

Report of the

NZALS

New Zealand Artificial Limb Service

Peke Waihangā, Aotearoa

For the Year Ended
30 June 2016

Presented to the House of
Representatives pursuant to
Section 150(3) of the Crown



Rio 2016 Paralympians



Preparation is one of the keys to success for all Paralympians that competed at the Rio 2016 Paralympic Games. The highly skilled clinical prosthetists, prosthetic technicians and physiotherapists at NZALS assisted by making limbs and providing ongoing support for Paralympians with amputations, helping New Zealand Paralympians compete against the best in the world. Paralympics New Zealand is excited about what lies ahead as NZALS continues to embrace technological developments benefitting Paralympians of the future on the road to PyeongChang 2018 and Tokyo 2020 Paralympic Games.

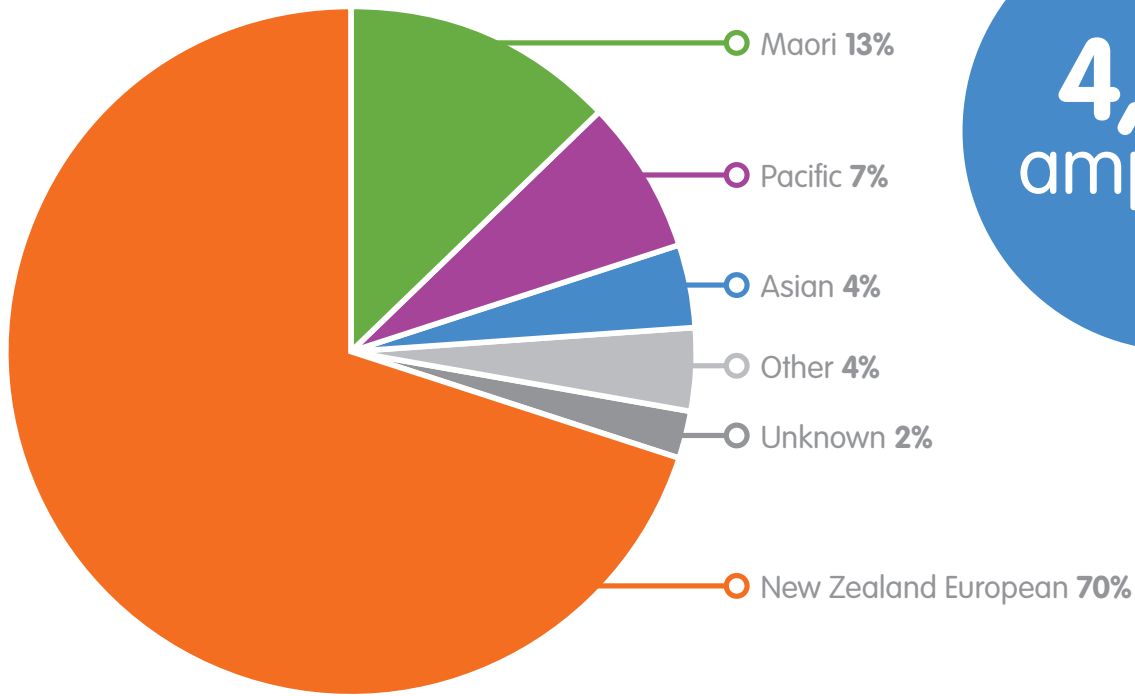
Paralympics New Zealand

"The Paralympic Games is one of the largest sporting events in the world. New Zealand is sending a great team of dedicated athletes to Rio. I look forward to reporting on their success with Attitude TV, who have partnered with TVNZ, ACC and NZ On Air to bring coverage to kiwi homes and help New Zealanders celebrate the Games".

Paula Tesoriero, Deputy Chair, New Zealand Artificial Limb Service

2016 overview

4,419
amputees



this year:

349
new amputees

57% diabetes or vascular amputations

26% trauma amputations

313% increase in amputees with microprocessor knees

213% increase in limbs made using 3D scanning

40% increase in physiotherapy and rehabilitation support

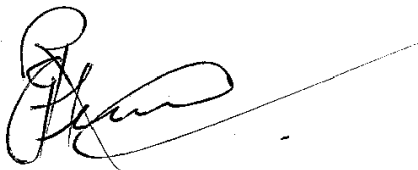
our locations

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



To the Minister for Social Development

In accordance with the Crown Entities Act 2004, we present, on behalf of the New Zealand Artificial Limb Service, the Annual Report of the operations of the NZALS for the year ended 30 June 2016.



George Reedy
Chair

31 October 2016



Paula Tesoriero
Deputy Chair

31 October 2016

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Vision

Independent and productive lives for our amputees

Mission

To enable amputees to achieve independence by delivering prosthetic and rehabilitation services

Outcomes

New amputees in 2014-2015 year that completed outcome measures when entering the service and 12 months later showed the following improvements:

70% Independence¹

37% Mobility²

12% Physical health³

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¹ measured by Locomotor Capability Index (89 amputees)

² measured by Timed Up and Go (64 amputees)

³ measured by Short Form Health Survey 12 - Physical (91 amputees)

Dear New Zealand Artificial Limb Service,

Our daughter is a triple amputee as a result of an illness 8 years ago which resulted in the loss of both her legs and one hand. She has had in excess of 24 surgical procedures (we have lost count) and will require further surgeries as she continues to grow. She is required to attend more than 20 specialist appointments each year with numerous health providers as a result of her injuries. This includes ALS, DHB Plastics, DHB Orthopaedics, the Child Development Centre, physiotherapy, orthodontists, eye specialists, and wheelchair providers.

Our daughter's journey as she approaches her teenage years and into adulthood will be greatly assisted through the provision of a wrap around, integrated, and coordinated approach to her care. We see this as maximising her opportunity to lead an independent and inclusive life and avoid the need to repeat the same information to each specialist involved in her ongoing care.

Without a seamless and continuous approach to her ongoing care, we worry she will not access all of the support available to assist with her schooling and future vocation.

Our hope is that new technology we have seen in NZ and overseas will be made available to her when she requires it, in the same way it is currently available to people covered by ACC.

We sincerely appreciate the ongoing care and support given to our daughter by the ALS and other providers and understand this ongoing relationship is critical to our daughter's lifelong wellbeing and independence.

