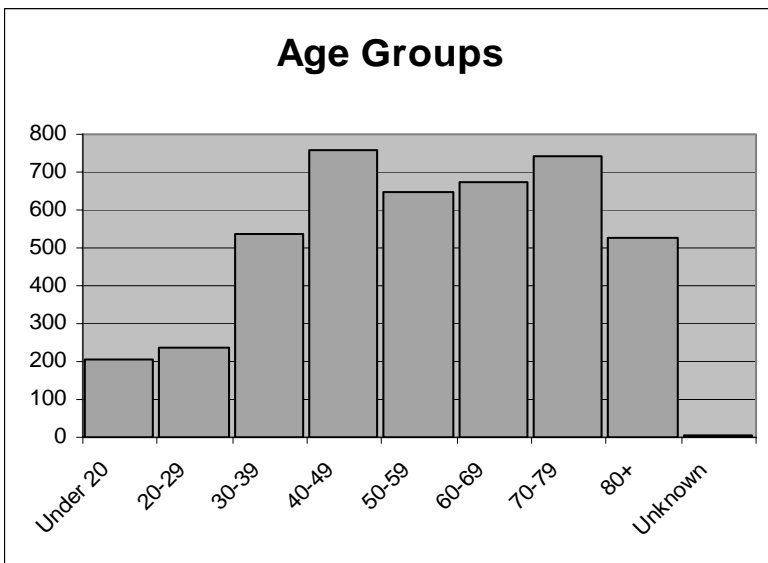
Context

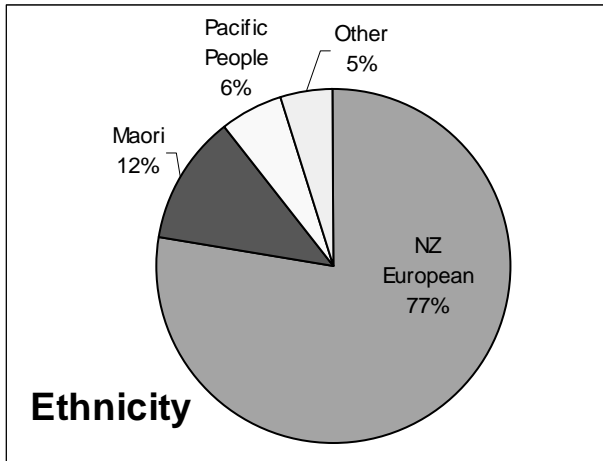
The New Zealand Artificial Limb Board provides artificial limbs to a highly diverse range of individuals.

As at 30 June 2004 there were 4,334 current amputees recorded on the national computer database, the Limbs Information Management System.

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, 50% between 20 and 59, and 45% over 60 years including 12% over 80 years.

New Zealand Artificial Limb Board current amputees as at 30 June 2004

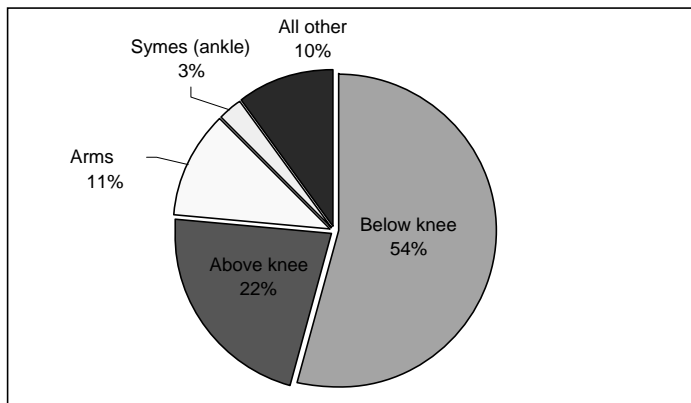




Reasons for amputations across the full amputee population were trauma (42%), vascular (19%), diabetes (12%), congenital (9%) and other categories (18%). Amputees who lose their limb/s as a result of trauma are generally younger and tend to remain in the records for longer than older patients who lose their limb/s as a result of health issues, such as diabetes and vascular complications.

