

Report of the

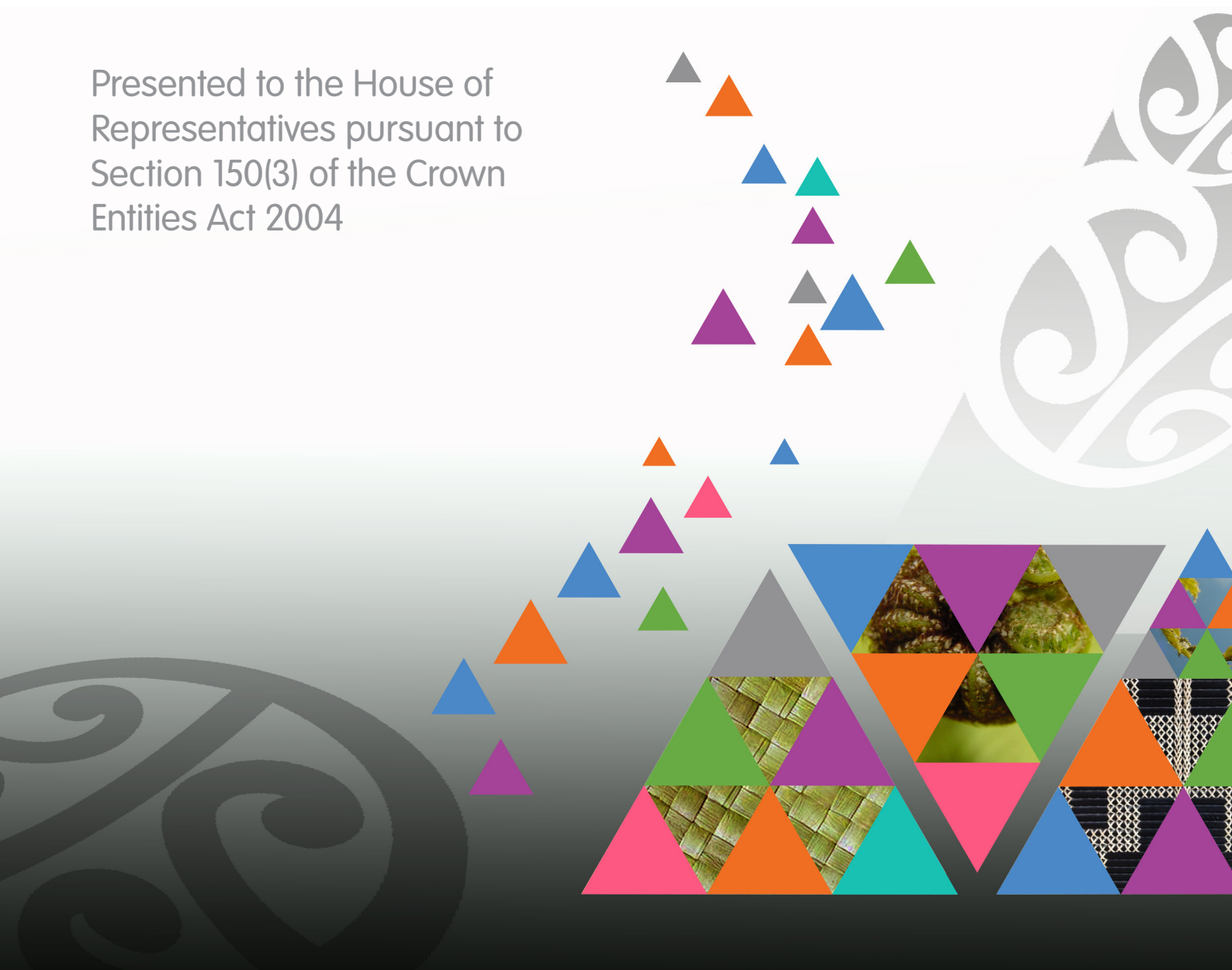
NZALS

New Zealand Artificial Limb Service

Peke Waihanga, Aotearoa

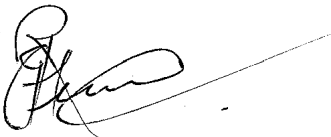
For the Year Ended
30 June 2017

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



To the Minister for Social Development

In accordance with section 151 of the Crown Entities Act 2004, we submit the Annual Report of the NZALS for the year ended 30 June 2017.



George Reedy
Chair

31 October 2017



Faye Sumner
Board member

31 October 2017

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Vision

Independent and productive lives for our amputees.

Matakitenga

Kia motuhake me te whaihua ngā oranga o ō tātou tūrora.

Mission

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

Koromakinga

Kia noho motuhake te tūrora mā te whakarato i ngā ratonga peke waihanga me te whakarauora.

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Outcomes

New amputees in 2015-2016¹ year that completed outcome measures when entering the service and 12 months later showed the following improvements:

48% Independence² & 43% Mobility³

¹ latest available results ² measured by Locomotor Capability Index (37 amputees), ³ measured by Timed Up and Go (31 amputees)

Chairman's report



Nau mai haere mai

This year has seen NZALS' 2021 strategy come to life. With the patient at the centre of every decision we make, we have developed our service into a robust wrap-around model of care that enables us to better serve the people we care for.

All aspects of amputee rehabilitation continue to be a priority because of the wrap-around service we provide. This year we:

- increased rehabilitation services by 44%
- evolved our upper limb specialisation with the appointment of an Occupational Therapist at our Hamilton Centre and provided team training with international expert David Wilson-Brown in Clinical Management of Upper Limb Amputees
- commenced proactive patient assessments and therapy across the country in face to face consultations at our centres, as well as trialling video conferencing to reduce patient travel to access our services.

To support service improvement, we implemented a continuous patient feedback programme to support the quality of our service and reflect the latest international best practices, including independent patient user surveys and forums to hear what our patients had to say about us. We wanted to determine how satisfied they were, and to identify any issues around our service offering so we have the opportunity to put things right.