A loving mum and dad

Chairman's report

Who isn't moved by the touching letter we received from the parents of a young amputee that we provide services. It highlights the importance of our work and the continued need to work closely with our contract providers to strive for amputee-centred care and continued excellence in the services we deliver to NZ amputees.

As 2016 comes to a close, we can look back on a year in which NZALS has accomplished a great deal.

Our mission has and always will be to put our amputees at the centre of everything we do and this year has been no different. Amputee feedback from 2015 indicated that 98 per cent of amputees were satisfied with our service. That is an outstanding achievement and one we should all be immensely proud of.

Our 2020 strategy has been built on solid foundations that continue to put our amputees first and we have successfully aligned our efforts to become a world class/leading health service provider that provides highly customisable prosthetic limbs that help us achieve our vision to help our amputees lead independent and productive lives.

We have embraced technology this year, offering free wi-fi for amputees attending our five service centres and Smart TV's are being used for virtual amputee consultations. We have also invested heavily in training that has enabled staff to become familiar with new technology and the latest advancements in amputee rehabilitation.

NZALS is very proud of its efforts and achievements in complying with new Health and Safety legislation. It has been a significant undertaking by the organisation and reflects the value we place on the health and safety of our amputees and team.

On a personal note, this year saw Professor Richard Sainsbury and Kerry Wilfred-Riley step down from their positions on the board. On behalf of the board, I would like to thank them for their service and I wish them well for the future.

In closing, I would like to thank all the staff at NZALS and my fellow board members for working tirelessly this year to ensure the service is well positioned to face the challenges that lie ahead.

I look forward to continuing this journey with you all.



George Reedy
NZALS Chair

Service

Our amputees are at the centre of everything we do, receiving from NZALS whole-of-life, world-class services that deliver what they need at each stage of their journey.

Amputee feedback from our service in 2015/16

98%

Satisfied with the service

How satisfied are you with the service provided by the limb centre staff?

89%

Satisfied with involvement

To what level were you involved with your decision and plan for your artificial limb and rehabilitation plan?

90%

Satisfied with limb look

How happy are you with the look of your artificial limb at the moment?

85%

Satisfied with limb function

How would you score the functionality of your artificial limb at the moment?

"Actually those people at the limb centre are wonderful, they keep you informed at every step of the way. You can say: hey explain, and they will. You're never in any doubt and even my husband was involved" Amputee

The percentages presented on this page are from an independent survey conducted in 2015 with 401 completed questionnaires by amputees. The amputee was asked to respond to the stated question with a score between 0 and 10, where 0 represents the worst score they could imagine and 10 represents the best score, a score of 5 or above was considered satisfied.

This year's service demand statistics

New amputees	All amputees	New limbs made	All jobs
349	4,419	881	18,165

Technology for services

To improve the amputee experience within our service, all 5 centres now have:

1. Smart TV's for virtual amputee consultations, viewing amputee x-rays on site and staff training.
2. Tablet computers are now being used by the physiotherapy team to video amputee gait, provide practical training and to be used in demonstrating improvement/change to prosthetics usage.
3. Free wi-fi allowing amputees unlimited access to the internet on their mobile devices.

Rehabilitation focus

To support rehabilitation services, we now have 3 Rehabilitation Specialists providing clinics across NZ and have increased our physiotherapy staff by 40%. Plus we are planning further increases to our rehabilitation service in the coming years.

Peer support

76% of amputees consider peer support to be helpful for people experiencing limb loss. This year we have piloted 2 peer support volunteers in collaboration with the Wellington & Hawke's Bay amputee societies.

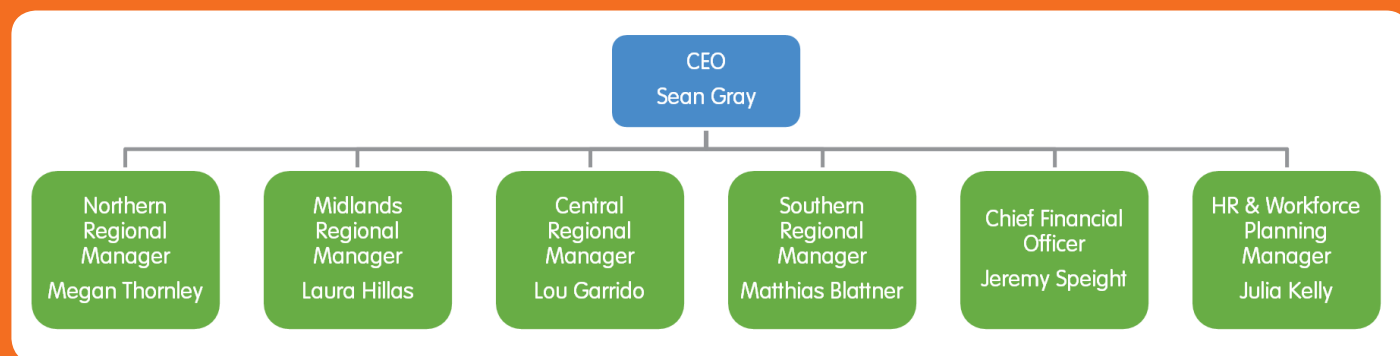


Expert workforce

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

Organisational redesign

We redesigned our organisation in response to rapid prosthetic technology advances, greater rehabilitation needs of amputees and associated changes in amputee expectations. Our new organisational structure enables NZALS to be more agile and responsive to new technology with an increased focus on improving coordination of care and rehabilitation options for amputees.



The Regional Manager role is new and sets out a strategy that places the amputee at the centre of everything we do; evolves a wrap around service; builds an expert workforce, embraces technology/research & development and ensures equity in service delivery.

Rehabilitation specifically for amputees

A team of 13 NZALS staff members went to Australia to attend amputee-specific rehabilitation training by world leader Prof Robert Gailey of Miami Miller School of Medicine. This training investment equipped our staff with advanced skills in amputee gait training, the latest advancements in amputee rehabilitation and modern technologies to improve mobility outcome.

