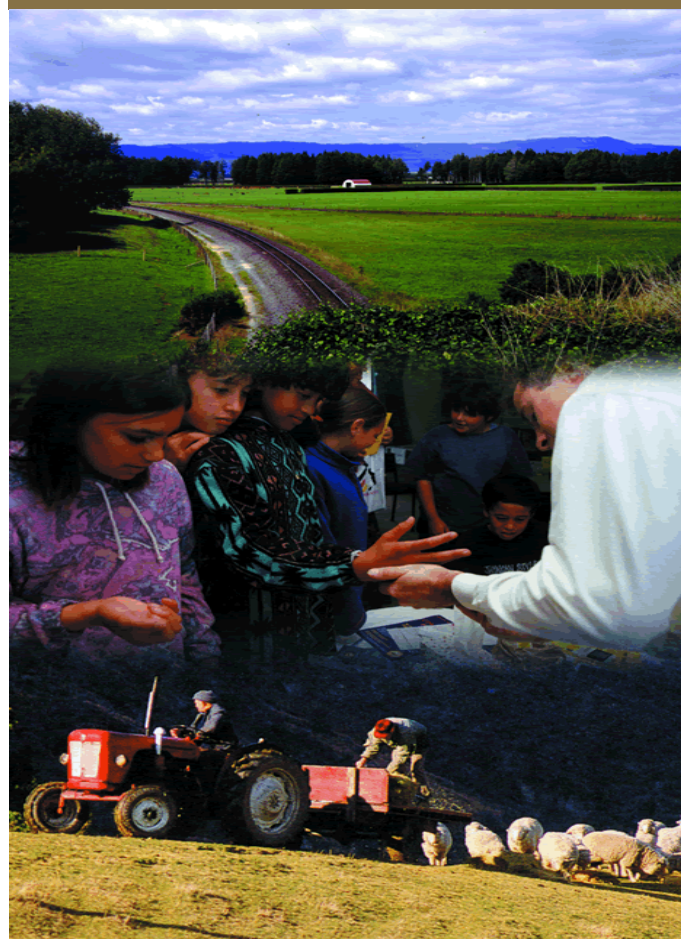




New Zealand Institute of
RURAL HEALTH

New Zealand
Institute of Rural Health
Te Pūtahi Hauora ki te Taiwhenua



Annual Report
July 2006 - June 2007

New Zealand Institute of Rural Health

9 Anzac Street
Cambridge

Tel: 07 823 9274
Fax: 07 823 9268

For more information, visit our website:

www.nzirh.org.nz

Some of the information to be found on our website:

Our Trustees & Staff

More information about our staff and trustees and their involvement in rural New Zealand

Research

Information about research programmes being conducted and result of past research

Training & Education

Notices about forthcoming workshops and scholarship programmes

Community Involvement

Information on Institute activity

Working Rurally

Interested in working in rural New Zealand?

News

New developments and items of interest

Vision

To promote a healthy future for rural people living in New Zealand and partnering with rural communities to seek to establish a sustainable and effective health system.

Mission

Partnering with the community to build a healthy rural future.

Values

- Respect
- Professionalism
- Partnership
- Cultural responsiveness
- Integrity
- Independence



Table of Contents

Our Vision, Mission & Values.....	2
Sponsors.....	3
Chairman's Message	4
New Zealand Institute of Rural Health - Trustees.....	5
Chief Executive's Report	7
Organisational Structure	8
Institute Activity.....	9
Financial Statements	12

Sponsors

THE INSTITUTE ACKNOWLEDGES WITH THANKS THE FOLLOWING SPONSORS:



The Institute's first and major sponsor



Joint sponsor in establishing the New Zealand Institute of Rural Health



THE UNIVERSITY OF AUCKLAND
NEW ZEALAND

Joint sponsor in establishing the New Zealand Institute of Rural Health



Sponsor of the New Zealand Institute of Rural Health

UNIVERSITY
of
OTAGO



Te Whare Wānanga o Ōtago

Sponsor of the New Zealand Institute of Rural Health

Chairman's Message



It is my pleasure to present this the sixth annual report of The New Zealand Institute of Rural Health. Implementation of strategic plans developed in 2005 have seen the Institute focus this year in four areas - online learning, research and development, rural consultancy and business continuity.