About three quarters of amputees had above knee or below knee amputations, with arm amputations accounting for about 11% and the remainder involving other kinds of amputations, e.g. through knee, shoulder disarticulations.

Amputation Levels



Objectives 2003-04

The New Zealand Artificial Limb Board's objectives in its Strategic Plan 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 (now administered by Capital and Coast Health) and the ACC. Quarterly reports for contract monitoring purposes have been provided to both agencies, who have confirmed that content is in line with contract requirements. Regular meetings have also been maintained.

b. Quantity. The effect of higher quality components used in limbs contributed to both a decrease in the number of new limbs required and an increase in maintenance and adjustments. A change in procedures to ensure flow-through of jobs has also impacted on the increased number of adjustments.

	Actual 2004	Actual 2003
New Limbs Supplied	1,002	1,125
Maintenance and Adjustments to limbs	8,352	7,467

c. Quality: As a sole national provider the New Zealand Artificial Limb Board is very conscious of the need to maintain an emphasis on quality and standards of performance. This is done by maintaining very close links with overseas suppliers, participation in international events and exchanges, and comparison of service standards wherever possible, in addition to:

i. Client Satisfaction Survey. In February 2004 a three-yearly quality survey on client satisfaction was completed by an external research company, BRC Marketing and Social Research. A sample of 1,602 amputees were selected and questionnaires sent

out, of whom 1,338 were able to participate. A very high response rate of 51% occurred. Results⁴ include the following:

- A very high proportion of respondents (94%) were satisfied or very satisfied with the overall service, as in previous surveys;
- 88% were satisfied with the limbs they had been provided with;
- Most people (84%) considered the service appropriate for people of their ethnic group;
- 93% were satisfied with timeliness of providing limbs;
- 92% were satisfied with the reliability of limbs provided.

The high satisfaction levels are consistent with previous surveys, which have now covered a period of nine years. This survey was notable in that the proportion of clients who were “very satisfied” increased in a number of areas significantly.

ii. Research. The New Zealand Artificial Limb Board has supported a major research project in Christchurch on the development of a Model Pathway of Care for Hospital Treatment of Amputees. The project is being conducted by Debbie Hockley, physiotherapist. Early work has already resulted in considerable gains for amputees in Christchurch in improved communication, training in the latest methods of applying medical or surgical dressings for new amputations, an improved referral and followup system, and closer networking with the local Amputee Society.

iii. Physiotherapy Hours. An increase in physiotherapy hours occurred this year that will provide benefit to amputees.

iv. Training. Quality is maintained by ensuring staff are up-to-date in aspects of their work that impact on the client group. A total of 39 different training courses were held across the five Limb Centres and National Office during the year. The topics included new techniques and components from overseas and aspects of patient care, as well as general training such as health and safety courses, and courses delivered by New Zealand Artificial Limb Board staff to other health professionals.

New Zealand is held in high regard overseas. This has enabled one staff member to spend time in an overseas state-of-the-art

⁴Figures based on the sample size of n=664 (such as overall satisfaction) are subject to a maximum margin of error of +/-4.0% at the 95% confidence level.

facility during the year, and overseas experts have visited New Zealand for staff training purposes.

2. To deliver its services in ways that are culturally appropriate

The findings of the client satisfaction survey indicated that service for Maori and Pacific Peoples amputees continued to be of a high quality. Ninety-five percent of Maori and 91% of Pacific Peoples were satisfied or very satisfied with the overall service.

The New Zealand Artificial Limb Board provided further staff training this year in Maori cultural issues.

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

The year was the second of a two year IT development programme, and in July 2003 the final stage of the programme was implemented. The changes provided a considerable challenge and steep learning curve to staff, who responded admirably.

The wider range of statistical and management information available enabled managers to monitor stock, production, labour and costs more easily, and the benefits were reflected in further improvement of business practices throughout the Limb Centres.