There is no tertiary qualification available for clinical prosthetists or prosthetic technicians in New Zealand. Below are examples of actions taken to address this challenge:

- We provided 682 days of inhouse, technical and specialised training.
- 100% of our 56 staff completed the Privacy Commissioner's online Privacy Act training module.
- Our Wellington and Hamilton teams collaborated with 4 summer interns and 1 masters student from Victoria University, sharing knowledge and learning for the benefit of amputees.
- As part of the Immigration NZ Employer Accreditation Scheme, we employed 2 internationally qualified clinical prosthetists and 3 prosthetic technicians.
- Our 21 clinical prosthetists have over 380 years of combined prosthetic experience.
- 100% of our prosthetic technicians obtained a Certificate of Proficiency in 2015/2016.



Sandeep Uppal, an NZALS Clinical Prosthetist presenting on 'An Evidence Based Practice of rigid/semi-rigid dressings for amputees' at the International Society of Orthotics and Prosthetics Conference in Lyon, France in September 2015.

Technology and R&D

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

Microprocessor knee* project

This year, we bulk purchased 51 microprocessor knees (MPK) for appropriate health and ACC amputees to drive prosthetic technology adoption. This project has achieved the following outcomes:

1. An increase from 15 to 62 amputees using MPKs
2. 33 health and 29 ACC amputees are using MPKs
3. 100% of our clinical prosthetists have undergone 2 days intensive training and are certified to fit a microprocessor knee.
4. Amputee rehabilitation team training mentioned on page 10 applied in this project
5. Collaborating with Auckland University of Technology to develop NZ based evidence to support MPK prescriptions.



Cameron Leslie on his new MPKs with NZALS physiotherapist Karen Wilson coming back from a community rehabilitation session.

"For 36 years I would fall over on average 2 times per month for many various reasons e.g.: tiredness, uneven footpaths, etc, which resulted on one occasion breaking my wrist. Since having had the MPK for 14 months, I have not fallen once (may that last). The only down side to having a MPK is the extra weight of the limb which brings on a higher level of fatigue" John Ealand, President, AFNZ

*A microprocessor (computerised) knee (MPK) features an onboard microprocessor which receives feedback from sensors inside the joint and foot. The microprocessor uses the received data to constantly adjust the knee in real time to match the user's walking characteristics. In this respect they are a type of enhanced hydraulic system where the computer operates the control valves in the knee to restrict or allow the flow of hydraulic fluid. Microprocessor knees can adjust to different walking speeds, terrain and situations and may also exhibit 'stumble recovery' features.

Print prosthetics collaborations



School of Design



MADE

The New Zealand Artificial Limb Service (NZALS) in collaboration with Victoria University of Wellington's School of Design collaborated on the following 2 projects:

4 x Summer intern students

Researched the potential for 3D printing in prosthetics and whether there is potential that NZALS can adopt these findings into our business and manufacturing process. This research looked at four design directions:

1. Creating covers that not only provide an aesthetically pleasing component but functional factors too.
2. Printing a full socket that can easily adjust to the amputee's limb swelling.
3. Printing a foot with areas of multi density to tailor a more responsive foot.
4. Speculating that information will be gathered of the amputees limb and in turn will generate a 3D model, fit for the amputee.

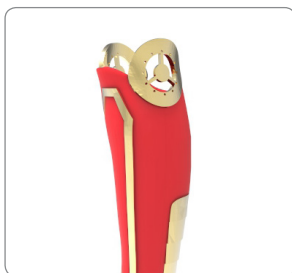
1 x Masters student

Researched the use of 3D printing and associated digital technologies to enhance the appeal of exercise through swimming with an accessible, functional and desirable swimming prosthesis.

It was found that using digital technologies has the potential to provide a platform for cost-effective specialty prosthetic limbs, enabling and enriching recreational sport for amputees.

Quote from Rob Penhey - "My confidence and independence as an amputee swimmer is greatly increased by the use of my swimming leg. I hope to continue working with them to further refine this project. I can see there being huge potential for 3D printed legs such as mine for other amputees wanting to be more active swimmers"

NZALS will continue to work with Victoria University on this project.



Equity

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

National service contracts

National service contract	ACC	Health
2015/16 Revenue	\$5.4 million	\$4.9 million
Amputees	1,784	2,937
Contract characteristics	Funds amputees need on a case by case basis	Bulk fund of \$354k per month for all amputee needs
Status	New service schedule commenced on September 2015	New 2 year contract signed 2 September 2015
Average \$\$ per amputee in 2015/16	\$3,026	\$1,668

Diverse, changing and increasing amputee needs

1. Amputation due to complications from diabetes and vascular disease now represents 66% of new amputees using our service. This group of amputees have complex needs relating to associated health matters.
2. The percentage of Maori and Pacific amputees referred to our service aligns to the national average for all amputees.
3. Technology can potentially increase an amputee's independence and productivity. At times, prescribing new technology can be challenging solely due to costs. For example, a basic knee costs approximately \$2,000 and the best microprocessor knee can cost up to \$130,000.

Compliance

We continue to seek feedback on our service and encourage amputees to discuss service issues and complaints with the team. This feedback is the critical information we need to improve our services.

Of our 115 current policies there are 46 new policies, procedures and forms in place covering various categories including Clinical, Financial, Board, H&S, HR, IT and Operations. They include guidance on bullying and harassment, recruitment and induction, a new leadership strategy, remuneration advice for recruitment. All policies and procedures are maintained on a regular cycle to ensure consistency, currency and relevancy.



Health and safety

The health and safety for our amputees and workforce has always been a very important aspect of our business. This year, we invested significant time to our health and safety practices to ensure we met the new Health and Safety legislation.



MedSafe

Manufacturers of prosthetic devices are now required to sponsor, list and maintain the listing of internationally sourced prosthetic components on the MedSafe WAND electronic notification system. Due to the highly individualised manufacturing of artificial limbs, NZALS has approximately 6,000 components.

Property

This year, we have assessed the investment required for the repairs and maintenance of the Auckland, Hamilton, Wellington and Christchurch NZALS Centres. This work was independently conducted by Aecom which showed a \$5 million investment is required by NZALS' centre landlords.

Board Members

Board members are appointed by the Minister for Social Development under the Crown Entities Act 2004. Membership is determined by the Social Welfare (Reciprocity Agreements, and New Zealand Artificial Limb Service) Act 1990, which provides the nominating bodies and has a significant influence on the composition of the Board.