These work streams have seen Trustees and staff have significant engagement with rural New Zealanders, rural health professionals and health sector key stakeholders. It is apparent from this interaction that while steady progress has been made in implementing the primary health care strategy and achieving targets, there is no time to rest, the evolution of change needs to continue to achieve a future stable and sustainable environment for all New Zealanders, in particular for the rural health workforce. Major rural health issues of access to services over the 24 hour period, the burden of chronic disease, the rural health workforce and the service delivery model in rural areas remain unresolved. The Institute is committed to working with key stakeholders to address these issues.

Achievements of the 2006-2007 year have included:

- Graduation of 24 nurses with Post Graduate Diploma in Health Sciences (Advanced Nursing) Primary Health Care-Rural.
- Publication of the 1st Edition of the New Zealand Rural Health Care Standard Treatment Guidelines.
- Awarding of scholarships to the value of \$60,000.
- Completion of the pilot e-learning programme, which saw a partnership between the Institute, The Open Polytechnic of New Zealand and 12 rural schools provide foundation education learning opportunities to 200 New Zealanders.
- Production of the report "The Feasibility of the role of the Allied Health Assistant in the Rural Health Delivery Model."
- Achievement of the infrastructure activities and financial targets.

The Institute would like to thank the Gallagher Group for sponsorship through the year, they have been with us from the start and the association with this significant Rural Corporate is much valued by the Institute.

Our patron, the Honourable James Bolger, ONZ, continues his interest and support of the Institute for which we thank him. Mr Brian Rousseau stood down from the Chair of the Institute in March this year, I would like to record thanks to Brian for the leadership he provided at the Institute. Brian challenged Trustees and staff to be strategic in their vision of achieving long term financial stability in order to achieve the objects of the Institute and the clear pathway on which the Institute is now headed is in large part due to his vision and commitment.

Mr Brent Wiseman, Waikato District Health Board Trustee nominee stood down during the year with the arrival of Mr Malcolm Stamp to the Waikato District Health Board Chief Executive Officer position. Following Malcolm's resignation and return to the UK, Brent has returned to the Board. To Brent and all Trustees my thanks for your support as I took up the Chair in May. The Institute is fortunate to have such skilled and informed Trustees who are committed to leading and supporting staff in achieving the objects of the Trust.

I would like to acknowledge and thank Institute staff for their work during the year.



David Clarke
Chairman

New Zealand Institute of Rural Health - Trustees

Mr David Clarke (appointed March 2007)



David has significant commercial experience, at Director and Managing Director level in Health, IT and Biotechnology and brings strong organisational skills to the Trust. David stepped into the New Zealand health sector in 1991 from a background in engineering, finance, marketing and sales with previous positions in the steel and food industries. David was Chief Executive Officer of Counties Manukau District Health Board, one of the leading clinical and research centres and health providers in New Zealand. In addition to his current role as Managing Director of Neuren Pharmaceuticals, (NZ's Biotech company of the Year 2005) David is also a director of four privately held companies. David is a Fellow of the New Zealand Institute of Management, a member of the Royal Society and a member of the NZ Institute of Directors.

Mr Brian Rousseau



Brian Rousseau is Chief Executive of Otago District Health Board. Brian joined the New Zealand health services from the South African pharmaceutical industry in 1994. An industrial pharmacist and Master of Business Administration Graduate, Brian has a special interest in development of sustainable rural healthcare delivery models, with particular emphasis on human resources development and quality systems. Brian was recently appointed to the Minister of Health's Doctors in Training Roundtable.

Dr Paratene Ngata



Senior Medical Advisor and general practitioner working with Ngati Porou Hauora in Tolaga Bay. An experienced general practitioner, Dr Ngata spent four years in the Ministry of Health as the Community Medicine Registrar. Highly respected within his profession, he is a founding member of the Maori faculty of the Royal New Zealand College of General Practitioners. A major professional focus for many years has been involvement in designing programmes to stop violence and abuse. Dr Ngata is a Trustee on Hauora.com and the Tairāwhiti Community Trust.