Reviews of various areas of administration costs, e.g. telecommunications, led to savings during the year.

The senior management team has a good working relationship with the PSA, with whom it meets on a regular basis, and from whom input is routinely sought on issues relevant to staff. During the last year, the New Zealand Artificial Limb Board introduced a Code of Conduct and completed a major review of the health and safety manual, both at national and centre levels. Input from staff and the PSA was incorporated in these work items.

4. To access and participate in international research and development to ensure the New Zealand Artificial Limb Board is in the forefront of technological progress

The introduction of TracerCAD technology provided a major new element in research development during the year. The Wellington and Christchurch Limb Centres were provided with the tracing technology, and a central carver was installed in Wellington. The new technology provides for clinical prosthetists to take a tracing of

the amputee's stump. The tracing is electronically recorded, modified by the clinical prosthetist, and transmitted to an automatic carver that carves a duplicate stump from a polystyrene blank. The clinical prosthetist makes further modifications and uses it to shape an individualised socket that fits over the amputee's stump, and to which the artificial leg is attached.

The process provides another alternative to the current plaster cast method, and is cleaner, less time consuming and more convenient for amputees than plaster casting.

A phased introduction of the technology occurred in order to build up a core group of expert staff to facilitate the learning process throughout the country, and it will take another year or so before TracerCAD becomes "just another tool" in the armoury of the clinical prosthetist. On-going monitoring and exchange of experiences has assisted staff in the learning process.

It is noted that this introduction has added to the costs and overheads of the New Zealand Artificial Limb Board. It does not represent cost savings to the New Zealand Artificial Limb Board. Its benefits accrue to amputees through an improved service, and others such as employers and funders of transport, who gain from the lower time and travel costs related to amputees' services involving TracerCAD.

A number of staff attended the Australian conference of the International Society for Prosthetics and Orthotics (ISPO) in November 2003 to become familiar with the latest developments in their field. Staff prepared four research papers during 2003/04 for the tri-ennial ISPO conference to be held in the coming year.

The Board has, for many years, been encouraging tertiary education for its staff, but this has been made more difficult by the lack of courses specific to prosthetics and orthotics. Dialogue has occurred this year with both Massey University and La Trobe University in Melbourne, with the aim of providing a qualification that New Zealanders can work towards here, perhaps through distance learning. As more staff continue to upskill in this way, research carried out within the organization is likely to increase.

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

Training was provided to health professionals throughout the country, such as vascular surgeons, orthopaedic surgeons and physiotherapists, on the use of rigid removable dressings immediately after amputation. Development of relationships with relevant hospital staff continued through the year.

Several meetings were held with purchasers in which tours of Limb Centres were provided and the TracerCAD technology was demonstrated. Quarterly reporting provided regular exchange of information.

The General Manager and Professor Keith Jeffery provided past and future perspectives on prosthetics at the Annual General Meeting of the Amputees Federation in Dunedin in March.

The Auckland Limb Centre facilitated a meeting of families with children who are New Zealand Artificial Limb Board amputees, to enable them to make contact with others in similar circumstances. The Amputee Society is providing the necessary followup.

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

Preparation began for a future scientific congress hosted by the New Zealand Artificial Limb Board and the New Zealand branch of the International Society for Prosthetics and Orthotics. The Congress is likely to have a significant research input from the New Zealand Artificial Limb Board. This will build on the previous successful congress, which was attended by representatives from 23 countries and confirmed New Zealand as a world player in prosthetics.

Although unsought, the New Zealand Artificial Limb Board benefited from a considerable amount of media coverage during the year, partly from the high profile of two New Zealand athletes, one of whom was preparing for the Paralympics.

Financial Performance

	Notes	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
Income		6,436	6,222	6,320
Expenditure		6,441	6,222	6,777
Net surplus/deficit		(5)	-	(457)

Statement of Accounting Policies for the Year ended 30 June 2004

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 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.