George Reedy - Chair - appointed early February 2013

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

Paula Tesoriero MNZM - Deputy Chair

Paula is an experienced public sector manager, studied law, politics and public management at Victoria University of Wellington, and is currently General Manager, System and Partnerships at Statistics NZ. Paula is also a trustee of the Halberg Trust and represented New Zealand at the highest level of Paralympic cycling winning gold and two bronze medals at the Beijing Paralympic Games.

Professor Richard Sainsbury - Board Member - term ended May 2016

Richard is Emeritus Professor in Health Care of the Elderly at the University of Otago, Christchurch and also an elected member of the Medical Council of New Zealand. His research interests include the rehabilitation of older people after hip fracture and people with amputations.

Kerry Wilfred-Riley - Board Member - term ended May 2016

Kerry has been actively involved with local Amputee Societies and the Amputees Federation since 2003. She is Field Officer for the Waikato/Bay of Plenty Amputee Society where she visits new and old amputees at NZALS Centres and hospitals across the whole of those areas. She is also past Vice President of AFNZ.

Faye Sumner - Board Member

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

Professor Alan Thurston - Board Member

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

Statement of performance expectation 2015-2016

As outlined in the NZALS Statement of Performance Expectations 2015-2016, a set of voluntary measures were provided with the following performance reporting relative to those measures.

Amputee Satisfaction

Measure	Target	Performance
The percentage of amputees who are satisfied with the services overall	92-96%	Achieved - 98%
The percentage of amputees who are satisfied with their limbs	85-89%	Achieved - 85%

The percentages presented above are from an independent survey conducted in 2015 with 401 completed questionnaires by amputees. The amputee was asked to respond to the stated question with a score between 0 and 10, where 0 represents the worst score they could imagine and 10 represents the best score, a score of 5 or above was considered satisfied.

Contractual compliance

Measure	Target	Performance
All terms and conditions of contracts with ACC and CCDHB are complied with	100%	Achieved - 100%
Quarterly reports to ACC and CCDHB provided within the agreed time frames	100%	Achieved - 100%

Most of the Service's funding comes from contracts that it has with the Capital Coast District Health Board (which manages the national health funding on behalf of DHB's) and ACC. The Service has provided these agencies with the quarterly reports as set out in the terms and conditions of these contracts.

Cost efficiency

Stock Management Measure/Target	Target	Performance
Maximum material stock holding not to exceed	\$850,000	Not Achieved - \$1.8m
Average stock turnover to be no less than	5.3 times per year	Achieved - 5.4
Maximum value of material write off not to exceed	4% of total holding	Achieved - 3%

Stock management is closely monitored and managed to optimise the way in which we hold inventory and work with overseas suppliers to

- customise procurement process
- maximise efficiency
- reduce losses incurred due to shelf life and obsolescence.

This year, the NZALS board made a decision to invest in microprocessor knee technology. This decision was to achieve better outcomes for amputees and done in the knowledge we would exceed our maximum stock holding. Specifically, the non achievement of our stock holding target is principally due to purchase of the limbs for the MPK project and other microprocessor knees which were in stock or work in progress at the end of the period.

Equal Opportunity Employer (EEO)

NZALS has developed an EEO Strategy for 2015-2018 which represents our commitment to provide all of our staff with an inclusive environment for work and continual professional development, an environment which gives them equal opportunities to fulfil their potential and make their contribution.

Our EEO strategy signals our recognition that the presence and success of a broad range of talented professionals of different backgrounds and experiences will help us connect more meaningfully to the local communities we serve.

NZALS encourages diversity as a distinctive and positive element of the health services community and endeavours to model a culture that is supportive, free from discrimination, harassment and bullying and creates an attractive place to learn and work. Below highlights the importance we place on equal opportunities as an employer:

- **Full Time Equivalent (FTE)** - Changed from 46.86 at the beginning of this financial year to 49.99 against a benchmark of 47.5.
- **Age** - Weighted higher in the over 50 age groups than in the general New Zealand workforce.
- **Gender** - The majority of personnel were male (60%) compared with female (40%). This year we increased our female clinical prosthetist by 300%. Support personnel were all female, and 80% of physiotherapists at the centres were female.
- **Flexibility and work design** - NZALS continued its practice of employing personnel on a flexible or part-time basis (34%). The organisation also employs an amputee in two of the limb centres.
- **Instilling a culture of respect** - A revised Prevention of Bullying & Harassment in the Workplace policy was written detailing no tolerance for any form of discrimination or harassment.
- **Recruitment selection and induction** – We have incorporated cultural and diversity awareness training into induction and development programmes for appropriate groups of staff.
- **Employee development and succession planning** - Incorporated as key themes in our expert workforce strategy.

CEO thank you



This year, we have responded to our changing environment and improved our service by listening to amputees, investing in our people, embracing technology and challenging equity.

I wish to thank all those amputees that took the time to speak with me over the past year, whether it was in person at one of our service centres, attending a clinic, during an amputee society meeting or over the telephone. I value all the feedback I receive as it lets me know whether we are improving our service to you and making sure we're doing our job right.

I want to thank our NZALS team, ACC and the DHB's who have all been very supportive of what we are doing, and have embraced change so positively. Our people have strongly supported the new opportunities that new technology brings us, and all have lived by our goal of 'putting the amputee at the centre of everything we do'.

Also, we welcome our new leadership team on board and I am really looking forward to working with these great people in the coming years.

I want to thank Graham Flanagan for his services to amputees in the Canterbury area and nationwide for 38 years as a prosthetist, the Christchurch centre manager and then National Prosthetics Manager. I also want to thank Gaye Forster, Manager Finance and Corporate who gave 12 years of services to NZALS. Gaye was instrumental in gaining funding from Health Benefits for silicone liners.

I also want to thank Associate Dean Simon Fraser and his team, from the Design School at Victoria University, for supporting our 3D printing initiatives and Associate Professor Nicola Kayes, from AUT, for supporting our \$1 million investment into microprocessor knees.

I want to thank the team at the Ministry for Social Development for working closely with us to help solve complex problems associated with property and their ongoing support. I want to thank the Honourable Nicky Wagner for her enthusiasm for positive amputee outcomes, embracing technology and encouragement for NZALS to get on with the job.

