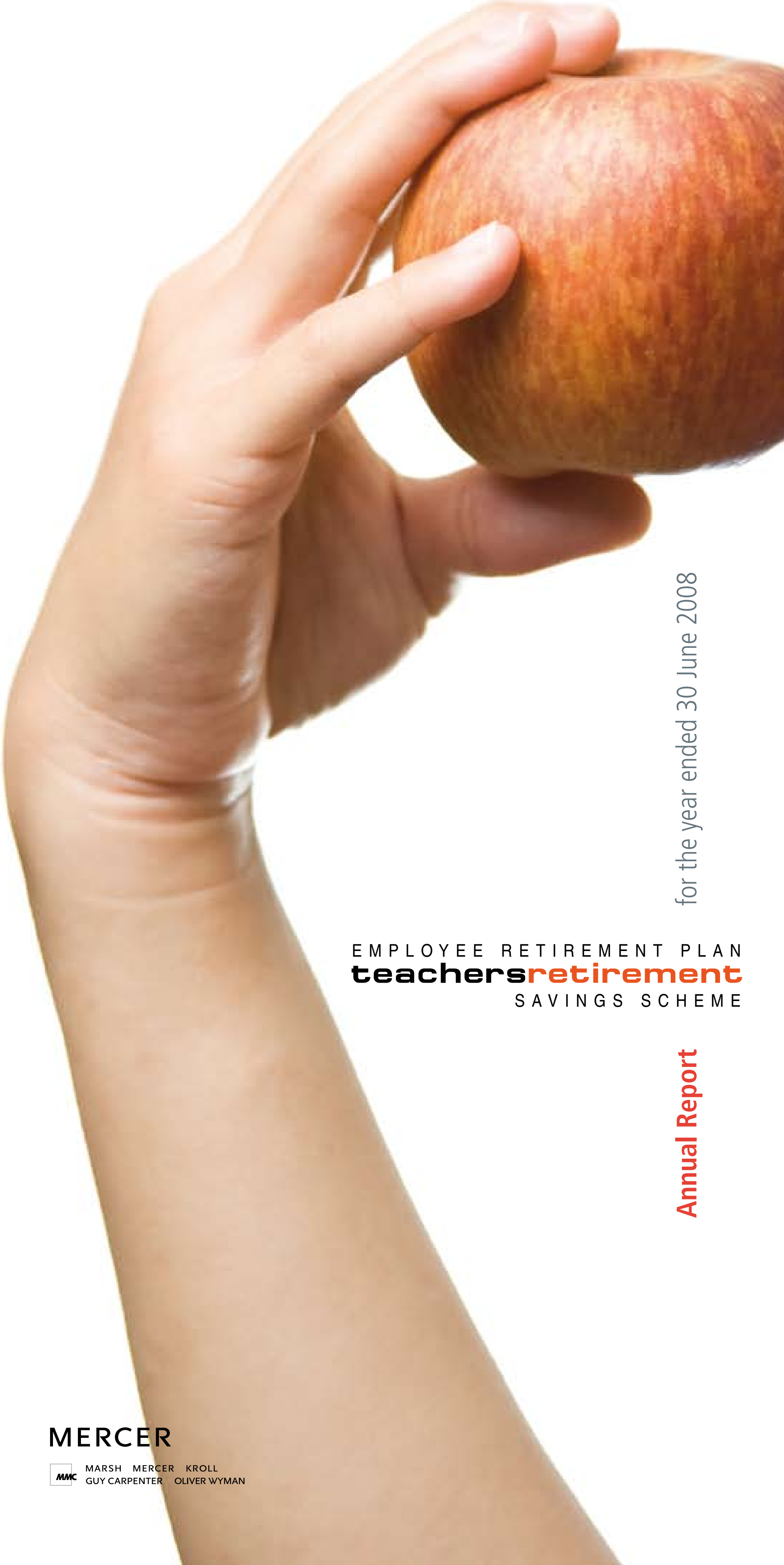


for the year ended 30 June 2008

EMPLOYEE RETIREMENT PLAN

teachersretirement

SAVINGS SCHEME

Annual Report

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Prepared for the Members of the Teachers Retirement Savings Scheme

Contents

Scheme returns since inception (after tax and fees)

	Investment Fund			
Period to 30 June	Cash	Stable	Balanced	Growth
2003*	2.07%	5.41%	6.65%	8.03%
2004	3.13%	5.28%	7.99%	10.92%
2005	4.14%	6.95%	8.08%	9.14%
2006	5.16%	6.31%	10.56%	14.67%
2007	4.89%	5.68%	8.17%	10.75%
2008	6.01%	1.78%	-4.00%	-9.56%

*8 months only

The Year's Results at a Glance

$40.38 million in contributions were received by the Teachers' Scheme and invested in the Employee Retirement Plan (ERP) during the 12 months to 30 June 2008.