We introduced internal benchmarks to identify improvement opportunities between centres and patient expectation. To do this we engaged external experts Cemplicity to independently and

autonomously contact our patients as they received services from NZALS and request their feedback to let us know when anything was not working for them – then make sure we do something about it. This work led to a refresh of some of our key policies to support patient centred care and create nationally consistency across our services.

Our new organisational structure is now embedded and we have implemented new job expectations and performance frameworks which are aligned to our strategy.

It was pleasing to see members of our expert workforce presenting at international conferences including International Society of Orthotics & Prosthetics (ISPO) in Cape Town SA. This demonstrates that our collaborations with NZ Universities are working well (e.g. AUT, Victoria University) and our patients are benefitting from our forward-thinking leadership capabilities.

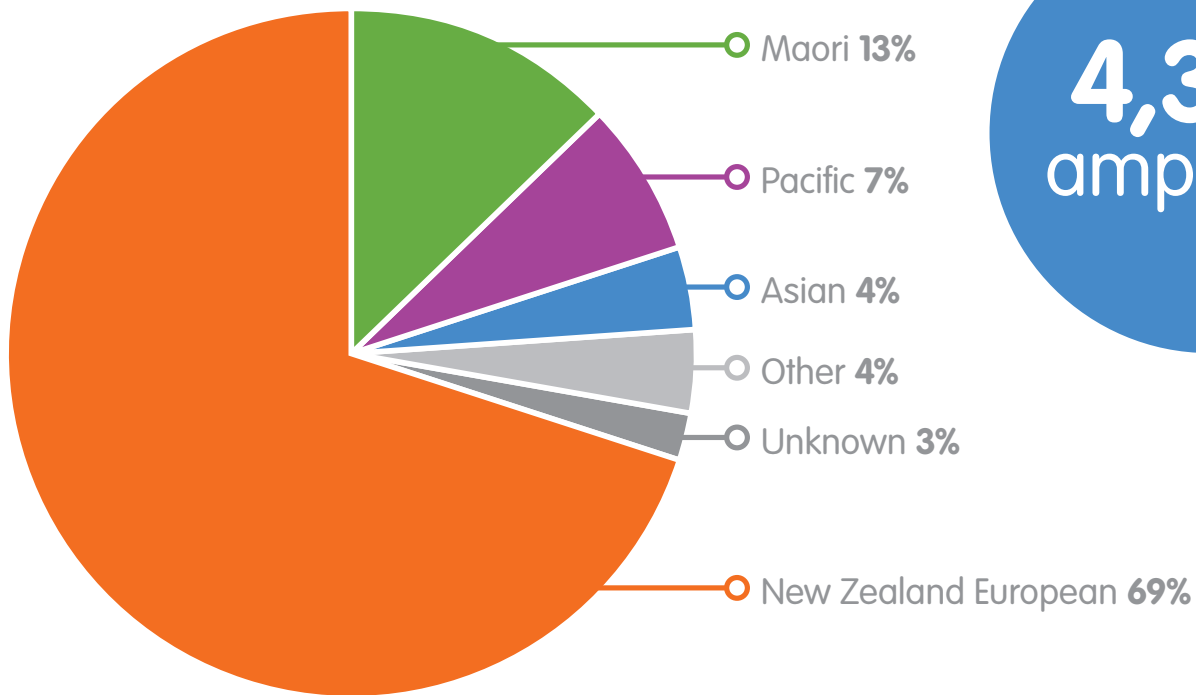
Our aim is to become a more agile and flexible employer and service provider. We have a moral responsibility to improve our service so we can support our patients at each stage of their journey with us.

It has been a truly rewarding year seeing the very real and positive impact of our improvement efforts. Thank you to everyone for placing your trust in us and working alongside us to help us achieve our goal!

A handwritten signature in black ink, appearing to read 'George Reedy', with a long horizontal line extending to the right.

George Reedy - Chair

2017 overview



4,354
amputees



this year:

411 new amputees

52% diabetes and vascular amputations

24% trauma amputations

24% congenital, cancer and infection amputations

677 days of structured and mentoring professional development

20% increase in limbs made compared to last year

44% increase in rehabilitation therapy and support

our locations

There are five Centres located in Auckland, Hamilton, Wellington, Christchurch and Dunedin, each of which also provides 14 Regional clinics to bring services to the following areas:



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.

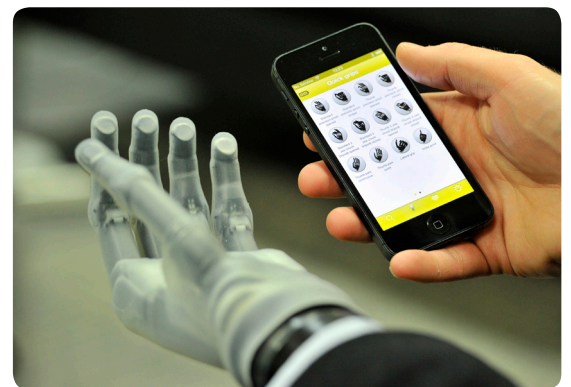
Upper limb specialisation

This year we have evolved our service offering for upper limb patients in response to patient feedback and changes in technology. This aspect of our service reflects international best practice with

1. Access to Occupational Therapy via face to face, outreach and Skype consultation.
2. Specialist upper limb training for Clinical Prosthetists and Prosthetic Technician representatives from each region.
3. Implementation of upper limb assessments to support prescription of robotic hands.
4. Engaged an international upper limb expert from overseas to support complex patient assessments and the NZALS team.
5. Supported TASKA Prosthetics on the commercialisation of new robotic hand.
6. Collaborated with Limbitless to pilot development and 3D print of a hand for a young patient.



Patient with a silicone left arm



iLimb robotic hand that a number of patients have been prescribed this year.



This year we developed and implement our Maori Strategy for 2016-2018. It signals our dedication to the Treaty of Waitangi and the importance we place on respecting Maori culture in our service.