Lastly, I want to thank our board for its excellent guidance and support over a very significant amount of change in a short time

As CEO of NZALS, I am proud of what the service has achieved in what has been a challenging year. I look forward to 2017 as we continue to put amputees at the centre of everything we do.

A handwritten signature in blue ink that reads "Sean Gray". The signature is fluid and cursive, with a large initial 'S'.

Sean Gray
CEO, NZALS

Financial statements

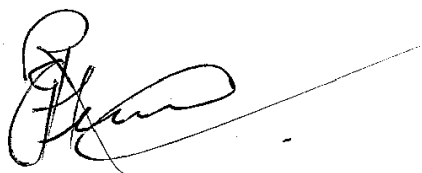
Statement of Responsibility for the year ended 30 June 2016

The Board is responsible for the preparation of the NZALS' financial statements and the performance information and for the judgements made in them.

We are responsible for any end-of-year performance information provided by NZALS under section 19A of the Public Finance Act 1989.

The Board of the NZALS has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board, these financial statements and performance information for the year ended 30 June 2016 fairly reflect the financial position and operations of the NZALS.



George Reedy
Chair

31 October 2016



Paula Tesoriero
Deputy Chair

31 October 2016

Independent Auditor's Report

To the readers of the New Zealand Artificial Limb Service's financial statements for the year ended 30 June 2016

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

Opinion on the financial statements

We have audited the financial statements of the NZALS on pages 25 to 46, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the NZALS:

- present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 31 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' 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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the NZALS's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NZALS's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

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

Responsibilities of the Board

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand and the Public Benefit Entity Standards Reduced Disclosure Regime; and
- present fairly the NZALS's financial position, financial performance and cash flows.

The Board's responsibilities arise from the Crown Entities Act 2004.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Mari-Anne Williamson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Financial results

The Statement of Comprehensive Revenue and Expense shows gross revenue (excluding interest) of \$10,412,000 which is an increase of 9% on the previous year of \$9,529,000. Income is derived principally from contracts with ACC for trauma-based amputees and Capital & Coast District Health Board, which manages the national contract for amputees with illness-based amputations, congenital limb deficiencies or long-standing trauma-based amputations. In addition, income is received from payments on behalf of war amputees, private insurers, health benefits and private supply.

Operational costs for the year totalled \$11,977,000 (2015: \$9,952,000) resulting in a deficit of \$1,429,000. This follows a deficit last year of \$226,000. This result is due to increased demand on health-funded amputations and an increase in operational expenses. Included in this result is \$463,000 allocated by the Board to the MPK project.

NZALS' financial position remains strong with \$5,347,000 in reserves.

Statement of Comprehensive Revenue and Expense For the Year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue				
Government contract funding	2	10,273	9,230	9,411
Interest income		136	197	197
Other revenue		139	158	118
Total revenue		10,548	9,585	9,726
Expenditure				
Personnel costs	3	4,304	4,450	3,729
Depreciation and amortisation expense	9,10	175	221	154
Other expenses	4	7,498	6,028	6,069
Total expenditure		11,977	10,699	9,952
Total comprehensive revenue & expense		(1,429)	(1,114)	(226)

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Assets				
Current assets				
Cash and cash equivalents	5	834	494	899
Receivables	6	1,206	802	1,065
Prepayments		33	34	43
Inventories	7	1,828	1,098	1,133
Investments	8	1,457	3,150	3,848
Total current assets		5,358	5,578	6,988
Non-current assets				
Property, plant and equipment	9	1,250	1,427	1,093
Intangible assets	10	10	11	11
Total non-current assets		1,260	1,438	1,104
Total assets		6,618	7,016	8,092

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Current liabilities				
Payables	11	685	624	701
Employee entitlements	12	502	425	536
Total current liabilities		1,187	1,049	1,237
Non-current liabilities				
Employee entitlements	12	84	50	79
Total non-current liabilities		84	50	79
Total liabilities		1,271	1,099	1,316
Net assets		5,347	5,917	6,776
Equity				
General funds	13	2,706	3,561	3,621
Board-created reserves	13	2,641	2,356	3,155
Total equity		5,347	5,917	6,776

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year ending 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Balance at 1 July		6,776	7,031	7,002
Total comprehensive revenue & expense		(1,429)	(1,114)	(226)
Balance at 30 June	13	5,347	5,917	6,776

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year ending 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Cash flows from operating activities				
Receipts from government contract funding		10,089	9,230	9,227
Interest received		188	197	198
Receipts from other revenue		89	158	117
Payments to suppliers		(8,109)	(5,967)	(5,943)
Payments to employees		(4,333)	(4,450)	(3,662)
Goods and services tax (net)		(47)	-	11
Net cash from operating activities		(2,123)	(832)	(52)
Cash flows from investing activities				
Sale of investments		2,390	860	371
Purchase of property, plant & equipment		(327)	(147)	(223)
Purchase of intangible assets		(4)	-	(3)
Net cash from investing activities		2,059	713	145
Net increase/(decrease) in cash and cash equivalents		(65)	(119)	93
Cash and cash equivalents at the beginning of the year		899	614	806
Cash and cash equivalents at the end of the year	5	834	495	899

Explanations of significant variances against budget are detailed in note 21.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Statement of accounting policies for the year ended 30 June 2016

Reporting entity

New Zealand Artificial Limb Service is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, New Zealand Artificial Limb Service's (NZALS) ultimate parent is the New Zealand Crown.

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

The financial statements for NZALS are for the year ended 30 June 2016, and were approved by the Board on 31 October 2016.

Basis of preparation

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with Public Benefit Entity International Public Sector Accounting Standards ('PBE IPSAS') for Tier 2 public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

NZALS qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure. NZALS has no public accountability.

Measurement base

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

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Significant accounting policies

Revenue

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

Revenue from Government Contract Funding

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

Interest

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

Provision of services

Revenue derived through the provision of services to third parties is recognised upon completion.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the NZALS are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive revenue and expense.

Grant expenditure

Discretionary grants are those where the NZALS has no obligation to award on receipt of the grant application and are recognised as expenditure when deliverables approved by the Board have been met. All transactions are classified as exchange.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

Receivables

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

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

Investments

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

Term deposits

The carrying amounts of term deposits with maturities less than 12 months approximate their fair value.

