

NZALS

New Zealand Artificial Limb Service

Peke Waihanga, Aotearoa

Statement of Performance Expectations

2016-2017

Presented to the House of Representatives

Pursuant to S 149 of the Crown Entities Act 2004

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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 Statement of Performance Expectations for 2016 - 2017.



George Reedy

Chair

Dated 30 June 2016



Paula Tesoriero

Deputy Chair

Dated 30 June 2016

Welcome

Here's a sobering thought: Amputation is something that could happen to any one of us, at any time.

It could happen at work. It could happen while you're driving home from the supermarket. It could happen while you're enjoying an afternoon in the great outdoors with your family. Amputation doesn't discriminate.

In New Zealand, there are over 4000 Kiwis living with amputation of some form...and this is something that they live with every day. It impacts their lives - the lives of loved ones - everything they do, no matter where they are; and it will be with them for the rest of their lives.

Figures show there is one amputation in New Zealand every day and it is a traumatic, life-changing event. Amputees need support and guidance in adjusting to such a major change. This is where services such as the NZ Artificial Limb Service can help make the lives of amputees better.

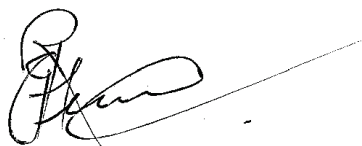
At the NZALS, we make no apologies for putting amputees at the centre of everything we do. Amputees are our focus. We've done that by building a world-leading workforce of experts and trained practitioners, by embracing the latest cutting-edge advances in prosthetic technology and by striving for equity. Our philosophy is simple: Amputees are our priority in everything we do.

We pride ourselves in treating each amputee as an individual, not a number, and understand the impact their injury will have on their life. We listen, we talk, and we work to find the right solution.

The Artificial Limb Service is influenced by a range of Government and health related priorities including current health strategies, rehabilitation plans, Workforce Health Planning, Better Public Service, Teach to Enable and at NZALS what we do contributes to the government's Better Public Service strategy and Health and Disabilities human rights. This includes right time, right place, right limb and rehabilitation.

The NZALS has a moral and trusted national responsibility to provide world-leading services to amputees. With new structures in place and an increased focus on improving coordination of care for all amputees, we will be more agile and responsive to new technology and rehabilitation options for our clients.

I look forward to the positive changes we will achieve at the service over the next three years for amputees and ensuring the long-term sustainability of the service.



George Reedy

Chair

Nature and Scope

The New Zealand Artificial Limb Service is an autonomous Crown Entity, constituted under the Social Welfare (Reciprocity Agreements, and New Zealand Artificial Limb Service) Act 1990.

Our vision

Independent and productive lives for amputees¹

Our mission

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

Our functions

Artificial Limbs

To manufacture, import, export, market, distribute, supply, fit, repair, and maintain artificial limbs and similar devices

Amputee Rehabilitation

To provide rehabilitative and other services to persons in connection with artificial limbs and similar devices

Research and Development

To carry out research and development in relation to artificial limbs and similar devices

Advising the Minister

To advise the Minister on matters relating to artificial limbs and similar devices.

Our key statistics

Forecast	Amputees in NZ at Jan 2016	New Amputee from Jul 14 – Jun 15
Maori : Pacific Island	551:288	70:17
Young (<25 years)	271	20
Female : Male	1,098:3,162	136:278
All	4,260	414

	2016-2017 Forecast
Revenue	\$10 million
Personnel	56 Full Time Equivalents
Making & repairing limbs	1691 - 2076 Below Knee Equivalents ²

¹ Amputees refer to people with limb loss and those with congenital limb deficiencies and pre-amputation visits

² Below Knee Equivalents (BKE) is the method NZALS uses to standardise jobs so NZALS can understand and make comparisons on our production. It is calculated using 3 years of production data. For example; 1.0 Above Knee job would take the same amount of time to produce as 1.96 Below Knee jobs.

Safe workplace/environment and EEO

NZALS is a Health and Safety compliant workplace, where we have placed high importance on meeting and maintaining our obligations under the 2016 legislation. We have established new health and safety policies and practises in our organisation including 7 comprehensive procedure documents as well as utilising collaborative online reporting tools to ensure all our centres are aligned to the legislation.

We value our workforce and are currently working on meeting our Equal Employment Opportunities (EEO). We are committed to/demonstrate: Leadership, recruitment, employee, development, and promotion – currently being addressed in our new structure and referenced further in this report.

We actively encourage flexibility in both our national office and centres. We recognise the importance of a solid infrastructure supported by fully qualified employees.

Our operations are fully supported by robust policies and procedures. Including Prevention of bullying in the workplace, EEO strategy, Code of Conduct and Privacy.

Currently in progress are the following important policies: Records Management, Performance Management, Tertiary Qualifications, and Governance.

Limb Services

There are five limb centres operating in Auckland, Hamilton, Wellington, Christchurch and Dunedin, with 14 regional clinic locations and a national office in Wellington.