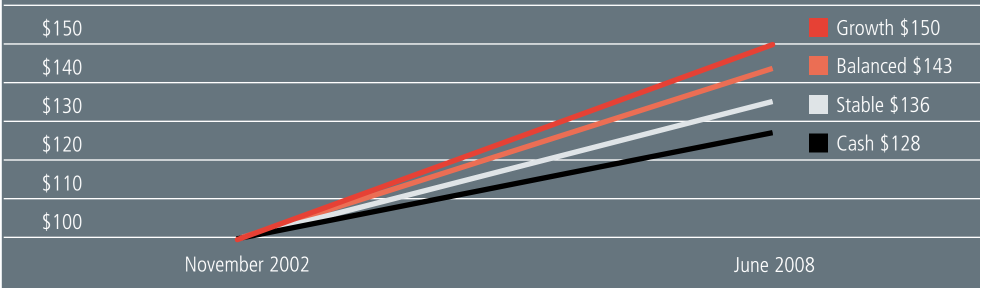
The value of Teachers' Scheme members' funds invested in the ERP as at 30 June 2008 was over $170 million, an increase of 21% ($30.30 million) since 30 June 2007.

Over the past year 445 new members joined the Teachers' Scheme, bringing total membership to 12,313.

The ERP has again achieved competitive investment returns for the Teachers' Scheme. For the year to 30 June 2008 the returns (after tax and fees and based on the monthly declared interest rates for each Investment Fund) were:

Cash Fund	6.01% p.a.
Stable Fund	1.78% p.a.
Balanced Fund	-4.00% p.a.
Growth Fund	-9.56% p.a.

The following graph shows the value at 30 June 2008 of $100 invested in the Teachers' Scheme when it began in November 2002 (68 months).



The Teachers' Scheme website www.teachersretire.org.nz provides up-to-date information on the Teachers' Scheme's investment performance and growth throughout the year.

Message from the Trustee

We are pleased to present the 2007/08 Annual Report for the Employee Retirement Plan (the ERP). The Teachers' Retirement Savings Scheme forms part of the ERP, and as at 30 June 2008 is the only scheme participating in the ERP.

In this report, you'll find information about the growth and performance of the Teachers' Scheme over the past year, as well as some general information.

Increased membership and contributions

During the year, 445 principals and teachers joined the Teachers' Scheme, boosting total membership to 12,313 as at 30 June 2008.

The continuing growth in membership is very encouraging. In terms of membership, the Teachers' Scheme is one of New Zealand's largest employer-sponsored superannuation schemes. The monthly administration fee deducted from each member's accounts reduces as membership increases, so the growth in membership benefits all members.

The ERP received over $40 million in contributions from Teachers' Scheme members and the employer over the last year.

Over 90% of the Teachers' Scheme members are contributing more than the Scheme's minimum 1% of salary, with 82% contributing at least 3%. This is very pleasing, and shows that members recognise the importance of saving for retirement and value the employer contribution subsidy.

Total member funds at 30 June 2008 were more than $170 million, an increase of $28.7 million over the last year.

A difficult year for investment markets

The strong returns that investment markets enjoyed between 2003 and 2007 fell away signicantly early in the Scheme year, reflecting stresses in the US financial system, higher oil prices, slower economic growth and a loss of confidence in sharemarkets. Returns from all the Scheme's investment funds (other than Cash) were adversely affected. See page 7 for further information about investment markets and their contribution to total Scheme returns.

Teachers' Scheme to close to new members from 1 October 2008

In early 2008, the Secretary for Education announced that from 1 October 2008, the Teachers' Scheme and the State Sector Retirement Savings Scheme (SSRSS) would close to new members. As an existing member of the Teachers' Scheme, this means that from 1 October 2008, you cannot transfer to the SSRSS.

To summarise

Membership growth of the Teachers' Scheme has remained strong throughout the course of the last year, recognising that teachers continue to see the importance of long-term saving.

While falling investment markets over the course of the year may have left some members feeling uncomfortable, it is important to note that falls of this type do occur from time to time as part of the normal investment cycle.

on behalf of the Trustee, Public Trust

The Teachers' Scheme and KiwiSaver

Changing schools and KiwiSaver

If you move to a new school, for the purposes of KiwiSaver you are considered to have changed employers. As a result, your employer's subsidy to the Teachers' Scheme *may* be replaced by a compulsory employer contribution to KiwiSaver.

Members who are contributing to KiwiSaver

If you are contributing to KiwiSaver when you start employment with your new school, compulsory employer contributions to KiwiSaver (1% of your gross salary to 1 April 2009, rising by 1% each 1 April to reach 4% from 1 April 2011 onwards) will replace your employer's subsidy to the Teachers' Scheme. While you may still contribute to the Teachers' Scheme, your matching employer subsidy of up to 3% of your salary will cease. If you have been a member of KiwiSaver for at least 12 months, you can elect to take a contributions holiday from KiwiSaver, in which case your employer contributions to the Teachers' Scheme will continue while you contribute to the Teachers' Scheme.

Members who are not contributing to KiwiSaver

If you are not contributing to KiwiSaver, and change schools before 1 October 2008, your membership of the Teachers' Scheme will continue as it is at present.

If you change schools on or after 1 October 2008, you will be automatically enrolled in KiwiSaver. If you opt out of KiwiSaver within the allowed timeframe and contribute to the Teachers' Scheme, your matching employer subsidy of up to 3% of your salary will be made to the Teachers' Scheme. If you do not opt out of KiwiSaver, compulsory employer contributions to KiwiSaver will commence and your matching employer subsidy to the Teachers' Scheme will cease.

It is important that members who change schools carefully consider their options. They should ensure that, if they wish to continue their membership of the Teachers' Scheme, they either take a contributions holiday from KiwiSaver or elect to opt out of KiwiSaver within the allowed timeframe.