Associate Professor Judy Kilpatrick



Head of School of Nursing Faculty of Medical & Health Sciences at the University of Auckland, Associate Professor Kilpatrick is an experienced nurse and educator and is a past Chairperson of the New Zealand Nursing Council. She is a Board member of the Centre for Evidence Based Nursing for both Counties Manukau and Auckland District Health Boards, an Executive Board member of International Association for Interprofessional Education and Collaborative Practice and a member of the Health Practitioners Disciplinary Board.



Associate Professor Jim Reid

Jim Reid graduated in medicine from the University of Otago Medical School in Dunedin New Zealand. He had previously trained as a pharmacist. He undertook Postgraduate work at the University of Miami in Florida. Currently he heads the Department of General Practice at the Dunedin School of Medicine and he is also Associate Dean for Postgraduate Education. The Department of General Practice is responsible for the teaching of rural medicine to undergraduate students and runs a popular and successful programme.

Jim is a Fellow of the Royal New Zealand College of General Practitioners and is also a Fellow of the American College of Chest Physicians. He has a special interest in Respiratory Medicine and has published widely on Asthma and COPD. He is a member of the Medical Advisory Panel of the Asthma and Respiratory Foundation and is a Director of the Best Practice Advocacy Centre New Zealand.



Professor Ross Lawrenson

Ross Lawrenson is the head of the Waikato Clinical School and Professor of Primary Care.

Ross spent five years in general practice and was the Medical Superintendent of the Wairoa Hospital before being appointed as the Medical Superintendent of Community Health Services for the Waikato Hospital Board in 1988. He then undertook specialist training in Public Health and managed a diabetes programme that became the subject of his thesis "Screening for diabetes in rural New Zealand".

In 1994 he moved back to the UK and became Professor of Primary Health Care and Head of the Postgraduate Medical School at the University of Surrey, returning to Hamilton in 2005. He is particularly committed to supporting rural general practice, identifying and developing the roles for rural hospitals and providing environments where excellent clinical experience can be gained for the whole range of health professionals.



Mrs Sherill Dackers

Mrs Sherill Dackers is the immediate past National President of Rural Women New Zealand which has the mission statement "to strengthen rural communities." She lives in Opononi, Hokianga and has represented the Kaurilands Regions - from Pukekohe to Cape Reinga - on the National Council of Rural Women New Zealand for five years, four years of which she has served as the National Health Convenor. As well as being a Trustee she is on the Consumer Reference Group for the Cervical Screening Programme and Breastscreen Aotearoa and in 2004 on the Expert Advisory Committee on the Implementation for the Extension of Breast screening for the ages 49 to 65 years.



Mr Brent Wiseman

Brent Wiseman is currently Chief Financial Officer of the Waikato District Health Board. Brent is a qualified accountant with the New Zealand Institute of Chartered Accountants and has a Bachelor of Management Studies degree from the University of Waikato. After working in a variety of financial management positions in the Dairy Sector, Brent spent five years in the Aerospace Industry before moving to a role in the Health Sector in 1996. In 1999, Brent was appointed Chief Financial Officer of the Waikato DHB. Brent is Chair of the National DHB CFO Group and a Member of the National DHB Service Framework Group.

Chief Executive's Report



The 2006-2007 year has been a busy and interesting year for the New Zealand Institute of Rural Health with Trustees and staff achieving on agreed major work streams. It has been a challenging year financially with a reduction in corporate sponsorship and most contracts running for 1-2 years only. Business Development involved the identification of revenue generating activities that would sustain the Institute over time and allow funds earned to be used to achieve Institute objectives. The initial focus of this development is intersectorial partnerships with education to provide foundation learning using an e-learning platform.

Education and Professional Development is a core domain of Institute activity and during the year the Institute delivered to the sector through regional workshops and the delivery of the Post Graduate Diploma Health Science (Advanced Nursing-Rural). Staff have continued to attend and present at conferences and contribute to discussions and papers on national topical issues.