To view this strategy, please visit www.nzals.co.nz/assets/Policy-Forms/Maori-Strategy.pdf.

This year's service demand statistics

New amputees	All amputees	New limbs made
441	4,407	1,056

Building our orthotic service

NZALS is currently providing orthoses to amputees, which is best practice rehabilitation amputee care. This year we have expanded on the services provided to patients at risk of an amputation in those areas where we can add value. Specifically, we are collaborating with Polio NZ to provide care for patients with Late Effects of Polio and have been contracted by ACC for Orthotics Service in 5 locations where our centres are situated.

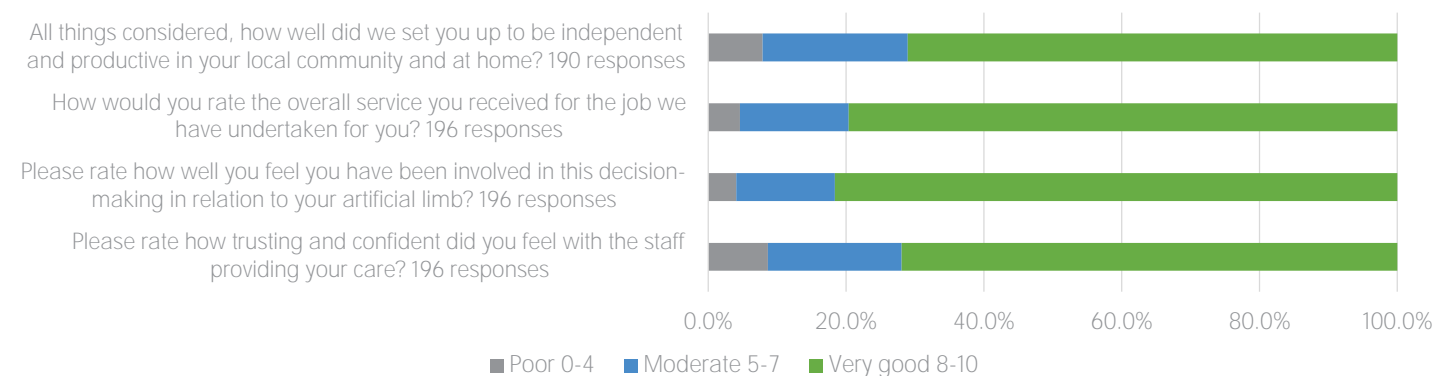
Diabetes Australia recently announced that 85% of amputations due to diabetes are preventable. The provision of orthoses is a proven amputation prevention strategy for patients with diabetes.

Gait training

Patient gait training is required to help maximise the benefit of the prosthetic and/or orthotic we provide. To evolve this capability in our service, our Physiotherapists attended a three-day Advanced Gait Training workshop in Australia in March 2017. Expert Physiotherapist Esther Bruecker provided this training and the workshop covered training for amputees using mechanical knee units and feet units. The learning from this workshop has been integrated into our service.

National consistency

In an effort to ensure a nationally consistent service, NZALS professional groups now have regular national Skype knowledge sharing calls. Including: benchmarking discussions, complex patient issues, new technology and changes in clinical evidence. We have implemented a new programme that will enable our patients to give feedback on what matters most to them, then bringing this insight straight to decision-makers and frontline teams so we can act to improve the service, all in real-time. A component of this programme relates to patient satisfaction, which can be seen in the following graph.



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.

NZALS' expert workforce strategy is focused on ensuring our people have the capability and confidence to succeed in an industry which is rapidly changing on a global scale. We want our staff to be challenged, feel supported, and encourage innovation as we know that all these characteristics lead to better outcomes for amputees, which is what NZALS is all about.

This year:

- 100% of our people across all levels of the organisation completed targeted learning (e-learning, workshops, on-the-job learning and assessments) to ensure we build our technical and clinical capabilities and have consistent and credible practices. This equates to 677 days of training.
- 12 staff attended international prosthetic and orthotic conferences including ISPO South Africa and AOPA Australia.
- 9 staff attended NZ Orthotics and Prosthetic Association Conference in Wellington.
- Staff attended 179 industry and technology specific training days.
- 41 staff attended Health and Disability Advocate presentations to the team.
- We consulted with our expert workforce to develop and implemented a new job expectations, performance and rewards framework, and individual development plans which were aligned to 2021 strategy.
- Have increased our efforts with aligned NZ universities and institutions to help improve patient outcomes and strengthen our internal capabilities. Refer to page 10 & 11 for more information.



Richard Purcell and Tim Saunders (Senior Clinical Prosthetist) participating in hands on advanced mobility training held in Auckland and Christchurch this year.



This year we developed and implemented our Equal Employment Opportunity, (EEO) Strategy for 2016-2018. It signals our dedication to be recognised as an employer of choice and an understanding that our success relies on having a diverse workforce consisting of a broad range of talented professionals of different backgrounds and experiences to help us connect more meaningfully to the local communities we serve.

Workforce profile

Our success will be measured by having a workforce that reflects the wider community and its diversity. Our strategy is to attract workers with the right skills from more diverse backgrounds to enable us to understand our patients better while adding breadth and depth to our workforce.