For more information go to www.teachersretire.org.nz

Superannuation Developments

Changes to KiwiSaver

New legislation for KiwiSaver was passed in December 2007. The legislation included changes to the definition of salary and wages, revisions to the eligibility and residency qualifications, a broadening of the criteria for first home buyer withdrawals and an amendment to the definition of serious illness.

The legislation also introduced compulsory employer contributions. See page 3 for details of how your Teachers' Scheme membership is, or may be, affected by KiwiSaver.

New financial reporting standards

The Accounting Standards Review Board now requires the Plan's financial statements to be prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. The format of the Abridged Financial Statements on pages 15 and 16 reflects this requirement.

Recent tax changes

Employer contributions

From 1 October 2008, the scale for the taxation of employer contributions will be amended. Since the Ministry pays contribution tax (previously referred to as withholding tax) in addition to the dollar-for-dollar subsidy (up to a maximum of 3% of a member's salary) credited to members' accounts, this does not directly affect you as a member.

Fund withdrawal tax

When you leave service, fund withdrawal tax (FWT) of up to 5% may be imposed on your employer's contributions on your behalf and earnings on those contributions. The liability for FWT reduces by 25% for each of the four preceding income years during which your total taxable income (from all sources) plus before-tax employer superannuation contributions made for your benefit was less than $60,000.

This threshold will increase to $70,000 on 1 October 2008, to $75,000 on 1 April 2010 and to $80,000 on 1 April 2011.

2008 Investment Returns

How your funds are invested

Teachers' Scheme members' funds are invested in the ERP's four Investment Funds. These funds, in turn, are invested with the Mercer Super Investment Trust (MSIT). Specialist investment managers selected for their expertise, and for recognised performance in their specific investment sectors, have been appointed to manage the MSIT's assets. The ERP's Investment Funds are invested according to their strategies, as outlined on pages 9 and 10, in the MSIT's investment sector funds.

Returns for the year

The indicative investment returns for each of the Investment Funds were:

	Indicative Net Returns (after deductions for tax and Plan fees and expenses) % p.a.
Cash Fund	6.01
Stable Fund	1.78
Balanced Fund	-4.00
Growth Fund	-9.56

The net returns are derived by compounding the monthly declared interest rates for each Investment Fund from 1 July 2007 to 30 June 2008. Please note that your returns may not be the same as those shown, as the timing of cash flows (for example, contributions) during the year will affect the actual returns achieved on your account balances.

The actual net investment earnings credited to your accounts are based on monthly declared returns, your allocations across the four Funds, and the balances in your accounts each month. The table below shows the monthly declared returns and, for illustrative purposes only, the cumulative returns for the year to 30 June 2008:

Period	**Cash**		**Stable**		**Balanced**		**Growth**	
	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
2007 July	0.41%	0.41%	0.28%	0.28%	-0.20%	-0.20%	-0.57%	-0.57%
August	0.36%	0.78%	0.48%	0.77%	0.39%	0.19%	0.26%	-0.32%
September	0.54%	1.32%	1.45%	2.23%	2.17%	2.37%	2.91%	2.58%
October	0.55%	1.88%	0.75%	3.00%	0.59%	2.97%	0.47%	3.07%
November	0.46%	2.34%	-0.45%	2.53%	-1.81%	1.11%	-3.18%	-0.22%
December	0.44%	2.79%	-0.21%	2.31%	-0.49%	0.61%	-0.80%	-1.01%
2008 January	0.50%	3.30%	-0.44%	1.86%	-2.65%	-2.06%	-5.08%	-6.04%
February	0.44%	3.76%	0.54%	2.41%	0.26%	-1.80%	-0.16%	-6.19%
March	0.41%	4.18%	-1.08%	1.31%	-1.95%	-3.72%	-2.43%	-8.47%
April	0.34%	4.54%	1.91%	3.24%	3.43%	-0.42%	4.86%	-4.02%
May	0.53%	5.10%	0.14%	3.38%	0.04%	-0.38%	-0.03%	-4.05%
June	0.87%	6.01%	-1.55%	1.78%	-3.64%	-4.00%	-5.75%	-9.56%

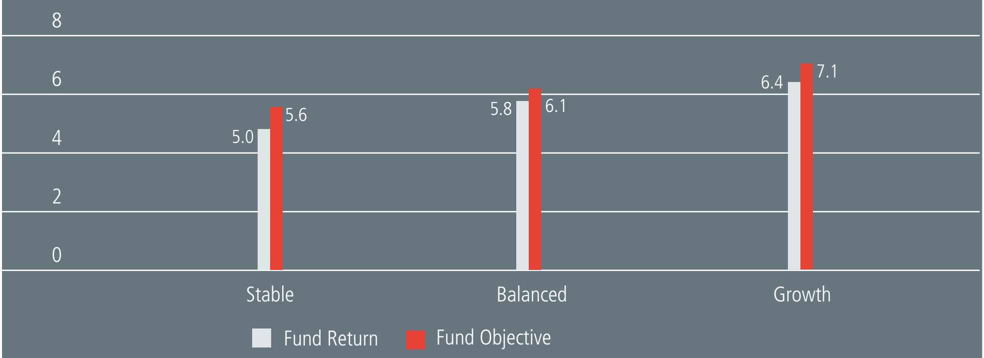
These net returns take into account the investment returns achieved by the MSIT's specialist investment managers, plus any interest on contributions held in the ERP's bank account (before being invested), less tax and ERP expenses. Tax is deducted at 30% (33% prior to 1 April 2008), while scheme expenses include all operating expenses, such as audit and bank fees and the MSIT's investment management fees.