Forecast statement of service performance

In line with the requirements from the 2013 amendments to the Crown Entities Act 2004 (CEA), under s149E the New Zealand Artificial Limb Service has no reportable outputs.

The NZALS has a vision of independent and productive lives for amputees. This is achieved by delivering prosthetic and rehabilitation services to 4,300 amputees across New Zealand.



To maximise our impact for amputees, in 2015-2016, we developed the above strategy in conjunction with our amputees and stakeholders. To ensure the business is aligned to deliver on this strategy, the organisation has undergone a significant restructure at a leadership level. As such, our expert workforce efforts this year will be to consolidate this change and deliver on the above strategic objectives to achieve for the benefits of amputees across New Zealand.

A key part of our strategy is to embrace new technology and research that will help us provide a better service to amputees. In 2016-2017, we will:

1. Complete the implementation of an investment in 51 Microprocessor knee appropriately prescribed to amputees. The investment will provide an approximate social return of \$3million over 15 years.
2. Expand on our 3D printing research with Victoria University of Wellington and work with our funders to appropriately integrate some 3D prosthetics into service delivery.
3. Continue our investment into technology and research by making \$20,000 available to promote research into issues that will benefit amputees.

Output/Impact

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

³ 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.

⁴ 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.

⁵ 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.

⁶ As defined in NZALS contract with ACC

Note: NZALS conducts the above measures on new amputees at the approximate time of referral for an artificial limb, and then ongoing follow up measures. Amputees are required to attend the centre for these measures to be completed and as such, it not always possible to complete follow up measures due to amputee availability. There is a considerable cost in obtaining these outcome measures, NZALS focuses on the initial 12 months as they are critical in re-establishing an amputee's independent and productive life.

Outcome

For this financial year, NZALS will be developing a set of outcome measures. These measures will be looking to demonstrate the services value to New Zealand society and our contribution to Better Public Services.

Forecast financial statements

New Zealand Artificial Limb Service

Prospective Statement of Comprehensive Revenue and Expense

for the year ending 30 June 2016

	Budgeted 2016 \$000	Estimated Actual 2016 \$000	Budgeted 2017 \$000
Revenue			
Revenue from Crown	9,230	9,734	10,042
Interest income	197	184	120
Other revenue	158	141	84
Total revenue	9,585	10,059	10,246
Expenditure			
Personnel costs	4,450	4,279	4,324
Operating	4,988	6,446	6,112
Depreciation and amortisation expense	221	178	173
Specialist services	66	86	74
Training & research	127	87	95
Total expenditure	9,852	11,076	10,778
Net surplus/(deficit) on Operations	(267)	(1,017)	(532)

Other comprehensive revenue and expense

Property occupancy & special project expenses	847	250	514
Total comprehensive revenue and expenses	(1,114)	(1,267)	(1,046)

Prospective Statement of Changes in Equity

for the year ending 30 June 2016

	Budgeted 2016 \$000	Estimated Actual 2016 \$000	Budgeted 2017 \$000
Balance at 1 July	7,031	6,776	5,498
Total comprehensive revenue and expense for the year	(1,114)	(1,267)	(1,046)
Balance at 30 June	5,917	5,498	4,452

New Zealand Artificial Limb Service

Prospective Statement of Financial Position

as at 30 June 2016

	Budgeted 2016 \$000	Estimated Actual 2016 \$000	Budgeted 2017 \$000
Assets			
Current assets			
Cash and cash equivalents	494	1,237	764
Debtors and other receivables	802	669	741
Prepayments	34	38	38
Inventory	847	1,350	1,145
Work in progress	251	705	610
Investments	3,150	1,481	1,182
<i>Total current assets</i>	5,578	5,480	4,480
Non-current assets			
Property, plant and equipment	1,427	1,262	1,297
Intangible assets	11	11	11
<i>Total non-current assets</i>	1,438	1,273	1,308
Total assets	7,016	6,753	5,788
Liabilities			
Current liabilities			
Trade and other payables	624	814	894
Employee entitlements (includes Accruals salaries)	425	350	350
<i>Total current liabilities</i>	1,049	1,164	1,244
Non-current liabilities			
Employee entitlements	50	91	91
<i>Total non-current liabilities</i>	50	91	91
Total liabilities	1,099	1,255	1,335
Net Assets	5,917	5,498	4,452

Equity			
General funds	3,561	2,710	1,664
Board created reserves	2,356	2,788	2,788
Total equity	5,917	5,498	4,452

New Zealand Artificial Limb Service

Prospective Statement of Cash Flows

for the year ending 30 June 2016

	Budgeted 2016 \$000	Estimated Actual 2016 \$000	Budgeted 2017 \$000
Cash flows from operating activities			
Receipts from the Crown	9,230	10,130	9,970
Interest received	197	184	120
Receipts from other revenue	158	141	84
Payments to suppliers	(5,967)	(7,613)	(6,415)
Payments to employees	(4,450)	(4,413)	(4,324)
Goods and Services tax (net)	0	0	(1)
Net cash from operating activities	(832)	(1,571)	(565)
Cash flows from investing activities			
Receipts from sale of property, plant and equipment	0	0	0
Acquisition of investments	860	2,256	299
Purchase of property, plant and equipment	(147)	(347)	(208)
Purchase of intangible assets	0	0	0
Net cash flow from investing activities	713	1,909	91
Net increase/(decrease) in cash and cash equivalents	(119)	338	(474)
Cash and cash equivalents at the beginning of the year	614	899	1,237
Cash and cash equivalents at the end of the year	494	1,237	764

New Zealand Artificial Limb Service

Notes to the Financial Statements

Statement of accounting policies

Reporting Entity

The 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, the NZALS' ultimate parent is the New Zealand Crown.