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Employee Full Time Equivalents

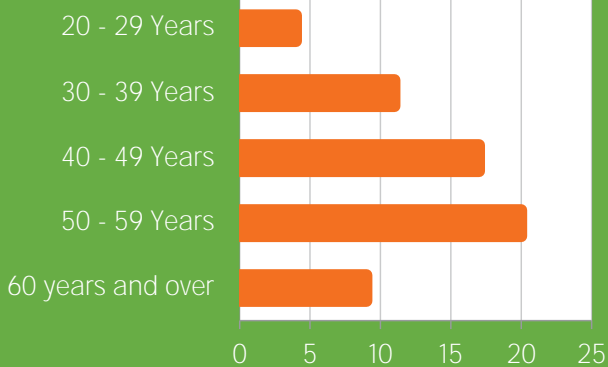
87%

Increase in female staff (last 2yrs)

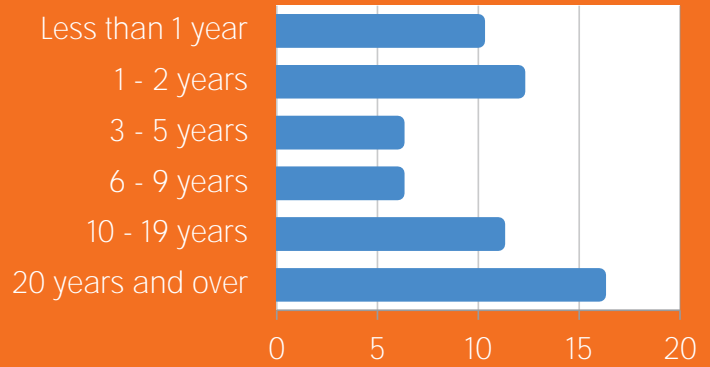
34%

Part-time workers

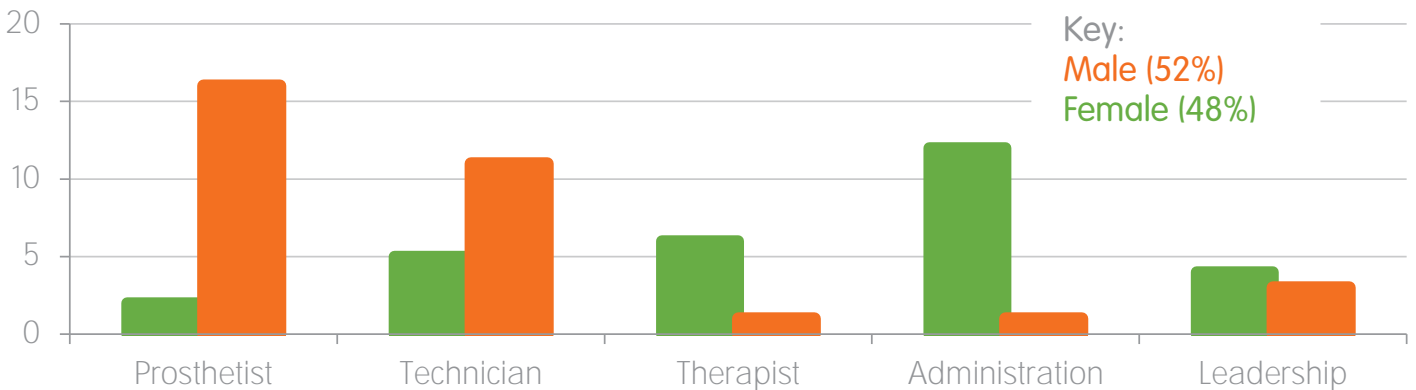
Age



Tenure



Gender Distribution

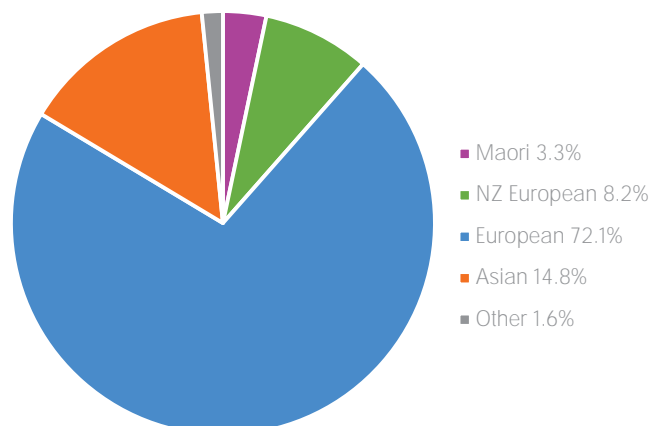


Disabilities

NZALS employs a number of staff members and volunteers with disabilities.

We actively engage with other organisations to promote individuals with disabilities into the workforce. Our CEO is a member of Be Accessible's Fab50 Group

Ethnicity



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.

Innovative prosthetic leg covers

NZALS has developed a strong relationship with the Design School at Victoria University Wellington. It has seen NZALS co-fund and support a number of summer interns and master's students researching prosthetics and design. This initiative has provided the following benefits:

1. The students research is based on real world patient problems.
2. NZALS staff participated in meaningful continuing professional development.
3. The work has the potential to generate NZALS export earnings.

A great example of this collaboration is the stylish leg covers made from a durable plastic that is resistant to damage, while still allowing a range of design customisations that patients can choose from. Below is feedback from Ken Te Tau

"I am not one to wear shorts and display my prosthesis to the world but with this cover I was happy and felt empowered to wear and show this cover at the hot pools recently at Tokaanu, it was a powerful statement reflecting who I am as a Maori man and amputee." Ken

For more information, refer to www.hapai.life.



Ken on a bush walk with his prosthetic cover from the Design School, Victoria University Wellington collaboration.



Leading best practice patient care

NZALS team members made a considerable contribution to the 2017 International Society for Prosthetics and Orthotics Conference to be held in Cape Town, South Africa with the following being presented by our staff:

1. Experiences of amputees fitted with microprocessor knee - A. Elston, Physiotherapist and N. Kayes, Associate Professor at AUT
2. Reviewing the rehabilitation pathway for a quadruple amputee following infection of meningococcal septicaemia - E. Carey, Clinical Prosthetist
3. Goal Setting: A Challenge Post Lower Limb Amputation - S. Uppal, Clinical Prosthetist

Contestable research

Every year the NZALS makes available a Research Funds to promote research into issues that will benefit amputees. Topics of particular interest include rehabilitation; gait; clinical aspects; amputee pathways; components/materials; prevention strategies - especially in the areas of vascular disease and diabetes and related topics with a focus on engineering/biomechanics. This year we support the innovative prosthetic leg covers and below research projects

Pathways to the Paralympics

NZ project titled Pathways to the Paralympics: Facilitators and Barriers to Sport Participation and Success for Amputee Athletes by Melissa Wilson from Paralympics

This research aims to gain an understanding of the unique sporting experiences of amputee athletes in order to inform best practice in the New Zealand Para-Sport sector and is expected to continue into 2018 with presentation of research findings at domestic and international sport sector conferences. Melissa is keeping NZALS up to date with progress reports and we are backing her all the way.