Investment returns are determined by how the different investment sectors perform and how the MSIT's managers react and invest within those markets. See page 7 for the sector returns. Each of the ERP's Investment Funds – Cash, Stable, Balanced and Growth – is invested in differing combinations of these sectors. See pages 9 and 10 for more details.

Returns compared with objectives

The long-term returns (net of tax and fees) from the three non-cash Investment Funds have been a little below their objectives, which are based on performance relative to inflation over a five-year period. The objectives are shown on pages 9 and 10.

Fund Net Returns Compared to Objectives % p.a. for Five Years to 30 June 2008

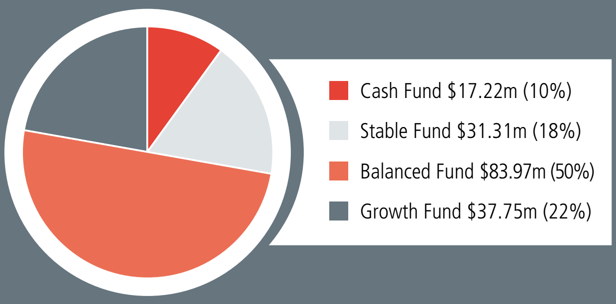


(The ERP's Investment Fund returns and objectives are net of tax and investment expenses.)

The Cash Fund's objective is based on a three-year time period. On average, over three years, the Cash Fund matched the 90-day Bank Bill Index, as compared to its objective of outperforming it by 0.20%.

The following chart shows the mix of members' current investment choice (as at 30 June 2008).

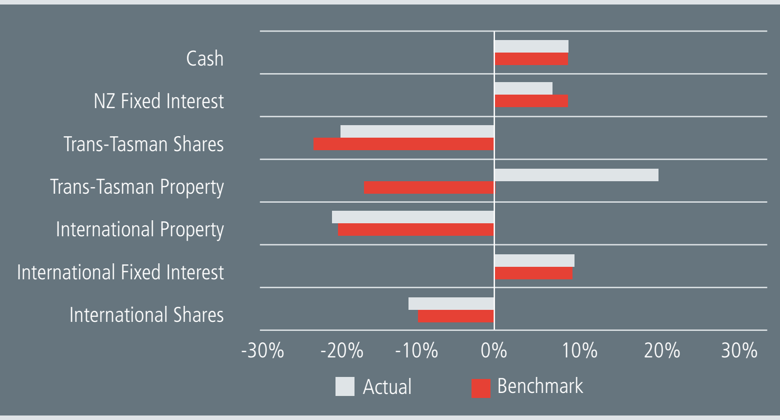
Managed Fund Values as at 30 June 2008



Investment Performance

Returns to 30 June 2008

The gross returns (that is, before fees and tax) and the benchmark (or target) returns of the sector funds managed by specialist investment managers for the MSIT for the year to 30 June 2008 were:



The graph above shows that most sectors performed broadly in line with their benchmarks. Trans-Tasman property provided a standout performance both in real terms and compared to its benchmark. The out performance of its benchmark is largely because the benchmark is based on listed property (i.e. shares in listed property companies which fell in line with the sharemarket downturn) and the Scheme's property investments are held partly in direct property and partly in listed property.

Investment market performance to 30 June 2008

Major influences on the global economy and markets during the year were:

- the US sub-prime mortgage crisis;
- the global credit crunch;
- fears of a global recession; and
- a loss of confidence in sharemarkets.

The long-predicted weakening in the New Zealand economy finally arrived, taking some pressure off the New Zealand dollar, which fell against most major currencies, particularly the yen and the euro.

After a series of strong results, returns from the Scheme's investments in international shares fell sharply as the effects of the US sub-prime mortgage crisis spread to all major sharemarkets.

The global sharemarket downturn also had an adverse effect on the Scheme's investments in Trans-Tasman shares. While relatively strong prices for commodity stocks gave the Australian sharemarket some support, returns from the New Zealand sharemarket were very weak.

The news was not all bad – fixed interest investments benefited as many central banks cut interest rates to stimulate economic activity and investors moved away from volatile sharemarkets. Overseas fixed interest posted a sound result, although returns from this asset class moderated later in the Scheme year reflecting investors' expectations that concerns about inflation could see interest rates rise.

New Zealand fixed interest provided a much improved return, benefiting later in the year from speculation that the Reserve Bank could reduce the official cash rate to stimulate the economy.

Investment strategy

The ERP offers members four Investment Funds with varying degrees of risk, from low risk (the Cash and Stable Funds) to high risk (the Growth Fund). "Risk" in this context means the expected fluctuations in returns (also referred to as volatility) and the likelihood of posting a negative return. Risk is managed by investing the funds in a variety of investment sectors (each with its own risk level) to spread or diversify the overall risk to you. The graph on the previous page shows these sectors. The overall risks and returns from each Investment Fund reflect the risks and returns of the various investment sectors in proportion to the percentage the Investment Fund is invested in each sector.

The benchmark allocations as at 30 June 2008 are set out on pages 9 and 10. The benchmark strategies were revised as at 1 October 2007 to allow the ERP to benefit from new taxation rules for managed funds.