The NZALS' primary objective is to provide services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, the NZALS has designated itself as Tier 2 public benefit entity. As a Tier 2 public sector PBE, we are required to report in accordance with Tier 2 PBE Accounting Standards. The NZALS has adopted the Tier 2 Reduced Disclosure Regime (RDR).

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The prospective financial statements of the NZALS have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) which includes the PBE accounting standards which apply for public sector public benefit entities. NZALS authorised the forecast financial statements for issue on 25 June 2015.

Functional and presentation currency

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the NZALS is New Zealand dollars.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

The measurement base applied is historical cost. The accrual basis of accounting has been used unless otherwise stated.

Judgements and estimates

The preparation of these prospective financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements that have significant effect on the prospective financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes to the prospective financial statements on page 21.

Revenue

Revenue from the Crown

The NZALS principally derives its revenue through service contracts with the DHB's and ACC for services to third parties. The funding is restricted in its use to service specifications outlined in these contracts.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Provision of services

Revenue derived through the provision of services to third parties is recognised upon completion at the balance sheet date.

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 prospective statement of financial performance.

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 approved by the board and the approval has been communicated to the applicant.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, other short-term, highly liquid investments, with original maturities of three months or less and bank overdrafts.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the NZALS will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the prospective statement of financial performance. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

Investments

At each balance sheet date the NZALS assesses whether there is objective evidence that an investment is impaired.

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. For bank deposits, impairment is established when there is objective evidence that the NZALS will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered indicators that the deposit is impaired.

Inventories

Inventories are held for the provision of services and measured at the lower of cost (calculated using the weighted average cost method) and current replacement cost. 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 in work in progress are valued at the weighted average cost at the time they were used. Labour is included at cost.

The write-down from cost to current replacement cost or net realisable value is recognised in the prospective statement of financial performance in the period when the write-down occurs.

Accounting for foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars 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 prospective statement of financial performance.

The New Zealand Artificial Limb Service 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 the NZALS and the cost of the item can be measured reliably.

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 prospective statement of financial performance.

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 the 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 prospective statement of financial performance 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 by the NZALS, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of overheads. Staff 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 the New Zealand Artificial Limb Service's 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 prospective statement of financial performance.

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 non-financial 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 the 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.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Short-term employee entitlements

Employee entitlements that the NZALS expects to be settled within 12 months of balance date are measured at undiscounted nominal values 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.

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

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

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 are 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 NZALS Superannuation Scheme are accounted for as defined contribution superannuation scheme and are recognised as an expense in the prospective statement of financial performance as incurred.

Defined benefit schemes

The NZALS makes contributions to 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 surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Provisions

The NZALS recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Good and Service Tax (GST)

All items in the prospective 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 prospective 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 prospective statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The 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.

Prospective financial statement disclosures

The NZALS has complied with PBE FRS 42 Prospective Financial Statements in the preparation of these prospective financial statements, and they have been prepared pursuant to the requirements of the Crown Entities Act 2004.

Cautionary note

The prospective financial statements may not be appropriate for any other purpose than that described above. Actual financial results achieved for the period covered are likely to vary from the information presented in the prospective financial statements, and the variations may be material.

Significant assumptions used

The NZALS has used the best information that was available at the time these prospective financial statements were prepared to determine the assumptions and information used in their preparation.

Revenue

Supply of services has been projected using historical data maintaining the NZALS' current level of service. A small increase to current revenue from the Crown has been confirmed to help meet inflationary costs.

Personnel costs

There is a provision to increase full time equivalents in the 2015-16 year as NZALS plan for succession with an ageing workforce.

Currency risk

The NZALS limits the risk of loss through fluctuating overseas currency exchange rates by operating where possible on a cost plus charge out policy for the supply of services.

Operational costs

The NZALS continues to improve efficiency and effectiveness in its business practices. However, provision has been made for increases in operational expenditure where movements are expected due to inflationary pressure offset by efficiency gains.

Advancing technologies continue to impact the cost of limb components; material costs represent 80% of operating costs.

Capital expenditure and property occupancy expense

Capital expenditure projected for 2015-2016 includes significant (\$0.747m) property works to address a range of defects, a national upgrade to plant, equipment and technology for increased efficiency and safety for service deliver

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