This is an exciting time for Paralympics NZ with big names like Liam Malone, Sophie Pascoe and Kate Horan successfully representing NZ internationally and we are proud to partner with Paralympics NZ in this very worthy research.



Open-sourced printed myo-electric hand

This year, the NZALS Dunedin team assisted LIMBITLESS with a 3D printing project involving the construction of an open-sourced printed myo-electric hand for a young child as part of the international science. This young person has been an active user of the device and has grown with our team now developing a replacement and a plan to make this technology available to more New Zealanders

This work was profiled at the closing ceremony of the Annual International Science Fair held in Dunedin in 2016.

Taska Prosthetics - robotic hand

The Taska Prosthetics robotic hand was developed by kiwi inventor - Mat Jury. It has electronic and mechanical innovations that give it a natural grip which improves reliability and dexterity, and also reduces motor loads; in turn extending battery life. It has proven to be reliable, is waterproof and does not require a glove.

NZALS has been supporting the commercialisation of this robotic hand through the purchasing of hands, funding field trials and investing in our upper limb specialisation.

The Taska robotic hand was demonstrated to our expert clinical team, who felt that it addressed a number of the key technical barriers that can limit the uptake and practicality of robotic hands, as well as reducing the cost for NZALS.

The Taska robotic hand has received positive feedback from ACC Health Technology Assessment and NZALS. Where appropriate, this robotic hand has been prescribed to NZ patients.



Equity

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

Social Services Select Committee

In February this year, NZALS leadership team hosted members of the Social Services Select Committee at our Auckland Limb Centre. This was a wonderful opportunity for members to hear about our services challenges and opportunities from 4 of our patients.

Members also received a tour of our facility which showcased our patient centred approach, expert workforce, technology involved in service delivery and our innovative approaches to equity.



Matthias Blattner NZALS' Southern Regional Manager demonstrating myo-electric hand to the Social Services Select Committee.

National service contract	ACC	Health	Other
2016/17 Revenue	\$7.223 million	\$5.059 million	\$0.242 million
Amputees	1,690	2,532	132
Contract characteristics	Funds amputees need on a case by case basis	Bulk funding for all amputee needs	Private
Average \$\$ per amputee in 2016/17	\$4,274	\$1,998	\$1,833



Above knee patients with microprocessor knees

- 45 ACC amputees (14% of all ACC above knee amputees)
- 49 DHB amputees (8% of all DHB above knee amputees)

Compliance

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

Of the more than 120 documents currently available in our library, we created 17 new and updated 39 of our policies, procedures and forms. These documents integrate the 5 streams of NZALS' strategy including Service, Expert Workforce, R&D/Technology and Equity. They include a variety of essential topics including guidance on Responding to Privacy Requests, a Board Governance Manual and Code of Conduct, and Prescription and Performance Assessments forms. All policies and procedures are regularly maintained to ensure consistency, currency and relevancy.



Health and Safety

The health and safety for our patients and workforce has always been a very important aspect of our business. Once again this year, we invested significant time to our health and safety practices to ensure we continued to meet our obligations under the Health and Safety at Work Act 2015. This year we created 3 new H&S policies including Managing Violence & Aggression in the Workplace as well as updating our Eye Conservation policy.



Property

NZALS' centres are appropriately located to support our vision and strategy. Our centres are leased at peppercorn rates and unfortunately, they are not fit-for-purpose; independently assessed as requiring over \$5 million in urgent repairs.

To resolve our property issues, NZALS is pursuing a strategy to assume the property position of the landlord for our NZALS Auckland, Hamilton, Wellington and Christchurch centres and simultaneously increase ACC and DHB service contracts to recover property costs.

NZALS as a good employer

NZALS promotes staff participation in the development of 'good employer' programmes and practices through regular employee collaboration meetings, recruitment panels and health and safety policies.

We engage with our employees and the New Zealand Public Service Association which represents approximately 50% of our workforce to comply with the 'good employer' and equal employment opportunities provisions.

Leadership, Accountability and Culture

- NZALS' values of challenging, fair, impartial, responsive, trustworthy and quality, guide our leadership team in making decisions that positively impact our patients and staff and create a strong and positive internal culture
- Providing our people with ongoing context, direction and leadership on the performance of NZALS within a rapidly changing industry landscape
- We provide coaching for our managers on key leadership capabilities including, authentic leadership, influencing others, change agility & resilience, inspiring & motivating others and having brave conversations.

Recruitment selection and induction

- Attracting and retaining the best employees is critically important to our expert workforce strategy and we have implemented a comprehensive organisation-wide induction programme for new employees, with e learning, workshops and on-the-job tools and resources
- Educating our business leaders on unconscious bias and the importance of inclusion and diversity in selection and promotion
- Actively engage staff through Be. Accessible - a social enterprise focused on creating equal opportunities for all NZ'ers and the Ministry of Social Development Mainstream employment programme which focuses on young graduates with disabilities moving into the workforce.
- NZALS is an 'accredited employer' with Immigration NZ. As an organisation we meet strict criteria in respect of our robust Human Resources practices and our commitment to training and employing New Zealanders (where appropriate).



Charlotte Bunnett and Michael Seibicke preparing a check socket for a patient.

Employee development and promotion

- We harness the talent of our people and ensure they understand how they contribute to our wider success.
- Succession planning, internal growth strategies, training and development and continued professional development are all key themes in our expert workforce strategy.
- Through our world class training & development programmes, we encourage the development of professional skills and provide specialist training in prosthetics, orthotics, rehabilitation and technology.
- All prosthetists currently employed by NZALS hold a tertiary qualification in orthotics or prosthetics. This includes qualifications gained through universities, polytechnics and institutes of technology.