The benchmark is intended to be a long-term average mix, but the actual mix will vary from time to time as the funds are actively managed. (Active management means that the investment managers have the discretion to adjust the allocation of the assets and stocks under their management to try and improve returns. Passive management means that the assets are invested in accordance with an index, for example, the NZX 50 for New Zealand shares.)

The ERP is a long-term savings vehicle and the investment strategies adopted reflect this. Each of the Investment Funds is designed with a specific objective and risk profile (as set out on pages 9 and 10).

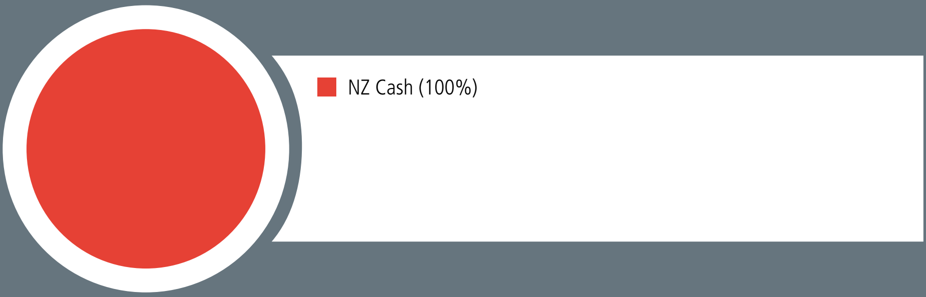
Statement of investment policy and objectives

Copies of the statement of investment policy and objectives for the ERP can be obtained free of charge from the ERP's Secretary, Derek Vincent of Mercer, at the address shown in the Directory on page 19.

The following charts summarise the main features of each of the ERP's Investment Funds.

Your Guide to the ERP's Investment Funds

Cash Fund – Benchmark asset allocation (as at 30 June 2008) 100% NZ Cash



Investment objective

To outperform the NZX 90-Day Bank Bill Gross Index by 0.20% p.a. over any rolling three-year period.

Suitable for investors looking for

Short-term investments offering protection from negative returns (particularly applicable if you are nearing retirement age).

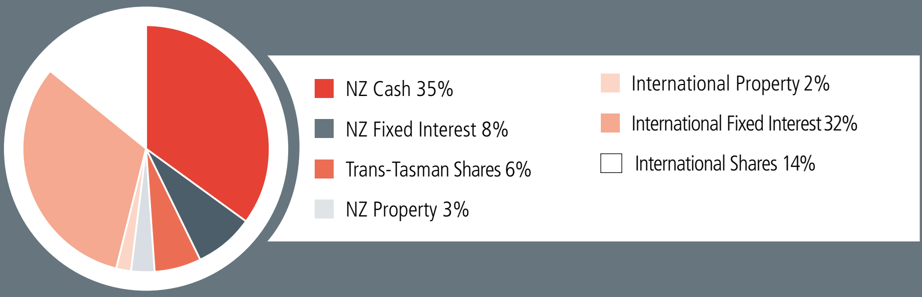
Risk of capital loss (negative return)

Unlikely, with returns similar to those from cash deposits.

Mix of investments

NZ cash and short-term (up to one year) NZ dollar securities issued or backed by the NZ Government, NZ banks or corporates. Generally, securities that have a minimum short-term credit rating of A-1 or better.

Stable Fund – Benchmark asset allocation (as at 30 June 2008)



Investment objective

For the long-term net return (after tax and investment-related expenses) to outperform inflation (as measured by the increase in the Consumers Price Index (CPI)) by an average of 2.5% p.a.

Suitable for investors looking for

Consistent shorter-term returns but with less variability than the Balanced and Growth Funds.

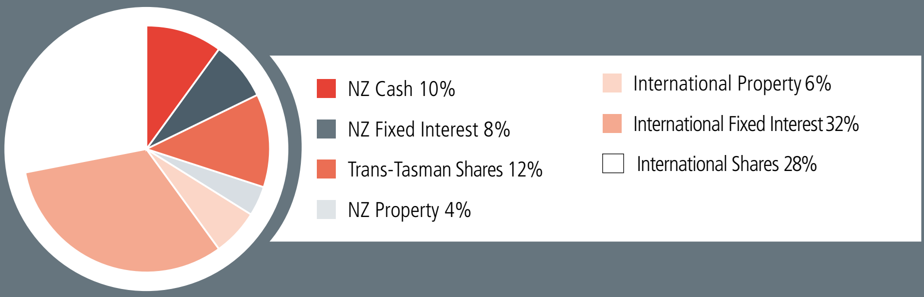
Risk of capital loss (negative return)

Low (one year in every 14 years).

Mix of investments

25% growth assets, 75% income assets.

Balanced Fund – Benchmark asset allocation (as at 30 June 2008)



Investment objective

For the long-term net return (after tax and investment-related expenses) to outperform inflation (as measured by the increase in the Consumers Price Index (CPI)) by an average of 3.0% p.a.

Suitable for investors looking for

Medium-term investments with potentially higher returns than those from the Stable Fund, and who are willing to accept some variability in returns.