Inventories

Inventories are held for the provision of goods and services and measured at the lower of cost (calculated using the weighted average cost method) and net realisable value. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition. Inventories include stock on hand and work in progress.

Inventories classified as work in progress are valued at the weighted average cost of the materials plus cost of labour.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the surplus or deficit.

NZALS does not currently use forward exchange contracts to hedge exposure to foreign exchange risk.

Property, plant and equipment

Property, plant and equipment asset classes consist of leasehold improvements, plant and equipment, furniture and fittings and computer equipment.

Property, plant and equipment are shown at cost, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to NZALS and the cost of the item can be measured reliably.

An item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive revenue and expense. Subsequent costs.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to NZALS and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive revenue and expense as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold improvements	4.75 to 50 years	(2%-21%)
Plant and equipment	10 years	(10%)
Furniture and fittings	5 years	(20%)
Computer equipment	3 years	(33%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use NZALS are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of overheads. Personnel training costs are recognised as an expense when incurred.

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

Costs associated with the development and maintenance of NZALS website is recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive revenue and expense.

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

Acquired computer software	5 years	(20%)
Developed computer software	5 years	(20%)

Impairment of property, plant, and equipment and intangible assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where NZALS would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

Payables

Payables are recorded at the amount payable.

Employee entitlements

Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months of balance date are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date,

retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

NZALS recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Long service leave entitlements that are payable beyond 12 months have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to personnel, based on years of service, years to entitlement, the likelihood that personnel will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

The discount rates are as specified by Treasury for accounting valuation purposes as at 30 June 2016. The calculation assumes a salary growth rate of 3%.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver and the New Zealand Artificial Limb Service Superannuation Scheme with New Zealand Retirement Trust, are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

NZALS makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components; general funds and board-created reserves.

Property occupancy reserve

This reserve is a contingency for purchase of property, relocation of limb centre, major modification or alternative premises.

IT enhancement reserve

This reserve is for major upgrade of IT infrastructure outside the normal replacement of equipment in use.

Centre upgrading reserve

The purpose and future use of this reserve is for maintaining the presentation of centres.

Research and development reserve

This reserve supports the Contestable Research Fund and other research and development projects within the field of amputee services.

Special funding reserve

Donated proceeds held by NZALS with individual caveats on how funds are to be spent.

High needs pool

Established in 2013, this reserve is funded by an amount set aside from the annual health contract allocation to meet future service requirements of high-cost individuals, generally young amputees with multiple amputations.

Specialised technology pool

Established in 2013, this reserve is funded by an amount set aside from the annual health contract allocation to meet future requirement for specialised technology.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax

NZALS is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are derived from the Statement of Performance Expectation as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements and have not been audited

Critical accounting estimates and assumptions

In preparing these financial statements, NZALS has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating useful lives and residual values of property, plant and equipment and intangibles

At each balance date, the useful lives and residual values of property, plant and equipment, and intangibles are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by NZALS, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense and amortisation recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. NZALS minimises the risk of this estimation by physical inspection of assets and review of second-hand market prices for similar assets

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

Long service leave

Note 12 provides an analysis of the exposure in relation to estimates and uncertainties surrounding long service leave liabilities.

2 Revenue

NZALS receives funding from a contract with Capital & Coast District Health Board, which manages the national contract for amputees with illness-based amputations, congenital limb deficiencies or long-standing trauma-based amputations. This is a bulk funding contract, the funding of which is restricted in its use to the purpose of meeting contract service specifications.

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

3 Personnel costs

	Actual 2016 \$000	Actual 2015 \$000
Salaries and wages	4,217	3,546
Employer contributions to superannuation schemes	116	115
Increase/(decrease) in employee entitlements (note 12)	(29)	67
Total personnel costs	4,304	3,728

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

4 Other expenses

	Actual 2016 \$000	Actual 2015 \$000
Fees to auditor - Audit fees for financial statement audit	34	33
Board members' fees	73	73
Board members' expenses	14	22
Material costs	5,927	4,632
Operating lease expense	49	63
Legal Expense	168	146
Computer Expense	155	121
Consultancy	-	47
Net loss on sale of property, plant and equipment	-	1
Other	1,078	931
Total other expenses	7,498	6,069

5 Cash and cash equivalents

	Actual 2016 \$000	Actual 2015 \$000
Cash on hand and at bank	699	769
Cash equivalents – term deposits	135	130
Total cash and cash equivalents	834	899

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

6 Receivables

	Actual 2016 \$000	Actual 2015 \$000
Trade debtors	1,140	955
Other receivables	39	31
Interest accrual	27	79
Total debtors and other receivables	1,206	1,065

The carrying value of receivables approximates their fair value.

7 Inventories

	Actual 2016 \$000	Actual 2015 \$000
Materials	1,254	790
Work in progress	574	343
Total inventories	1,828	1,133

The NZALS does not currently hold any inventory for distribution (2015: nil).

The write-down of materials held for production amounted to \$139,785 (2015: \$4,200).

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

8 Investments

	Actual 2016 \$000	Actual 2015 \$000
Current investments are represented by; Term deposit	1,457	3,848
Total investments	1,457	3,848

The weighted average effective interest rate for term deposits is 3.54% (2014: 4.13%).

There were no impairment provisions for invest-

ments.

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

9 Property, plant and equipment

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

	Leasehold improvements \$000	Plant and equipment \$000	Furniture and fittings \$000	Computer equipment \$000	Total \$000
Cost or valuation					
Balance at 1 July 2014	998	975	370	177	2,520
Balance at 30 June 2015	1,003	847	414	220	2,484
Balance at 1 July 2015	1,003	847	414	220	2,484
Additions	-	246	43	38	327
Disposals	-	-	(9)	-	(9)
Balance at 30 June 2016	1,003	1,093	448	258	2,802
Accumulated depreciation and impairment losses					
Balance at 1 July 2014	362	691	327	128	1,508
Depreciation expense	42	56	18	26	142
Eliminate on disposal	-	(253)	(4)	(2)	(259)
Balance at 30 June 2015	404	494	341	152	1,391
Balance at 1 July 2015	404	494	341	152	1,391
Depreciation expense	42	63	26	39	170
Eliminate on disposal	-	-	(9)	-	(9)
Balance at 30 June 2016	446	557	358	191	1,552
Carrying amounts					
At 1 July 2014	636	284	43	49	1,012
At 30 June and 1 July 2015	599	353	73	68	1,093
At 30 June 2016	557	536	90	67	1,250