La Trobe placement student Ken Hilliard with a knee, ankle, foot orthosis he made. Ken had an 8 week placement at the Wellington Centre.

Flexibility and work design

- NZALS actively supports many nonstandard work arrangements where business demands enable these to occur, including part-time, flexible working hours, working from home and other forms of remote working.
- We tailor our support in these situations to individual need, and actively support return-to-work programmes for ill and injured employees.

Remuneration, Recognition and Conditions

- Our remuneration processes have been developed by robust job sizing evaluations, ensuring that remuneration reflects the complexity of each role and the level of skill required
- We have embarked on a review of our performance development, remuneration, and recognition systems to ensure that they meet the needs of both the organisation and our employees.

Harassment and Bullying prevention

- A revised Managing Bullying, Harassment and Discrimination in the Workplace policy was written detailing no tolerance for any form of discrimination or harassment within our organisation.

Safe and Healthy Environment

- We are implementing a comprehensive internal health and safety strategy and have implemented new approaches to hazard and risk identification and management, and accident and incident reporting and investigation
- Strategies for effectively managing our biggest risks are well embedded Provide an Employee Assistance Programme, discounted health insurance, and influenza vaccinations.

We are committed to being a good employer and have adopted the guidelines of the Human Rights Commission in monitoring seven aspects of our engagement with our employees.

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. Board members during the year were:

George Reedy - Chair

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.

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.

Kevin Ross - Board Member

Kevin served as the Chief Executive of the Whanganui District Council for 7 years before retiring in 2015. In his various roles within the Council he has had considerable experience dealing with most sectors of the community and focussed on developing genuine and committed partnerships with local Iwi. Kevin currently chairs the Tararua District Council Audit and Risk Committee.

Cynthia Bennett - Board Member

Cynthia is a specialist trained Medical Doctor in Physical Medicine and Rehabilitation. She practices Rehabilitation Medicine as a Fellow of the Australasian Faculty of Rehabilitation Medicine in NZ, is the Clinical Head of Rehabilitation and of the Auckland Spinal Rehabilitation Unit for Counties Manukau Health. In addition Cynthia holds the position of the NZ Branch Chair of the Australasian Faculty of Rehabilitation Medicine and is member of the AFRM PAC.

Statement of performance expectations 2016-2017

The responsible Minister and NZALS have agreed to include the following set of voluntary measures which are aligned to the Strategic Objectives from NZALS' Statement of Intent.

Performance measures and standards	2016/2017 Targets	Results
Minimum number of business days that services are available to amputees through all five NZALS limb centres	230	242 ⁵
Minimum number of regional clinics held	14	14
Minimum number of days that information is available to amputees through the NZALS website	365	365
Percentage of new amputees with improved independence and mobility assessed using Time to up and go ¹ and Locomotor Capability Index ² within 18 months of fitting of a new artificial limb	95-100%	TUG 94% & LCI 81% ⁶
Surveyed amputees who positively rate the services provided ³	Positive Net Promoter Score	68%
Percentage of NZALS clinical and technical employees have recognised certification and/or qualifications ⁴	100%	100%
Number of collaborative research projects undertaken on issues designed to improve the provision of services to amputees	2	3 ⁷

¹ Time to up and go (TUG) – is an objective measure involving a simple walking test where the amputee sits, gets up, walks a measured distance, returns and sits down again.

² Locomotor Capability Index (LCI) – is a subjective measure administered by a Physiotherapist with seven questions based on day- to-day activities and a further seven questions based on advanced activities.

³ The Net Promoter Score (NPS) measures the loyalty and satisfaction that exists between a provider and a consumer. An NPS that is positive (i.e., higher than zero) is considered to be good.

⁴ As defined in NZALS contract with ACC

⁵ The NZALS Wellington Centre was closed for 2 days while engineers assessed potential damage from the earthquake on 14/11/16. Engineers report gave the all clear to start using the building again.

⁶ This result did not achieve target, however on average these patients achieved a 48% improvement in independence and 43% improvement in mobility; assessed on 31 and 37 patients respectively.

⁷ Melissa Wilson - Paralympics NZ - Pathways to Paralympics / Poul Nielson - VUW - Mapping Stump Stiffness / Simon Fraser & Bernard Guy - Victoria University - Recreational Prosthetics

Financial statements

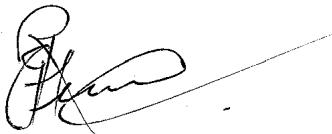
Statement of Responsibility for the year ended 30 June 2017

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 2017 fairly reflect the financial position and operations of the NZALS.



George Reedy
Chair

31 October 2017



Faye Sumner
Board member

31 October 2017

Independent Auditor's Report

To the readers of the New Zealand Artificial Limb Service's financial statements for the year ended 30 June 2017

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 his behalf.

Opinion

We have audited the financial statements of the NZALS on pages 23 to 42, that comprise the statement of financial position as at 30 June 2017, 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 including a summary of significant accounting policies.

In our opinion the financial statements of the NZALS on pages 23 to 42:

- present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 31 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board for the financial statements

The Board is responsible on behalf of the NZALS for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible on behalf of the NZALS for assessing the NZALS's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the NZALS, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the NZALS's Statement of Performance Expectations 2016/17.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NZALS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NZALS to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 4 to 18 and 22, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the NZALS in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, 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 \$12,524,000 which is an increase of 20% on the previous year of \$10,412,000. 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 \$13,775,000 (2016: \$11,977,000) resulting in a deficit of \$1,205,000. This follows a deficit last year of \$1,429,000. This result is due to increased demand on health-funded amputations and an increase in operational expenses. Included in this result is \$408,000 allocated by the Board to the MPK project.

NZALS' financial position remains strong with \$4,142,000 in reserves.