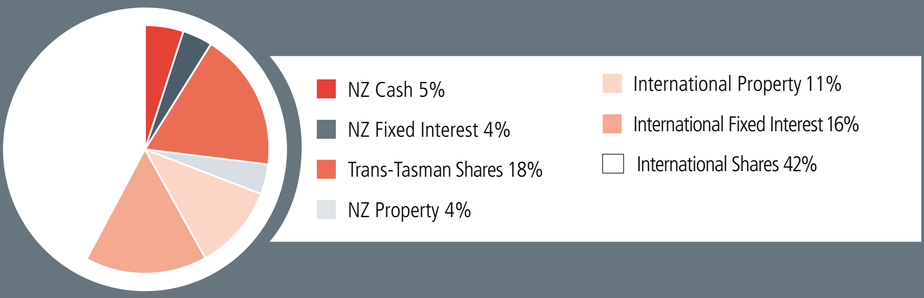
Risk of capital loss (negative return)

Moderate (one year in every six years)

Mix of investments

50% growth assets, 50% income assets.

Growth Fund – Benchmark asset allocation (as at 30 June 2008)



Investment objective

For the long-term net return (after tax and investment-related expenses) to outperform inflation (as measured by the increase in the Consumers Price Index (CPI)) by an average of 4.0% p.a.

Suitable for investors looking for

Long-term investments with potentially higher returns than those from the Stable or Balanced Funds, and who are willing to accept more variable returns in the short term.

Risk of capital loss (negative return)

High (one year in every five years).

Mix of investments

75% growth assets, 25% income assets

The Year in Review

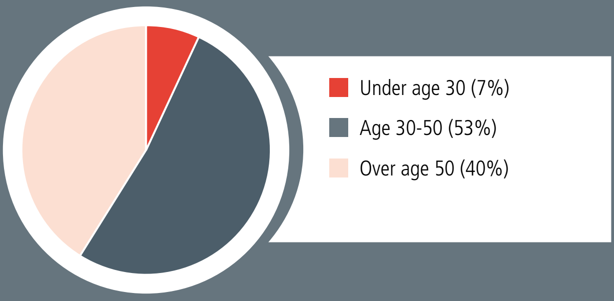
Membership

The ERP's membership (made up entirely of Teachers' Scheme members) increased from 12,053 at 30 June 2007 to 12,313 at year end 30 June 2008. There were 445 new members and 185 members withdrew.

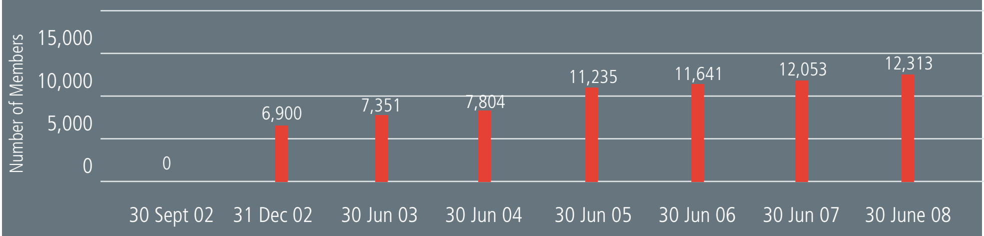
Of the ERP – Teachers' Scheme membership:

– 53% are aged between 30 and 50
– 40% are over the age of 50
– only 7% are under the age of 30

Membership Profile



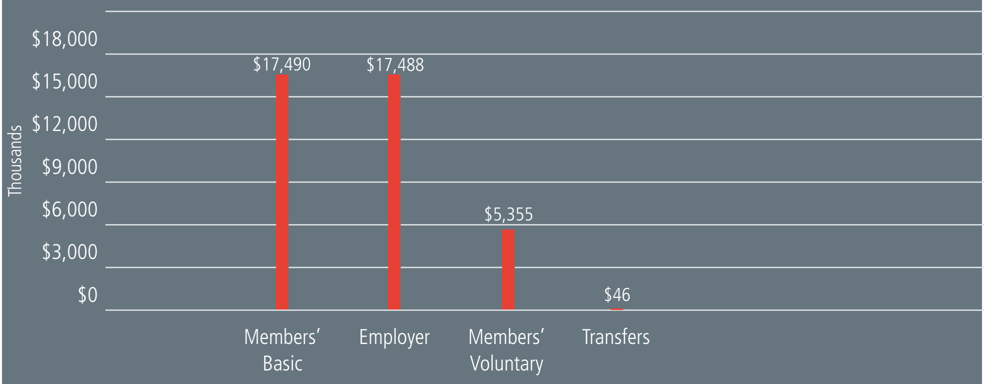
Growth in Membership



Contributions

In the year to 30 June 2008, contributions and transfers into the ERP in respect of the Teachers' Scheme totalled $40,378,955.

ERP Contributions Received For 12 Months Ended 30 June 2008



Members' funds invested

In the year to 30 June 2008, $40.38 million of Teachers' Scheme contributions was invested in the Mercer Super Investment Trust (MSIT) (before ERP expenses were deducted and members' withdrawal benefits paid). This compares to $39.10 million received in the previous year to 30 June 2007.

The total Teachers' Scheme funds in the ERP invested with the MSIT increased by 21%, from $139,956,850 as at 30 June 2007 to $170,247,351 as at 30 June 2008.