The publication of the New Zealand Rural Health Care Standard Treatment Guidelines in November was a milestone with the initial print run of the text now sold out. Review and planning for a second edition is now underway.

Support to rural communities continued, with staff responding to requests for support and input as they worked throughout the country. In particular small rural community Trusts have sought support as they work to develop service models of care to respond to their particular local needs.

Business Continuity activity this year has focused on supporting the rural sector through sponsorship of events, liaison with international colleagues and input into national rural focused initiatives.

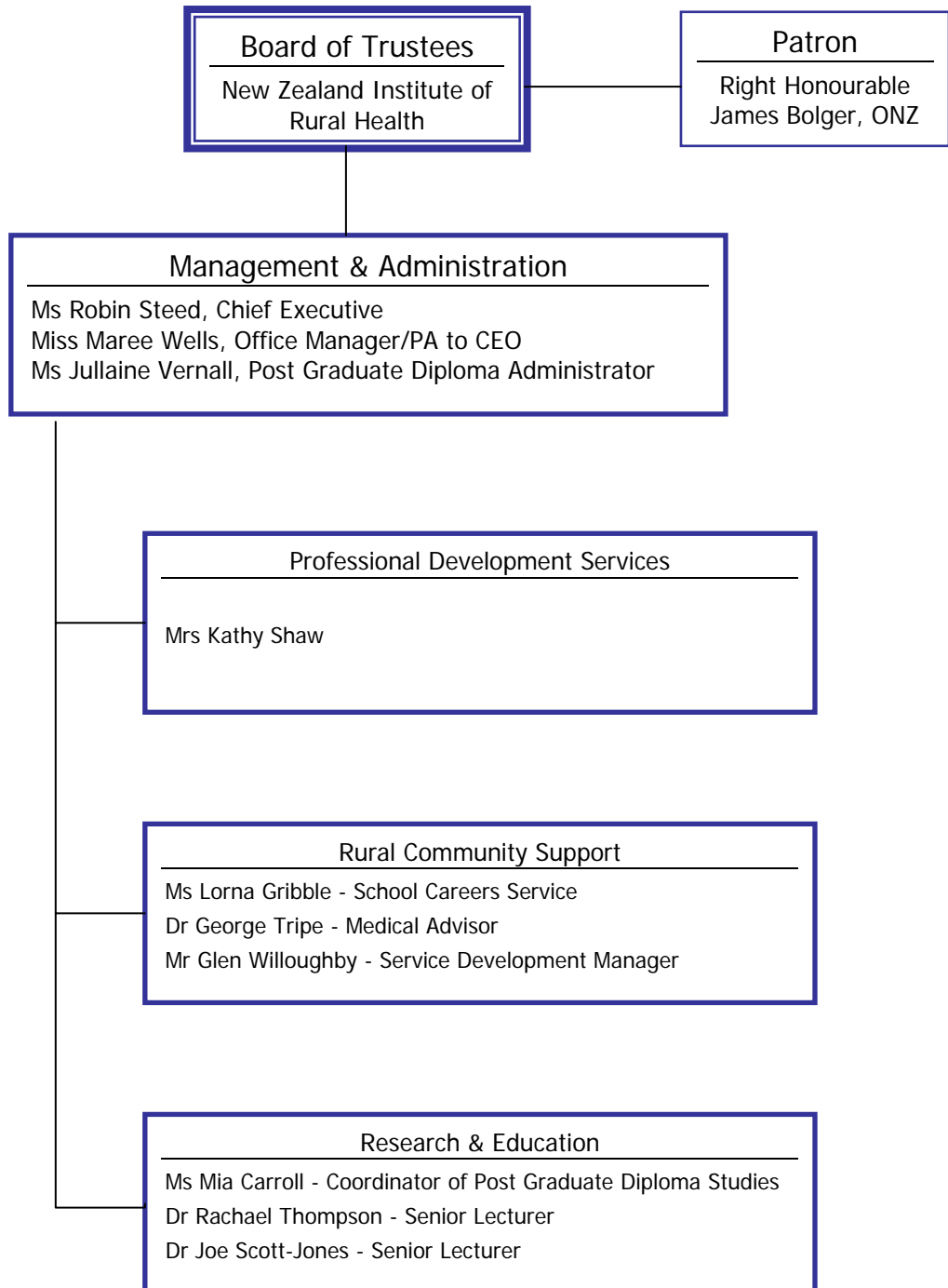
In March 2007 Trustees welcomed Mr David Clarke as Chairman of the New Zealand Institute of Rural Health. David's extensive health and business background has added real value to the Institute, while his enthusiasm and commitment have added impetus to Institute planning and development. I would like to thank the outgoing Chairman Mr Brian Rosseau for his hard work and support over the preceding 12 months. Brian was a forward thinking Chairman who lead significant changes for the Institute during his tenure.