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

10 Intangible assets

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

	Acquired software \$000	Internally generated software \$000	Total \$000
Cost			
Balance at 1 July 2014	263	540	803
Balance at 30 June 2015	263	540	803
Balance at 1 July 2015	263	540	803
Additions	4	-	4
Disposals	-	-	-
Balance at 30 June 2016	267	540	807
Accumulated amortisation and impairment losses			
Balance at 1 July 2014	243	540	783
Balance at 30 June 2015	252	540	792
Balance at 1 July 2015	252	540	792
Amortisation expense	5	-	5
Eliminate on disposal	-	-	-
Balance at 30 June 2016	257	540	797
Carrying amounts			
At 1 July 2014	20	-	20
At 30 June and 1 July 2015	11	-	11
At 30 June 2016	10	-	10

There are no restrictions over the title of the NZALS intangible assets, nor are there any intangible assets pledged as security for liabilities.

11 Payables

	Actual 2016 \$000	Actual 2015 \$000
Creditors	394	191
Income in advance	-	42
Accrued expenses	210	340
GST	81	128
Total creditors and other payables	685	701

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximated their fair value.

12 Employee entitlements

	Actual 2016 \$000	Actual 2015 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	166	219
Annual leave	290	282
Sick leave	22	23
Long service leave	24	12
Total current portion	502	536
Non-current employee entitlements are represented by:		
Long service leave	84	79
Total non-current portion	84	79
Total employee entitlements	586	615

The present value of long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate, New Zealand Artificial Limb Service used the discount rates published by the Treasury for the purpose of valuing employee benefits as at 30 June 2016. The salary growth factor has been determined after considering historical salary inflation patterns by an independent actuary.

Using the discount rate used in 2015 the carrying amount of the liability would be an estimated \$7,000 lower. If the salary growth factor were to differ by 1% from New Zealand Artificial Limb Service's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$5,000 higher/lower.

13 Equity

General funds

	Actual 2016 \$000	Actual 2015 \$000
Balance at 1 July	6,776	7,002
Surplus/(deficit)	(1,429)	(226)
Balance at 30 June	5,347	6,776
Less Board-created reserves		
Property occupancy reserve	(1,467)	(1,522)
IT enhancement reserve	(199)	(195)
Centre upgrading reserve	(135)	(136)
Research and development reserve	(345)	(344)
Special funding reserve	(12)	(12)
Health-funded high needs pool	(402)	(473)
Health-funded specialised technology pool	(81)	(473)
Closing general funds	2,706	3,621

Movement in Board reserves

	Actual 2016 \$000	Actual 2015 \$000
Property occupancy reserves		
Opening balance	1,522	1,471
Transferred from general funds	(55)	51
Balance as at 30 June	1,467	1,522
IT enhancement reserve		
Opening balance	195	189
Transferred from general funds	4	6
Balance as at 30 June	199	195
Centre upgrading reserve		
Opening balance	136	145
Transferred from general funds	(1)	(9)
Balance as at 30 June	135	136
Research and development reserve		
Opening balance	344	341
Transferred from general funds	1	3
Balance as at 30 June	345	344
Special funding reserve		
Opening balance	12	12
Transferred from general funds	-	-
Balance as at 30 June	12	12
High needs pool		
Opening balance	473	315
Transferred from general funds	(71)	158
Balance as at 30 June	402	473
Specialised technology pool		
Opening balance	473	315
Transferred from general funds	(392)	158
Balance as at 30 June	81	473
Total Board-created reserves	2,641	3,155

14 Capital commitments and operating leases

Capital commitments

	Actual 2016 \$000	Actual 2015 \$000
Property, plant and equipment	-	213
Total capital commitments	-	213

Operating leases

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

	Actual 2016 \$000	Actual 2015 \$000
Not later than one year	-	10
Later than one year and not later than five years	-	0
Later than five years	-	-
Total non-cancellable operating leases	-	10

NZALS has commercial leases on the following properties:

- Dunedin Centre lease – a three-year variation has been verbally agreed, extending the lease to April 2019. No commercial rent is payable with fixed outgoings of \$20,754 per annum. This lease has not been signed.
- Wellington – the National Office lease expired September 2015. No new lease has been entered into and is currently occupied by NZALS on month by month basis.

Hamilton Limb Centre is located in premises provided as a Crown asset at nominal rent through to 2030. NZALS has elected not to recognise the rent free accommodation as service in kind.

Finance leases

Auckland, Wellington and Christchurch leases are deemed as Finance leases. The leases are for premises provided as crown assets at nominal rents. The leases expire on:

Auckland - June 2075

Wellington - June 2079

Christchurch - June 2045

NZALS has elected not to recognise the rent free accommodation as service in kind.

15 Contingencies

Contingent liabilities

Superannuation schemes

NZALS is a participating employer in the DBP Contributors Scheme ('the Scheme'), which is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2016, the Scheme had a past service surplus of \$11.7 million, being 7.4% of total liabilities (2015: \$20.9 million – 11.4% of total liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the

assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

The Actuary to the Scheme recommended previously that the employer contributions were suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

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

There are no other contingent liabilities (2015: \$nil).

Contingent assets

The NZALS has no contingent assets (2015: \$nil).

16 Related party transactions

There are no transactions outside normal supplier or amputee/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect NZALS would have adopted in dealing with the party at arm's length in the same circumstances.

example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Further, transactions with other government agencies (for

Key management personnel compensation	Actual 2016 \$000	Actual 2015 \$000
Board Members		
Remuneration	\$71,116	\$72,700
Full-time equivalent members	1.20	1.25
Leadership Team		
Remuneration	\$1,118,373	\$977,318
Full-time equivalent members	7.4	7
Total key management personnel remuneration	\$1,189,490	\$1,050,018
Total full time equivalent personnel	8.65	8.25

17 Board member remuneration

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

	Actual 2016 \$000	Actual 2015 \$000
G Reedy	25	25
R Sainsbury (term ended May 2016)	9	10
F Sumner	10	10
P Tesoriero	10	10
A Thurston	10	10
K Wilfred-Riley (term ended May 2016)	9	10
Total Board member remuneration	73	75

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

No Board members received compensation or other benefits in relation to cessation (2015: nil).