Benefit payments

In total, 185 members left the Teachers' Scheme during the year. Of these:

– 146 members retired (permanently leaving teaching aged 50 or more)	$2,108,303
– 9 members died	$102,235
– 7 members were paid out on disability, ill-health or redundancy	$53,206
– 18 members transferred to another superannuation scheme	$260,817
– 5 members received financial hardship or relationship property division payments	$31,651
Total benefit payments to members who left the Teachers' Scheme	**$2,556,212**

In addition, the following partial withdrawal payments were made:

• 7 members received partial retirement benefits (after attaining age 55)	$69,416
• 160 members received in-service withdrawals (under age 50)	$503,779
• 367 members received in-service withdrawals (over age 50)	$1,987,719
• 23 members received financial hardship partial payments	$140,503
Total partial withdrawal payments made	**$2,701,417**

Total benefit payments	**$5,257,629**

The Trustee

The Trustee (Public Trust) meets with the administration manager and the investment manager of the MSIT Investment Funds at least quarterly, to monitor the ERP's activities and investment performance, and to discuss issues relevant to its operation. The Trustee also meets with the Ministry of Education during the year to discuss benefit design, legislative changes and other relevant issues.

At 30 June 2008, the Trustee's Board Members were:

Candis Craven, Auckland

Donal Curtin, Auckland (Chairman)

David Edwards, Auckland

Robin Hill, Upper Hutt

Fiona Pimm, Christchurch

Sarah Roberts, Auckland

Hon Matt Robson, Auckland

Murray Weatherston, Auckland

During the year Peter Taylor resigned as a Board Member and Candis Craven was appointed to the Board.

Public Trust has appointed Dean Apps and Martyn Ogilvie to act as representatives of the Trustee in fulfilling its role and carrying out the necessary day-to-day activities.

Trustee's certification

In accordance with the requirements of the Superannuation Schemes Act 1989, the Trustee of the Employee Retirement Plan (ERP) certifies that:

– All contributions required to be made to the ERP in accordance with the terms of the Trust Deed have been made.

– All benefits required to be paid from the ERP in accordance with the terms of the Trust Deed have been paid.

– The market value of the assets of the ERP at the close of the financial year – 30 June 2008 – equalled or exceeded the total value of benefits that would have been payable had all members ceased to be members at that date, and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.

For and on behalf of Public Trust as Trustee of the
Employee Retirement Plan

4 September 2008

For the purposes of this certificate, 'the Trust Deed' means the trust deed of the ERP as amended from time to time, as well as the relevant employer agreements (other than those parts comprising the Investment Instructions), as amended from time to time.

The Trust Deed

The Teachers' Scheme is part of the ERP, a cash accumulation superannuation scheme governed by a trust deed dated 30 August 2002 (as amended) and registered under the Superannuation Schemes Act 1989.

The ERP's Trust Deed sets out the ERP's rules. However, these may be overridden by the terms of the employer agreement applicable to the Teachers' Scheme. The Trustee is responsible for ensuring the provisions of the Trust Deed – subject to the terms of any relevant employer agreement – are carried out.

During the year, there were no amendments to the ERP Trust Deed but the Teachers' Scheme employer agreement was amended to protect the employer from having to contribute to both the Scheme and KiwiSaver from 1 April 2008 and to remove the right of members to transfer to the SSRSS from 1 October 2008. The amendment also prescribed minor updates to terminology and legislative cross references to reflect changes in income tax legislation. The employer advised the Trustee that no new members would be accepted from 1 October 2008. A newsletter advising members of the implications of this was sent to all members in May 2008. Copies are also available in the 'library' section of the website www.teachersretire.org.nz.

Trust Deed: You can view the Trust Deed and the Teachers' Scheme employer agreement at the Wellington office of Mercer (N.Z.) Limited (Level 10, 109 Featherston Street, Wellington). Copies are also available at a cost of less than $10.

Prospectus: You can also obtain copies of the ERP's registered Prospectus and Teachers' Scheme Investment Statement, which summarise the main provisions of the Trust Deed and employer agreement. The registration date of the most recent registered Prospectus is 10 December 2007.

Trustee's disputes handling procedure

The ERP's Trustee has a disputes handling procedure that is available to any member who has a complaint about the ERP's operation. Contact the Secretary to the Trustee at the address on page 19 for further information.

Abridged Financial Statements

Statement of Changes in Net Assets

		2008 $	2007 $
Investment Activities			
	Net Investment Income	(6,383,845)	9,209,307
	Net Income	(6,383,845)	9,209,307
Less			
Other Expenses			
	Administration Fees	289,931	277,470
	Auditor's Remuneration - Audit Fees	16,763	15,047
	Auditor's Remuneration - Other Fees	3,456	-
	Trustee's Fees	72,702	69,658
	Other Expenses	21,039	11,433
	Total Other Expenses	403,891	373,608
Change in New Assets Before Taxation and Membership Activities		(6,787,736)	8,835,699
	Income Tax (Credit)/Expense	(398,162)	(254,158)
Change in Net Assets After Taxation and Before Membership Activities		(6,389,574)	9,089,857
Membership Activities			
	Member Contributions	17,489,577	16,637,773
	Member Voluntary Contributions	5,354,764	5,750,903
	Employer Contributions	17,488,323	16,638,016
	Transfers in from Other Schemes	46,291	71,647
Less	Benefits Paid	(5,257,629)	(3,474,103)
	Net Membership Activities	35,121,326	35,624,236
Net Increase in Net Assets during the year		**28,731,752**	**44,714,093**