Again, during the 2006-2007 year staff have committed themselves to supporting their frontline rural colleagues and to the ongoing development of the Institute - I thank them for their efforts.

A handwritten signature in black ink, appearing to read 'Robin L Steed', written in a cursive style.

Robin L Steed
Chief Executive Officer

ORGANISATIONAL STRUCTURE



INSTITUTE ACTIVITY

The New Zealand Institute of Rural Health (NZIRH) staff and contractors have worked on a range of maintenance and development projects, which has seen them interacting with large numbers of rural New Zealanders and in particular rural health professionals.

While travelling through New Zealand, staff have again this year offered both informal and formal help and support to their colleagues. While the changes occurring particularly in primary health care in rural New Zealand are challenging and exciting, for many individuals it is a bewildering and concerning time. The Institute sees this professional support provided to often solo rural practitioners as critically important work.

Professional development has continued to be provided by the Institute, often by facilitating access to appropriate agencies for rural workers or by running regional workshops. This year six regional workshops have been delivered, responding to identified need in areas including resuscitation and clinical skills updating.

In late 2006, The Honourable Pete Hodgson, Minister of Health, launched The New Zealand Rural Health Care - Standard Treatment Guidelines 1st Edition. This event was the culmination of eighteen months of preparation, with the Institute co-ordinating the input of over 300 health professionals in the development of a set of guidelines to practically support rural health practitioners. Planning for review of Edition 1 and development of Edition 2 has commenced.



The Honourable Pete Hodgson and invited guests at the launch of The New Zealand Rural Health Care - Standard Treatment Guidelines 1st Edition

Evidence of the intersectoral role that the Institute is pursuing occurred with the securing of funding from the Internal Affairs - Digital Community Strategy, to undertake a pilot study offering foundation education to rural New Zealanders via an e-learning medium. Partners in this pilot were The Open Polytechnic of New Zealand and twelve rural schools spread across the north and south islands. Some 200 rural New Zealanders participated and following positive evaluation of the study, the Institute has commenced a national rollout of this service.

The model of service delivery in rural New Zealand has continued to evolve during the year, changing both by design i.e. development of nursing roles in chronic care management, or often required as a result of the health professional resource available. In response the Institute undertook a feasibility study to investigate the potential role of an allied health assistant in the rural sector to support the increasing shortage of allied health professionals e.g. physiotherapists, occupational therapists and dietitians working in rural New Zealand. The report identified barriers and issues for potential employers considering this staff option.

December 2006 saw the graduation of the second cohort of nurse students from the Post Graduate Diploma Health Science (Advanced Nursing-Rural). These 24 graduate nurses completed two years of study in the Clinical Training Agency (a business unit of the Ministry of Health) nationally funded programme. New Zealand Institute of Rural Health partnered with the University of Auckland in offering this programme. A further two cohorts are enrolled in the Post Graduate Diploma Health Science (Advanced Nursing-Rural) at this time. News at the end of June 2006 that national funding for the programme would cease in 2008 with District Health Boards thereafter having responsibility locally to manage this, still rural targeted funding, was received with disappointment by the Institute. While pleased that the funds will remain targeted to rural focused study, it is likely that the sector will see a slowing in the rate and the number of nurses completing academic rural focused study programmes.