Statement of Comprehensive Revenue and Expense For the Year ended 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Revenue				
Government contract funding	2	12,289	10,042	10,273
Interest income		46	120	136
Other revenue		235	84	139
Total revenue		12,570	10,246	10,548
Expenditure				
Personnel costs	3	4,453	4,324	4,304
Depreciation and amortisation expense	9	187	173	175
Other expenses	4	9,135	6,795	7,498
Total expenditure		13,775	11,292	11,977
Total comprehensive revenue & expense		(1,205)	(1,046)	(1,429)

Explanations of significant variances against budget are detailed in note 20.

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Assets				
Current assets				
Cash and cash equivalents	5	836	764	699
Receivables	6	936	741	1,206
Prepayments		171	38	33
Inventories	7	1,374	1,755	1,828
Investments	8	1,063	1,182	1,592
Total current assets		4,381	4,480	5,358
Non-current assets				
Property, plant and equipment	9	1,193	1,297	1,250
Intangible assets		6	11	10
Total non-current assets		1,199	1,308	1,206
Total assets		5,580	5,788	6,618

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Current liabilities				
Payables	10	869	894	685
Employee entitlements	11	488	350	502
Total current liabilities		1,357	1,244	1,187
Non-current liabilities				
Employee entitlements	11	82	91	84
Total non-current liabilities		82	91	84
Total liabilities		1,439	1,335	1,271
Net assets		4,142	4,452	5,347
Equity				
General funds	12	3,568	1,664	2,706
Board-created reserves	12	574	2,788	2,641
Total equity		4,142	4,452	5,347

Explanations of significant variances against budget are detailed in note 20.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year ending 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Balance at 1 July		5,347	5,498	6,776
Total comprehensive revenue & expense		(1,205)	(1,046)	(1,429)
Balance at 30 June	12	4,142	4,452	5,347

Explanations of significant variances against budget are detailed in note 20.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year ending 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Cash flows from operating activities				
Receipts from government contract funding		12,659	9,970	10,089
Interest received		47	120	188
Receipts from other revenue		257	84	89
Payments to suppliers		(8,853)	(6,415)	(8,109)
Payments to employees		(4,459)	(4,324)	(4,333)
Goods and services tax (net)		85	(1)	(47)
Net cash from operating activities		(264)	(565)	(2,123)
Cash flows from investing activities				
Sale of investments		530	299	2,395
Purchase of property, plant & equipment		(129)	(208)	(327)
Purchase of intangible assets		-	-	(4)
Net cash from investing activities		401	91	2,064
Net increase/(decrease) in cash and cash equivalents		137	(474)	(60)
Cash and cash equivalents at the beginning of the year		699	1,237	769
Cash and cash equivalents at the end of the year	5	836	764	699

Explanations of significant variances against budget are detailed in note 20.

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 2017

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 2017, and were approved by the Board on 31 October 2017.

Basis of preparation

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP').

The financial statements have been prepared in accordance with PBE standards RDR. The criteria under which an entity is eligible to report in accordance with PBE standards RDR are that it does not have public accountability and it is not large.

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.

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, they are measured at 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 2017. The calculation assumes a salary growth rate of 2.7%.

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.

Property Leases

Note 13 provides detail in relation to treatment of NZALS property leases. NZALS has operating leases for its Dunedin centre and finance leases for Auckland, Hamilton, Wellington and Christchurch centres' accommodation. No rent is payable for Dunedin centre and others are paid at nominal rents. NZALS has elected to account for property lease transactions as a service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

Long service leave

Note 11 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 2017 \$000	Actual 2016 \$000
Salaries and wages	4,340	4,217
Employer contributions to superannuation schemes	129	116
Increase/(decrease) in employee entitlements (note 11)	(16)	(29)
Total personnel costs	4,453	4,304

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

4 Other expenses

	Actual 2017 \$000	Actual 2016 \$000
Fees to auditor - Audit fees for financial statement audit	34	34
Board members' fees	67	73
Board members' expenses	12	14
Board approved High Needs & Specialised Technology Limbs	408	463
Cleaning & Laundry	133	113
Computer Expense	183	155
Legal Expense	147	168
Material costs	6,920	5,464
Operating lease expense	48	49
Other	1,183	965
Total other expenses	9,135	7,498

5 Cash and cash equivalents

	Actual 2017 \$000	Actual 2016 \$000
Cash on hand and at bank	836	699

6 Receivables

	Actual 2017 \$000	Actual 2016 \$000
Trade debtors	877	1,140
Other receivables	35	39
Interest accrual	24	27
Total debtors and other receivables	936	1,206

The carrying value of receivables approximates their fair value.

7 Inventories

	Actual 2017 \$000	Actual 2016 \$000
Materials	773	1,254
Work in progress	601	574
Total inventories	1,374	1,828

The NZALS does not currently hold any inventory for distribution (2016: nil).

The NZALS has a provision for obsolete stock of \$125,403 (2016: \$141,568).

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 2017 \$000	Actual 2016 \$000
Current investments are represented by; Term deposit	1,063	1,592

The weighted average effective interest rate for term deposits is 3.41% (2016: 3.54%).

There were no impairment provisions for investments. 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 improve- ments \$000	Plant and equipment \$000	Furniture and fittings \$000	Computer equipment \$000	Total \$000
Cost or valuation					
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
Balance at 1 July 2016					
Balance at 1 July 2016	1,003	1,093	448	258	2,802
Additions	-	45	33	52	130
Disposals	(17)	(129)	(141)	(26)	(313)
Balance at 30 June 2017	986	1,009	340	284	2,619
Accumulated depreciation and impairment losses					
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
Balance at 1 July 2016					
Balance at 1 July 2016	446	557	358	191	1,552
Depreciation expense	41	69	29	43	182
Eliminate on disposal	(17)	(129)	(137)	(25)	(308)
Balance at 30 June 2017	470	497	250	209	1,426
Carrying amounts					
At 1 July 2015	599	353	73	68	1,093
At 30 June and 1 July 2016	557	536	90	67	1,250
At 30 June 2017	516	512	90	75	1,193

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 Payables

	Actual 2017 \$000	Actual 2016 \$000
Creditors	339	394
Income in advance	107	-
Accrued expenses	258	210
GST	165	81
Total creditors and other payables	869	685

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.