	2008 $	2007 $

Statement of Net Assets

	2008 $	2007 $
Assets		
Financial Assets - Fair Value Through Profit or Loss	170,247,351	139,956,850
Current Assets	1,789,602	3,255,728
Total Assets	172,036,953	143,212,578
Less		
Current Liabilities		
Benefits Payable	16,429	-
Member contributions received in advance	21,492	-
Employer contributions received in advance	18,236	-
Transfers Receivable	29,482	-
Fund Withdrawal Tax Payable	12,900	9,162
Trade and Other Payables	58,999	55,753
Total Liabilities	157,538	64,915
Net Assets Available for Benefits	**171,879,415**	**143,147,663**
Vested Benefits*	**171,879,415**	**143,147,663**

Statement of Cash Flows

	2008 $	2007 $
Net Cash Flows from Operating Activities	34,887,986	35,312,925
Net Cash Flows from Investing Activities	(36,340,476)	(35,083,905)
Net (Decrease)/Increase in Cash Held	(1,452,490)	229,020
Cash at Beginning of Year	2,780,427	2,551,407
Cash at End of Year	**1,327,937**	**2,780,427**

*Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Plan at balance date.

Abridged Financial Statements

The abridged financial statements for the Plan for the year ended 30 June 2008 shown on pages 15 and 16 which were authorised for issue on 4 September 2008 have been extracted from the full audited financial statements dated 4 September 2008. The abridged financial statements have been prepared in accordance with FRS-43 - Summary Financial Statements. The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). The Plan is a profit oriented entity. The Plan has made an explicit and unreserved statement of compliance with NZ IFRS in note 2 of its full financial statements.

The abridged financial statements are in respect of the first NZ IFRS full financial statements.

The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: First time Adoption of New Zealand Equivalents to International Reporting Standards, with 1 July 2006 as the date of transition. There has been no change to any previously reported financial information including the valuation of investments under NZ IFRS. (This treatment has been confirmed by the Plan's Investment Manager.) For full notes and disclosure of NZ IFRS adjustments refer to note 16 in the full financial statements.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Plan operates.

The abridged financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of changes in net assets, net assets and cash flows of the Plan. A copy of the full financial statements can be obtained, free of charge, from the Plan's administration manager.

The auditor has examined the abridged financial statements for consistency with the audited financial statements on which an unqualified opinion was issued.

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the members of the Employee Retirement Plan

We have audited the summary financial statements of the Plan for the year ended 30 June 2008 on pages 15 to 17.

Trustee responsibilities

The Trustee is responsible for the preparation and presentation of the summary financial statements in accordance with generally accepted accounting practice in New Zealand.

Auditors' responsibilities

We are responsible for expressing to you an independent opinion on the summary financial statements presented by the Trustee.

Basis of opinion

Our audit was conducted in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of FRS 43: Summary Financial Statements.

We have no relationship with or interests in the Plan other than in our capacity as auditors.

Unqualified opinion

In our opinion:

(a) the amounts set out in the summary financial statements have been correctly extracted from the full financial statements of the Plan and are consistent in all material respects with the full financial statements, upon which we expressed an unqualified audit opinion in our report to the members dated 4 September 2008; and

(b) the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements.

We completed our work for the purposes of this report on 11 September 2008 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Wellington

Directory

ERP Trustee

The Trustee is responsible for managing the ERP on behalf of members, ensuring the ERP is operated in accordance with the Trust Deed, and acting in the best interests of members at all times.

The Public Trust is sole corporate Trustee of the ERP.

ERP Secretary

The ERP's Secretary and Privacy Officer is Derek Vincent of Mercer.

All correspondence with the ERP Trustee should be addressed to:

The ERP Trustee
c/-The Secretary to the Trustee
Mercer (N.Z.) Limited
Level 10, 109 Featherston Street
P O Box 2897, Wellington 6140
Telephone: 04 890 7000
Fax: 04 914 0434

Administration manager

As the administration manager, Mercer maintains records of members' accounts, calculates members' benefits, prepares the annual accounts and produces members' annual statements.

Mercer (N.Z.) Limited
Level 10, 109 Featherston Street
P O Box 1849, Wellington 6140
Free Phone: 0508 4 TEACHERSRETIRE or 0508 4 83224
Direct phone line: 04 890 7000
Fax: 04 914 0434
Email: teachersretire@mercer.com
Website: www.teachersretire.org.nz

Investment managers

The ERP funds are invested by the Mercer Super Investment Trust with a team of specialist investment managers selected for their expertise and recognised performance in their specific investment sectors.

Asset Class	Investment Manager
NZ Cash	ING (New Zealand) Limited
NZ Fixed Interest	Tyndall Investment Management New Zealand Limited
Trans-Tasman Shares	Brook Asset Management Limited ING (New Zealand) Limited
NZ Property	AMP Capital Investors (New Zealand) Limited
International Property	AMP Capital Investors (New Zealand) Limited ING (New Zealand) Limited*
International Shares	Mercer**
International Fixed Interest	PIMCO

*From late October 2007 ING (NZ) Limited has managed approximately 50% of the ERP Funds' investments in international property.

**From late October 2007, Mercer has managed the ERP Funds' investments in international shares in place of the previous international shares managers, Tower Asset Management and State Street Global Advisors. Mercer utilises the following investment managers:

Alliance Capital Management
Arrowstreet Capital
Baillie Gifford & Co
Bernstein
Edinburgh Partners
Taube Hodson Stonex Partners
Acadian Asset Management
State Street Global Advisors
Lazard Asset Management