New Zealand Institute of Rural Health stand at the New Zealand Rural General Practice Conference in Auckland 2007

The Institute has continued this year to network and liaise with colleagues in the rural health sector both nationally and internationally. Sponsorship through the year included The New Rural General Practice Network conference where the Institute sponsored the very successful spouses programme offered at the conference. Again sponsored was the Rural Health Summit in Christchurch, which on this occasion featured a working day for rural hospital nurses where planning took place to strengthen the career pathway for this nursing group.



Students from the 'Grassroots' Club working in the skills laboratory at The Waikato Clinical School.

The rural health student club movement continues to strengthen and together with the Waikato Clinical School, University of Auckland the Institute hosted Grassroots (the upper north island rural health student club) in a 'Rural Waikato' weekend. This very successful weekend involved time spent in the Clinical School Skills laboratory, a visit to a rural hospital at Te Kuiti where local health professionals spent time engaging with students and a trip to Raglan which combined surfing and tramping with plenty of socialising. Adjudged a major success, this weekend is now an annual fixture on the club event list.

The Institute was delighted to host a visiting group of Pilbura Indigenous Health Workers. This group lead by Dr Iain Hague then Associate Professor at the University of Western Australia based in Port Headland, included health professionals, managers and community workers who were visiting to explore cultural dimensions of The New Zealand Health Service.



Dr Iain Hague and the Pilbura Health Professional Visiting Team pose with New Zealand Institute of Rural Health staff and hosts

The Institute continues to lobby and influence nationally and in local forums. Involvement this year has included:

- Participation in and submissions to after hours/24 hour working groups.
- Membership on the National Rural Ranking Scale review working party.
- The Rural Health Innovation Fund.
- Submissions to the collective prescribing working group.

The Institute hosted a workshop in Wellington focusing on the make up of the rural workforce titled 'When there is no Doctors' The key note speaker of this workshop was Dr John McKinlay, Wellington born, who had a distinguished career at Boston University (holding simultaneous professorships in Medicine, Epidemiology, Biostatistics and Sociology) and a 30 year association with Harvard Medical School before establishing the New England Research Institutes. John spoke to work he had recently completed on the reasons for the disappearance of primary care in the US during the early 21st century.

Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE for the Year Ended 30 June 2007

	Notes	2007 Actual \$	2007 Budget \$	2006 Actual \$
Revenue	13	1,465,519	2,154,083	1,369,145
Expenses		1,494,142	2,107,663	1,340,920
Net Operating Surplus (Deficit)	2	(28,623)	46,420	28,225

STATEMENT OF MOVEMENT IN EQUITY for the year ended 30 June 2007

	Notes	2007 Actual \$	2007 Budget \$	2006 Actual \$
Opening Balance July 1		709,906	1,053,830	910,541
Prior Period Adjustment	13	-	-	(228,860)
Balance 1 July restated		709,906	1,053,830	681,681
Net Operating Surplus for the year		(28,623)	46,420	28,225
Introduced Trust Capital		200		
Closing Balance June 30		681,483	1,100,250	709,906

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

Financial Statements

STATEMENT OF FINANCIAL POSITION as at 30 June 2007

	Notes	2007 Actual \$	2007 Budget \$	2006 Actual \$
Trust Capital	3	400	200	200
Retained Surplus		681,083	1,100,250	709,706
Public Equity		681,483	1,100,450	709,906
<i>Represented by:</i>				
Current Assets				
Cash Deposits	4	586,451	990,874	924,112
Receivables and Prepayments	5	180,671	209,000	208,093
Total Current Assets		767,122	1,199,874	1,132,205
Current Liabilities				
Accounts Payable	6	121,386	106,500	100,560
Income Received in Advance	13	200	30,000	373,015
Total Current Liabilities		121,586	136,500	473,575
Net Working Capital		645,536	1,063,374	658,630
Non-Current Assets				
Fixed Assets	7	35,947	37,076	51,276
Total Non-Current Assets		35,947	37,076	51,276
Net Assets		681,483	1,100,450	709,906

Chairman of the Board of Trustees of the
New Zealand Institute of Rural Health

Date: 7 November 2007

Trustee of the New Zealand Institute of
Rural Health

Date: 7 November 2007

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

Statement of Accounting Policies

For the year ended 30 June 2007

Reporting Entity

These financial statements are for the New Zealand Institute of Rural Health.