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.

Statement of Financial Performance for the Year ended 30 June 2004

	Notes	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
Revenue				
Crown revenue		6,216	5,967	6,013
Other revenue		58	55	93
Interest income		162	200	214
Total revenue		6,436	6,222	6,320
Expenditure				
Personnel		2,543	2,602	2,690
Operating		3,370	3,159	3,678
Depreciation		282	182	172
Rehabilitation		152	147	124
Training & Research		94	132	113
Total Expenses	1	6,441	6,222	6,777
Net surplus/(deficit) from operations		(5)	-	(457)

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

Statement of Movements in Equity for the Year ended 30 June 2004

	Notes	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
Operating surplus/(deficit)		(5)	-	(457)
<i>Total recognised revenues and expenses for the period</i>		(5)	-	(457)
Public equity as at 1 July 2003		6,018	6,018	6,475
Public equity as at 30 June 2004	2	6,013	6,018	6,018

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

Statement of Financial Position as at 30 June 2004

	Notes	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
General Fund	2	6,018	6,018	6,475
Net Surplus/(Deficit)		(5)	-	(457)
Total Public Equity		6,013	6,018	6,018
Represented by:				
Current Assets				
Cash and Bank		417	346	313
Receivables and prepayments	3	824	635	719
Short-term deposits		2,868	2,784	3,196
Inventory	4	1,432	1,510	1,390
Total current assets		5,541	5,275	5,618
Non-current assets				
Fixed assets	5	1,104	1,245	909
Total non-current assets		1,104	1,245	909
Total assets		6,645	6,520	6,527
Current liabilities				
Payables	6	263	207	201
Employee entitlements	7	209	170	169
Accruals salaries	7	93	50	65
Total current liabilities		565	427	435
Non-current liabilities				
Employee entitlements	7	67	75	74
Total non-current liabilities		67	75	74
Total liabilities		632	502	509
Net assets		6,013	6,018	6,018

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

Statement of Cash Flows for the Year ended 30 June 2004

	Notes	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
Cash flows from operating Activities				
Cash was provided from:				
Supply of services		6,199	6,097	5,925
Interest received		165	200	206
		6,364	6,297	6,131
Cash was applied to:				
Payments to employees		(2,482)	(2,606)	(2,617)
Payments to suppliers		(3,671)	(3,589)	(3,593)
Net Goods and Services tax		42	37	(15)
		(6,111)	(6,158)	(6,225)
Net cash flows from operating activities	8	253	139	(94)
Cash flows from investing activities:				
Cash was provided from:				
Sale of fixed assets		9	-	-
		9	-	-
Cash was applied to:				
Purchase of fixed assets		(486)	(518)	(859)
Decrease in term deposits		328	412	667
		(158)	(106)	(192)
Net cashflow from investing activities		(149)	(106)	(192)
Net increase/(decrease) in cash held		104	33	(286)
Add opening cash		313	313	599
Closing cash		417	346	313

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

Statement of Commitments as at 30 June 2004

	2004 \$000	2003 \$000
Non-cancellable operating lease commitments *		
Not later than one year	58	85
Later than one year and not later than two years	50	56
Later than two years and not later than five years	40	90
Later than five years	-	-
Capital commitments		
Not later than one year	-	312
Total commitments	148	543

Statement of Contingent Liabilities as at 30 June 2004

The New Zealand Artificial Limb Board has no contingent liabilities as at 30 June 2004 (30 June 2003: Nil).