18 Employee remuneration

Total remuneration paid or payable	Actual 2016 \$000	Actual 2015 \$000
\$100,000 – \$109,999	3	1
\$110,000 – \$119,999	1	2
\$120,000 – \$129,999	-	-
\$130,000 – \$139,999	-	2
\$140,000 – \$149,999	-	-
\$150,000 – \$159,999	-	-
\$160,000 – \$169,999	-	-
\$170,000 – \$179,999	-	-
\$180,000 – \$189,999	1	1
\$190,000 – \$199,999	1	-
\$200,000 – \$209,999	-	-
\$240,000 - \$249,999	1	-
Total employees	7	6

During the year ended 30 June 2016, 4 employees received compensation and other benefits of \$174,000 in relation to cessation (2015: \$nil).

19 Events after the balance date

There were no significant events after the balance date.

20 Categories of financial assets and liabilities

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

	Actual 2016 \$000	Actual 2015 \$000
Loans and receivables		
Cash and cash equivalents	834	899
Term deposits	1,457	3,848
Receivables	1,206	1,065
Total loans and receivables	3,497	5,812
Financial liabilities measured at amortised cost		
Payables	685	701
Total financial liabilities measured at amortised cost	685	701

21 Explanation of significant variances against budget

Explanations for significant variations from the NZALS budgeted figures in the Statement of Performance Expectations are as follows:

Statement of Revenue and Expense

Revenue

The additional revenue of \$963,000 over that budgeted has principally been generated from services to ACC amputees through the delivery of advanced technology componentry.

Operating expenses

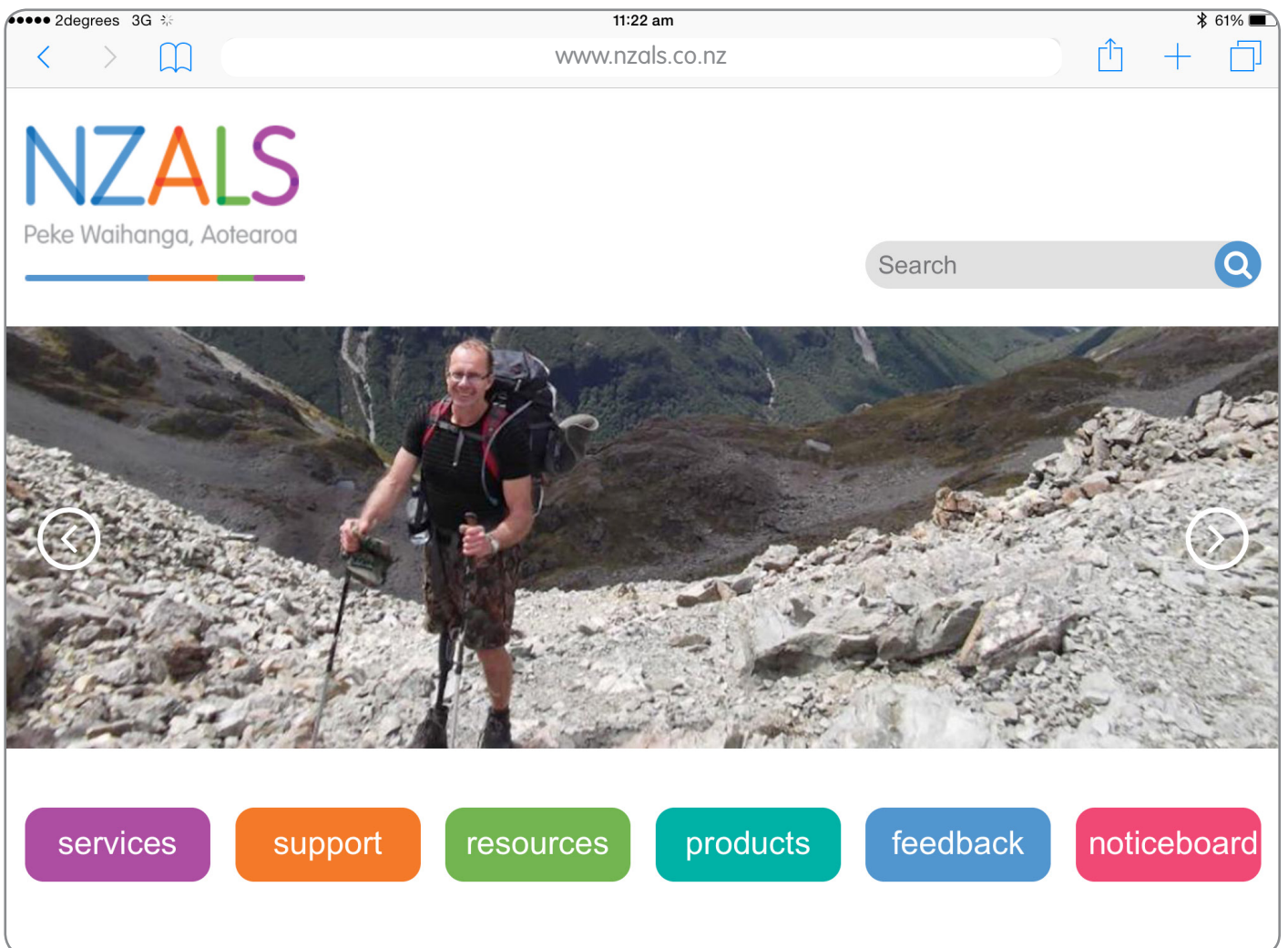
Total operating expenditure exceeded budget by \$1,278,000. This was due to the increased cost of materials of \$1,749,000 resulting from costs associated with the

delivery of the advanced technology components to ACC amputees together with increased service demand to health funded amputees.

The other significant expense exceeding budget was legal costs associated with ongoing official information and privacy requests and other legal matters. Offsetting the additional material and legal costs was deferral of budgeted property costs associated with repairs and maintenance of the buildings occupied by NZALS. These costs were deferred due to ongoing discussions with NZALS landlords to agree on taking responsibility for the necessary repairs.

NEW WEBSITE

www.nzals.co.nz



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