The New Zealand Institute of Rural Health is incorporated under the Charitable Trusts Act 1957. The Institute's financial statements are general purpose financial statements that have been presented in accordance with the Financial Reporting Standards issued by the Institute of Chartered Accountants of New Zealand, and as required by the Trust Deed.

Measurement Base

The general accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis have been followed.

Specific Accounting Policies

The following specific accounting policies that materially affect the measurement of financial performance and the financial position have been applied.

(a) **Recognition of Income**

Interest and donations are recognised on an accrual basis. Contract revenue is recognised when it becomes receivable, unless there is an obligation to return the funds if conditions of the contract are not met. If there is such an obligation the funds are initially recorded as income in advance, and recognised as revenue when conditions of the contract are satisfied.

(b) **Accounts Receivable**

Accounts Receivable are stated at their anticipated realisable value. Bad debts are written off during the year as they are identified.

(c) **Investments**

Investments are stated at the lower of cost and net realisable value.

(d) **Income Tax**

The Institute is deemed to be a Charitable Trust and therefore is not subject to income tax.

(e) **Goods and Services Tax (GST)**

The financial statements have been prepared on a GST exclusive basis. All items in the Statement of Financial Performance have been recorded exclusive of GST with the exception of Accounts Receivable, Income Received in Advance, and Accounts Payable, which are recorded in the Statement of Financial Position inclusive of GST. GST owing to or by the entity at balance date is recorded in the Statement of Financial Position, and has been determined on an accruals basis.

(f) **Financial Instruments**

Financial instruments in the statement of financial position include cash balances, receivables and payables.

(g) **Depreciation**

Depreciation has been calculated to allocate the cost or valuation of assets over their estimated useful lives at the following rates:

Plant and Equipment	22% to 48% DV
Furniture, Fixtures, Fittings	11.4% to 31.2% DV
Domain Name	10% SL

(h) **Differential Reporting**

The Institute qualifies for differential reporting as it is not publicly accountable, and is not large as defined in the framework for differential reporting. The Institute has taken advantage of all available differential reporting exemptions.

(i) **Changes in Accounting Policies**

There have been no changes from the accounting policies adopted in the last audited financial statements. All policies have been applied on a basis consistent with the previous period.

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 June 2007

2	Net Operating Surplus	2007 Actual \$	2007 Budget \$	2006 Actual \$
	After Charging:			
	- Audit Fees	5,000	5,700	5,076
	- Depreciation on Fixed Assets	20,932	14,200	15,386
	- Board of Trustees Remuneration	10,000	15,000	5,000
	- Rental & Operating Lease costs	18,980	18,500	16,020
	- Loss on Disposal of Fixed Assets	1,933	0	69
	After Crediting:			
	- Interest	35,777	20,700	42,852
	- Donations	15,000	25,000	25,000
	3 Trust Capital			
	Opening Trust Capital Balance	200	200	200
	<i>Capital contributions from new stakeholders:</i>			
	Otago University	100		0
	Otago District Health Board	100		0
	Closing Trust Capital Balance	400	200	200
	4 Cash Deposits			
	BNZ Cheque Account - 000	101,350		8,745
	BNZ Cheque Account - 002	14,184		384,598
	BNZ Business Advance Call Account	56,793		180,769
	BNZ Term Investment @ 7.00% matures 18/08/07	103,531		50,000
	BNZ Term Investment @ 7.06% matures 18/08/07	103,531		100,000
	BNZ Term Investment @ 7.00% matures 18/08/07	103,531		100,000
	BNZ Term Investment @ 7.00% matures 18/08/07	103,531		100,000
		586,451		924,112
	5 Receivables and Prepayments			
	Accounts Receivable	146,330		208,093
	GST Receivable	34,341		0
		180,671		208,093
	6 Accounts Payable			
	Accounts Payable	121,223		88,501
	Credit Card Account	163		304
	GST Payable	0		11,755
		121,386		100,560