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

Notes to the Financial Statements for the Year Ended 30 June 2004

Note 1: Operating Deficit

	2004	2003
	\$000	\$000
The net deficit after charging for		
Personnel costs	2,550	2,692
Change in long service leave provision	(7)	(2)
Total personnel costs	2,543	2,690
Operational costs	773	994
Material costs	2,662	2,757
Fees paid to auditors	23	31
Board members' fees	46	38
Board members' expenses	21	17
Depreciation		
Buildings	1	2
Plant & equipment	37	10
Furniture & fittings	34	75
Computer equipment	80	85
Software	130	-
Total depreciation for the year	282	172
Rental expense on operating leases	91	78
Bad debts written off	2	-
Total costs for operations	6,443	6,777
After crediting		
Net gain on sale of fixed assets	(2)	-
Total costs for operations	6,441	6,777

Changes to depreciation

Depreciation is now provided on a straight line basis to be consistent with current practice in the public sector (2003 and prior years: diminishing value basis). The impact of this is not significant.

Note 2: Public Equity

	2004 \$000	2003 \$000
General funds		
Opening balance	6,018	6,475
Net surplus/(deficit)	(5)	(457)
	6,013	6,018
Less Board-created reserves		
Property occupancy reserve	(2,500)	(2,500)
IT enhancement reserve	(233)	(233)
Centre upgrading reserve	(112)	(112)
Research and development reserve	(255)	(255)
Closing general funds	2,913	2,918
Movement in Board reserves		
Property occupancy reserve		
Opening balance	2,500	2,500
Transferred from general funds	-	-
Balance as at 30 June 2004	2,500	2,500
IT enhancement reserve		
Opening balance	233	304
Transferred from general funds	-	(71)
Balance as at 30 June 2004	233	233
Centre upgrading reserve		
Opening balance	112	180
Transferred from general funds	-	(68)
Balance as at 30 June 2004	112	112
Research and development reserve		
Opening balance	255	264
Transferred from general funds	-	(9)
Balance as at 30 June 2004	255	255
Total Board created reserves	3,100	3,100

Note 3: Receivables and prepayments

Accounts receivable and prepayments	2004 \$000	2003 \$000
Trade debtors	758	669
Other amounts receivable	15	22
Interest accrual	18	21
Prepayments	33	7
Total	824	719

Note 4: Stock

Stock on hand	2004 \$000	2003 \$000
Materials	1,222	1,264
Work in progress	210	126
Total	1,432	1,390

Note 5: Property, plant and equipment

Actual 2004	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
Total	1,955	(851)	1,104

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

Note 6: Payables and accruals

	2004	2003
	\$000	\$000
Trade creditors	107	128
Accrued expenses	89	53
Income in advance	8	10
GST provision	59	10
Total	263	201

Note 7: Employee entitlements

	2004	2003
	\$000	\$000
Salary related accruals	93	65
Annual leave	209	169
Long service leave	67	74
Total	369	308
Current	302	234
Non-current	67	74
Total	369	308

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

	2004 \$000	2003 \$000
Net surplus/(deficit) from operations	(5)	(457)
Add (less) non-cash items:		
Depreciation	282	172
Increase/(decrease) in non-current employee entitlements	(7)	(2)
Total non-cash items	275	170
Add (less) movements in working capital items:		
Increase in receivables and prepayments	(105)	(200)
Increase in payables	62	85
Increase in Work in Progress and Stock	(42)	233
Increase in current employee entitlements	68	75
Total movements in working capital	(17)	193
Net cash flow from operating activities	253	(94)

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.

Note 11: Employees' remuneration

\$000	Number of Employees 2004	Number of Employees 2003
100-110	1	-
110-120	-	1
120-130	1	-

The General Manager's remuneration is in the band of \$120,000-\$130,000 (2003: \$110,000 - \$120,000).

Note 12: Board Members' fees and expenses

Fees paid to members of the Board were as follows

	2004 \$000	2003 \$000
A G Hall	18	18
S D Sherwood	7	5
J Thompson	7	5
A W Beasley	7	5
M H Cooper	7	5
CEO Ministry of Social Development (ex-officio)	-	-
Total	46	38

Expenses incurred by the Board were as follows

	2004 \$000	2003 \$000
Board expenses	21	17
Total	21	17

Note 13: Post balance date events

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

NEW ZEALAND ARTIFICIAL LIMB BOARD

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