11 Employee entitlements

	Actual 2017 \$000	Actual 2016 \$000
Current employee entitlements are represented by:		
Accrued salaries and wages	161	166
Annual leave	273	290
Sick leave	22	22
Long service leave	32	24
Total current portion	488	502
Non-current employee entitlements are represented by:		
Long service leave	82	84
Total non-current portion	82	84
Total employee entitlements	570	586

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 2017. The salary growth factor of 2.7% (2016: 3%) has been determined after considering historical salary inflation patterns by an independent actuary.

Using the discount rate used in 2016 the carrying amount of the liability would be an estimated \$3,000 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.

12 Equity

General funds

	Actual 2017 \$000	Actual 2016 \$000
Balance at 1 July	5,347	6,776
Surplus/(deficit)	(1,205)	(1,429)
Balance at 30 June	4,142	5,347
Less Board-created reserves		
Property occupancy reserve	-	(1,467)
IT enhancement reserve	(200)	(199)
Centre upgrading reserve	-	(135)
Research and development reserve	-	(345)
Special funding reserve	-	(12)
Health-funded high needs pool	(224)	(402)
Health-funded specialised technology pool	(150)	(81)
Closing general funds	3,568	2,706

Movement in Board reserves

	Actual 2017 \$000	Actual 2016 \$000
Property occupancy reserves		
Opening balance	1,467	1,522
Transferred to general funds	(1,467)	(55)
Balance as at 30 June	-	1,467
IT enhancement reserve		
Opening balance	199	195
Transferred from general funds	1	4
Balance as at 30 June	200	199
Centre upgrading reserve		
Opening balance	135	136
Transferred to general funds	(135)	(1)
Balance as at 30 June	-	135
Research and development reserve		
Opening balance	345	344
Transferred to general funds	(345)	1
Balance as at 30 June	-	345
Special funding reserve		
Opening balance	12	12
Transferred to general funds	(12)	-
Balance as at 30 June	-	12
High needs pool		
Opening balance	402	473
Transferred to general funds	(178)	(71)
Balance as at 30 June	224	402
Specialised technology pool		
Opening balance	81	473
Transferred from general funds	69	(392)
Balance as at 30 June	150	81
Total Board-created reserves	574	2,641

During the year the Board reviewed the various existing Board reserves and determined that the following reserves were not aligned to the 2021 strategy so have returned the funds to general funds.

- Property occupancy reserve
- Centre upgrade reserve
- Research and Development reserve
- Special funding reserve

13 Capital commitments and operating leases

Capital commitments

There are no capital commitments (2016:Nil).

Operating leases

There are no future aggregate minimum lease payments to be paid under non-cancellable operating leases (2016:Nil).

NZALS has commercial leases on the following properties:

- National Office lease expired September 2015. No new lease has been entered into and is currently occupied by NZALS on a month by month basis.
- 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. NZALS has elected to account for the property lease transactions as a service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

Finance leases

The Auckland, Hamilton, Wellington and Christchurch centres are located in premises provided as Crown assets at nominal rents. These leases are deemed as Finance leases.

The leases expire as follows:

Auckland - June 2075

Hamilton - June 2030

Wellington - June 2079

Christchurch - June 2045

NZALS has elected to account for the property lease transactions as a service in kind. NZALS has chosen not to quantify the benefits arising from these transactions.

14 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 2017, the Scheme had a past service surplus of \$8.0 million, being 6.2% of total liabilities (2016: \$11.7 million – 7.4% 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 (2016: \$nil).

Contingent assets

The NZALS has no contingent assets (2016: \$nil).

15 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 2017 \$000	Actual 2016 \$000
Board Members		
Remuneration	\$66,366	\$71,116
Full-time equivalent members	1.20	1.20
Leadership Team		
Remuneration	\$820,454	\$1,118,373
Full-time equivalent members	5.93	7.4
Total key management personnel remuneration	\$886,820	\$1,189,490
Total full time equivalent personnel	7.13	8.65

16 Board member remuneration

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

	Actual 2017 \$000	Actual 2016 \$000
G Reedy	25	25
R Sainsbury (term ended May 2016)	-	9
F Sumner	10	10
P Tesoriero	10	10
A Thurston	10	10
K Wilfred-Riley (term ended May 2016)	-	9
C Bennett (appointed 1 November 2016)	6	-
K Ross (appointed 1 November 2016)	6	-
Total Board member remuneration	67	73

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 (2016: nil).

17 Employee remuneration

Total remuneration paid or payable	Actual 2017 \$000	Actual 2016 \$000
\$100,000 – \$109,999	4	3
\$110,000 – \$119,999	-	1
\$120,000 – \$129,999	2	-
\$140,000 – \$149,999	1	-
\$180,000 – \$189,999	-	1
\$190,000 – \$199,999	-	1
\$210,000 – \$219,999	1	-
\$240,000 - \$249,999	-	1
Total employees	8	7

During the year ended 30 June 2017, 2 employees received compensation and other benefits of \$16,145 in relation to cessation (2016: \$174,000).

18 Events after the balance date

There were no significant events after the balance date.

19 Categories of financial assets and liabilities

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

	Actual 2017 \$000	Actual 2016 \$000
Loans and receivables		
Cash and cash equivalents	976	834
Term deposits	923	1,457
Receivables	936	1,206
Total loans and receivables	2,836	3,497
Financial liabilities measured at amortised cost		
Payables	869	685
Total financial liabilities measured at amortised cost	869	685

20 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 \$2,324,000 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 \$2,483,000. This was due to the increased cost of materials of \$2,301,000 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.

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