7 Fixed Assets

	2007			2006		
	Cost/Value	Accum Depn	Book Value	Cost/Value	Accum Depn	Book Value
Furniture, Fixtures, Fittings	6,115	2,239	3,876	6,115	1,336	4,779
Plant & Equipment	87,571	55,986	31,585	89,807	43,864	45,943
Domain Name	679	193	486	679	125	554
	<u>94,365</u>	<u>58,418</u>	<u>35,947</u>	<u>96,601</u>	<u>45,325</u>	<u>51,276</u>

Depreciation

	2007	2006
Furniture, Fixtures, Fittings	903	1,084
Plant & Equipment	19,961	14,234
Domain Name	68	68
	<u>20,932</u>	<u>15,386</u>

8 Commitments as at 30 June 2007

Lease commitments under non-cancellable operating leases:

	2007	2006
	\$	\$
No later than one year	23,649	12,350
Later than one year and not later than two years	26,049	0
Later than two years	21,354	0
	<u>71,052</u>	<u>12,350</u>

The New Zealand Institute of Rural Health has entered into a lease agreement for a property situated at 9 Anzac Street, Cambridge. The lease has a renewal date of 1 May 2009, with a final expiry on 30 April 2010. The New Zealand Institute of Rural Health has entered into a rental agreement for a photocopier with Fuji Xerox. The agreement expires November 2009.

9 Contingent Liabilities as at 30 June 2007

There are no known contingent losses or gains outstanding as at 30 June 2007 (30 June 2006: Nil).

10 Related Party Transactions

The Institute received grants from the Waikato District Health Board and the University of Auckland.

The following related party transactions occurred during the year:

	2007	2006
	\$	\$
a. Revenue received from Waikato District Health Board	506,048	431,668
b. Revenue received from the University of Auckland	1,324	1,002

11 Board of Trustees Remuneration	2007	2006
	Actual	Actual
	\$	\$
Remuneration paid to the Board members	10,000	5,000
Other Expenses	4,717	9,114

The Board of Trustees fees were apportioned as follows:

S Dackers	5,000	5,000
D Clarke	5,000	0
	10,000	5,000

12 Subsequent Events

There are no other matters or events that have arisen, or been discovered, subsequent to balance date that would require adjustment to, or disclosure in these financial statements.

13 Prior Period Adjustment

The New Zealand Institute of Rural Health received EFTS funding from the Ministry of Health for the CTA Post Graduate Nursing Access contract. This funding was originally allocated in July 2004 as part of the hand-over payment from the Waikato District Health Board when the New Zealand Institute of Rural Health became a stand-alone entity, and funding for this contract continued up until 31 December 2006. A total of \$1,106,016 was received during this period. Student numbers were lower than anticipated, and therefore some of the funding, amounting to \$398,888, was repaid during the year ended 30 June 2007.

Of the amount repaid, \$228,860 related to the year ended 30th June 2005. This amount is shown as a prior period adjustment in the 2006 comparative figures for Movements in Equity.

The sum of \$115,065 related to the year ended 30th June 2006. The 2006 comparative figures for income, and income received in advance, have been adjusted to reflect the correct position.

AUDIT REPORT**TO THE READERS OF
NEW ZEALAND INSTITUTE OF RURAL HEALTH'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

The Auditor-General is the auditor of New Zealand Institute of Rural Health (the Institute). The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Institute, on his behalf, for the year ended 30 June 2007.

Unqualified Opinion

In our opinion the financial statements of the Institute on pages 12 to 17:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Institute's financial position as at 30 June 2007; and
 - the results of its operations for the year ended on that date.

The audit was completed on 25 March 2008 and is the date at which our opinion is expressed.

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

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Trustees;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Trustees and the Auditor

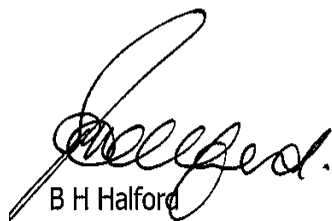
The Board of Trustees is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Institute as at 30 June 2007. They must also fairly reflect the results of its operations for the year ended on that date. The Board of Trustees' responsibilities arise from the New Zealand Institute of Rural Health Trust Deed.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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



B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand