

Annual report
for the year ended 31 December 2007



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New Zealand Universities' Superannuation Scheme

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Directory

Administrator	Mercer (N.Z.) Limited*
Auditors	Ernst & Young
Investment Consultant	Mercer (N.Z.) Limited*
Legal Advisers	Kensington Swan
Taxation Advisers	KPMG

Contact Details

Administrators	Mercer (N.Z.) Limited*
	P O Box 1849
	Wellington 6140
	Phone: 0800 UNISCHEME (0800 864 724)

Postal address for correspondence
to the Trustees:

The Secretary
New Zealand Universities'
Superannuation Scheme
P O Box 11-915
Wellington 6142

* From 1 November 2007, Mercer Human Resource Consulting Limited changed its name to Mercer (N.Z.) Limited.

Summary Highlights

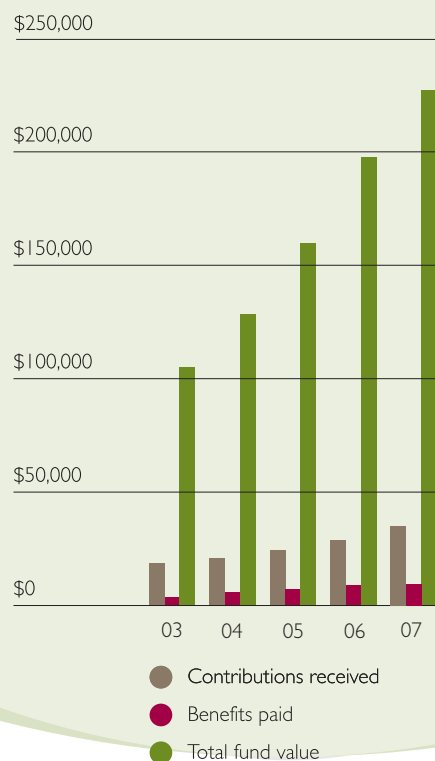
Declared crediting rates for each investment option (after tax) for the year ended 31 December 2007 are:

Growth	1.16%
Balanced	2.37%
Conservative	4.10%
Cash	6.50%
Total Membership as at 31-12-2007	5,651
Contributions Received During the Year	\$35,225,834
Benefits Paid During the Year	\$9,039,780
Total Fund Value as at 31-12-2007	\$227,872,516

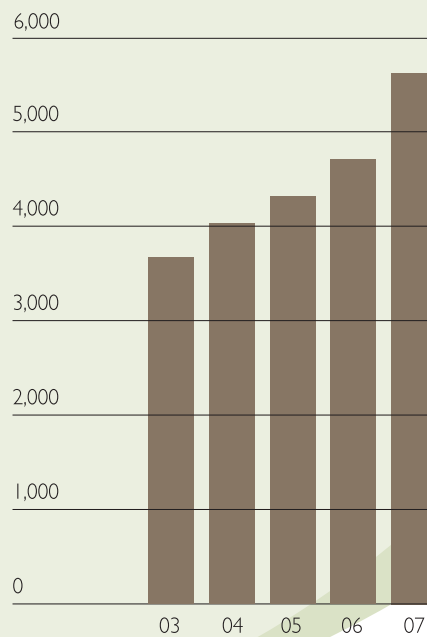
Five Year Snapshot

Scheme Growth, Contributions, Benefits & Total Fund Value

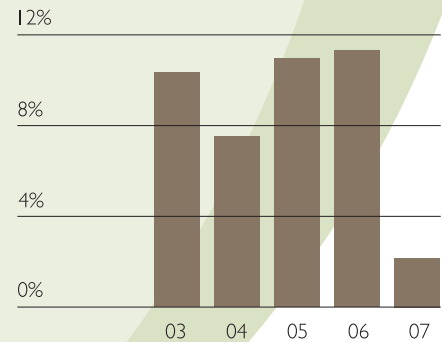
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Membership Growth



Declared Crediting Rate (After Tax) Balanced Investment Option*



*When member investment choice was introduced on 1 October 2004, the Scheme's existing balanced investment strategy became the Balanced investment option.

Message from the Chairperson

On behalf of the Trustees, I am pleased to present the annual report of the New Zealand Universities' Superannuation Scheme for the year ended 31 December 2007.

2007 was a challenging year for the Trustees and superannuation schemes generally. A large amount of new legislation came into force, including the introduction of KiwiSaver, subsequent amendments to KiwiSaver and changes to the taxation treatment of superannuation schemes' investments. This created a large amount of work for both the Trustees and the Scheme's administrators and necessitated that the Trustees hold extra meetings over and above their normally scheduled quarterly meetings.

The new taxation rules took effect from 1 October 2007. These included the introduction of a new 'fair dividend rate' (FDR) method of taxing the Scheme's overseas investments, the removal of the 'grey list' which gave preferential treatment to share investments in certain countries and an exemption from capital gains tax on New Zealand and some Australian listed shares. To ensure the Scheme benefited from the new tax regime, the Trustees made a number of alterations to the Scheme's investment structure, including adjustments to the investment options' asset mixes. A comprehensive review of all managers' performance was made and this, together with the decision to alter

some asset allocations, led to the appointment of some new investment managers. The Trustees review all investment managers' performance on a regular basis and if they believe that performance can be improved by either adding and/or replacing an investment manager, they do so.

During the year significant changes were made to the Scheme. The Scheme became an 'exempt employer', removing the requirement for employers to enroll all new employees in KiwiSaver, a new CFA (complying fund accumulation) section was added to allow members to enjoy some of the benefits of KiwiSaver, the leaving service benefit was improved for some members and a new, more flexible deferred membership provision was added. Refer to page 4 for details of these changes. Updated copies of the Scheme's Super Guide and Investment Statement are included with this Annual Report.

All this work meant that the Investment Statement, Prospectus and Trust Deed had to be revised. Hopefully they will be able to remain unchanged during 2008.

The effects of very volatile global sharemarkets throughout the year and the final quarter downturn are vividly illustrated by the interim interest rate calculations shown on page 10. Unfortunately the final quarter downturn has impacted negatively on the declared crediting rates allocated to members' accounts for the year ended 31 December 2007.

The rates for each option are shown in the table below. For details of the declared crediting rates allocated to the accounts of members who left the Scheme during the year, please refer to page 10.

Option	Declared Crediting Rates – Year to 31 December 2007
Growth	1.16%
Balanced	2.37%
Conservative	4.10%
Cash	6.50%

Note that if a member has not made an investment option since member choice was introduced over three years ago, his/her monies are invested in the Balanced option.

While the declared rates are disappointing when compared to those in previous years, it is important to remember that it is the average return which a member receives over a longer timeframe, say five to seven years, which is critical when measuring investment performance. For example, the chart on page 1 shows that for the Balanced investment option the rates of return between 2003 and 2007 inclusive have ranged from 10.89% per annum to 2.37% per annum with an average annual return of 8.20%.

Superannuation News

Earlier I indicated that 2007 had been both a demanding and challenging year and I would like to thank both my fellow trustees and the Scheme's secretariat for the huge amount of time which they have had to commit to New Zealand Universities' Superannuation Scheme affairs.

At the end of the year Lindsay Tairaoa retired as Secretary to the Trustees, a position he held from the Scheme's inception. He has been replaced by Penny Fenwick. The Trustees thank Lindsay for the contribution he has made and welcome Penny to her new role.

I have been a Trustee of New Zealand Universities' Superannuation Scheme for 10 years and have decided that now is a good time to retire from my role as both a Trustee and Chairperson. I am pleased to announce that on the invitation of the Trustees, Lindsay Tairaoa has agreed to replace me as the Independent Chair of the Trustees for a three-year period from 1 May 2008.

The Trustees welcome your suggestions and comments about the Scheme. These should be addressed to the Secretary to the Trustees at the address on the inside front cover or by calling the helpline on 0800 UNIScheme (0800 864 724).



Graeme Fogelberg
Chairperson of Trustees

KiwiSaver update

Changes to KiwiSaver were finalised under legislation passed in December 2007. The changes included the introduction of compulsory employer contributions. This means that from 1 April 2008, employers who are not already contributing to another superannuation scheme on an employee's behalf will be required to match the contributions of employees who are members of a KiwiSaver scheme or a complying superannuation fund¹. The level of employer contribution will be phased in over four years, starting at 1% of an employee's gross salary or wage from 1 April 2008, rising to 4% by 1 April 2011.

Tax on investment income

From 1 April 2008, tax on the Scheme's investment income from its investments in portfolio investment entities (PIEs) will reduce from 33% to 30%. The tax on any other taxable income will reduce to 30% from 1 January 2009.

New investment adviser legislation

New disclosure laws requiring more information to be given to investors, especially about fees and remuneration, will come into effect from 29 February 2008. Investment advisers must now provide a written statement before investment advice is given to investors or money is received for investment from members of the public.

The new rules are intended to make sure that investors receive the information they need about their investment advisers. In particular, investors must be given more information about fees, commissions and other remuneration. This includes any benefits received by the adviser, whether from the investor or another source, and includes "soft" commissions and indirect benefits.

¹A section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver e.g. KiwiSaver lock-in rules and portability.

Scheme Changes

The Scheme's trust deed was amended twice during the year and once following year end. Newsletters summarising the changes were sent to members at the time the amendments were made. Copies of the newsletters are available on www.nzvcc.ac.nz or www.superfacts.co.nz.

In **May 2007** the Scheme's trust deed was amended:

To allow the Universities to be exempt from automatic enrolment in KiwiSaver

As 'exempt employers' the Universities are not required to automatically enroll new employees in KiwiSaver. Employees can still elect to join KiwiSaver instead of, or as well as, the Scheme. To qualify for the exemption, the minimum member contribution for all members, subsidised and unsubsidised, joining the Scheme on or after 1 July 2007 was set at 4% of salary.

To add a new CFA (Complying Fund Accumulation) section

The Scheme has been approved as a complying superannuation fund under the KiwiSaver legislation. To qualify, a new CFA section has been added to the Scheme. This allows invited members to choose to join the CFA section and 'lock-in' some of their and their employers' contributions and benefit from some of the features available to KiwiSaver members, such as tax-free employer contributions (up to a maximum of 4% of the member's before-tax salary) and member tax credits of up to \$20 a week. In exchange, member and employer contributions are generally 'locked-in' until the later of the date the member reaches the age of qualification for New Zealand Superannuation (currently 65) or if he or she first joined KiwiSaver or a complying superannuation fund after age 60, on completion of five years' membership of a KiwiSaver scheme or complying superannuation fund.

To improve the leaving service benefit for some members

From 1 July 2007, members who resign are entitled to 20% of their Member's No.2 Account² (the University's contributions together with interest) for each year of Scheme membership up to a maximum of 100% on completion of more than five years' membership.

To offer more flexible terms and conditions for deferred members

A new, more flexible deferred membership provision has been added. To qualify under the new provision, members require the consent of the Trustees and their University but are no longer required to have completed five years' Scheme membership. The provision allows members to make a free withdrawal from their Scheme account once in any 12-month period.

²Excluding any locked-in amount.

In **September 2007**, the Scheme's trust deed was amended:

To provide for an offset for employer contributions to a KiwiSaver scheme

A University may reduce its contribution to the Scheme by the amount of any employer contributions it makes on a member's behalf to a KiwiSaver scheme. If the University's contribution to the Scheme counts towards any minimum contributions required to be made to the Scheme, the member must increase his or her own contributions to the extent necessary to maintain the minimum contributions required.

To give deferred members additional flexibility

Deferred members may now make one withdrawal in any quarterly period (calculated from 1 January each year). Note that there is a fee for the second and any subsequent withdrawal in any 12-month period.

In **March 2008**, the Scheme's trust deed was amended:

To allow unsubsidised members to become CFA members

From 1 April 2008, unsubsidised members may be invited to join the Scheme as CFA members and have any compulsory employer contributions paid into their Locked In No.2 Account in the Scheme.

To provide immediate vesting of locked-in employer contributions

Employer contributions to Locked In No.2 Accounts now vest immediately. This means that if a member makes a permitted early withdrawal from his or her Locked In Accounts, the full amount of the Universities' contributions plus interest may be withdrawn.

Investment Management

New investment structure

As mentioned earlier in this report and described in the Scheme newsletter sent to members in late March 2008, over the last three months of 2007 the Scheme's assets were transitioned to a new investment structure. The development of the new structure followed a regular review and also incorporates changes to take advantage of the new rules on the taxation of investments in managed funds such as superannuation schemes.

Under the new structure, some investment managers were replaced and new managers were appointed. Also, assets held by current investment managers were rearranged, the proportion of assets held in New Zealand fixed interest was reduced significantly and the investment mix for the Balanced investment option was altered.

Changes to fund managers

Under new taxation rules, tax advantages previously available to investors in passively managed funds were removed. As a result, the Scheme's international shares portfolio is now actively managed by three international shares funds, namely: AllianceBernstein, Grantham, Mayo, Van Otterloo & Co. (GMO), and Newton Investment Management.

Half of the Scheme's expanded international fixed interest portfolio is now invested in a fund managed by BlackRock Investment Management (Australasia) Limited.

³From December 2007, the Scheme's international shares portfolio has been invested by AllianceBernstein, GMO and Newton Investment Management.

⁴From 1 December 2007, Mint Asset Management became the Trans-Tasman listed property manager.

⁵Effective 1 December 2007, BlackRock commenced management of 50% of the Scheme's investments in international fixed interest securities.

Mint Asset Management was appointed to manage the Scheme's investments in Trans-Tasman property.

The following table shows how the Scheme's assets were invested with different fund managers as at 31 December 2007:

Asset Class	Manager	(\$m)
Trans-Tasman shares	Brook Asset Management	14.52
	ING New Zealand	14.60
International shares ³	AllianceBernstein	
	Grantham, Mayo, Van Otterloo & Co. (GMO)	71.24
	Newton Investment Management	
Trans-Tasman property ⁴	Mint Asset Management	10.81
Listed global property	AMP Capital Investors	11.25
NZ fixed interest	Tyndall Investment Management	12.70
International fixed interest ⁵	Tower Asset Management	62.97
	BlackRock	
Cash	ING New Zealand	27.60

Further information about the managers is available in the Scheme newsletter mailed to members in late March. A copy is also available from www.nzvcc.ac.nz or www.superfacts.co.nz.

Changes to investment mix

New Zealand fixed interest

In view of the limited fixed interest investment opportunities available within New Zealand relative to global opportunities, the Scheme's holding in New Zealand fixed interest has been reduced and reallocated to overseas fixed interest and cash.

Balanced investment option

The new tax regime resulted in an improved balance of expected return and expected risk for investors. To maintain the Balanced option's level of risk at a similar level to that prior to the introduction of the new tax rules, the Trustees reduced its allocation to growth assets (shares and property) from 60% to 55% and increased its allocation to defensive assets (fixed interest and cash) from 40% to 45%.

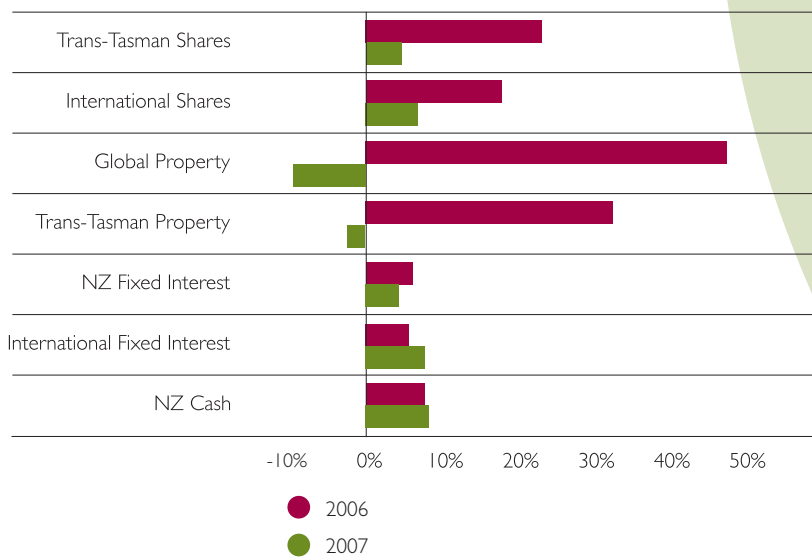
Revised long-term objectives

The long-term investment objectives for the Growth and Balanced investment options have each been increased by 0.5% pa to 4.5% pa and 3.5% pa respectively, and the Conservative investment option by 1% pa to 3% pa. These objectives are expressed as expected rates of return after allowing for inflation, expenses and taxation.

Performance

The graph below compares the annual return (before tax and investment expenses) for each of the Scheme's asset classes for the 2006 and 2007 years.

As the graph shows, annual returns for 2007 for most asset classes were weaker than for the previous year. The US sub-prime credit crisis impacted on global share markets in the final quarter. Despite this, annual returns for Trans-Tasman and international shares were still positive, although returns from property were negative, reflecting the global financial market volatility. The negative returns from property were the first negative annual returns from this asset class since 2003. Negative returns are always disappointing but they are not unexpected from growth assets such as shares and property. History shows that while growth assets can be expected to produce negative returns in the shorter term, in the longer term they provide stronger returns than fixed interest and cash.



At 4.52% before tax the annual return from Trans-Tasman shares was lower than in recent years. For much of the year the overall return for this asset class was supported by returns from Australian shares as the strong New Zealand dollar, weaker economic data and high interest rates continued to impact on the New Zealand sharemarket.

The Scheme's investments in international shares posted an annual return of 6.80% before tax as returns from international sharemarkets also weakened, especially later in the year.

Property was another casualty of the sub-prime credit crisis, with the Scheme's investments in global property and Trans-Tasman property posting returns of -9.71% and -2.23% respectively.

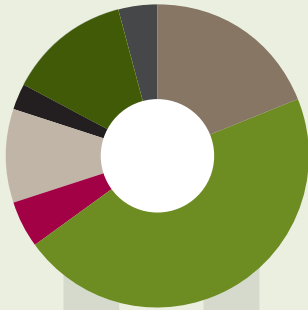
Returns from international fixed interest went against the trend, returning a healthy 8.09% before tax for the year. While global fixed interest markets were also impacted negatively by the US sub-prime crisis, some offsetting positive factors were the policy reactions of monetary authorities, and especially for New Zealand based investors, the benefits of hedging foreign assets back into New Zealand dollars. When New Zealand interest rates are very high relative to the world, as was the case during 2007, the hedging impact on New Zealand dollar returns is strongly positive.

New Zealand fixed interest posted a return of 4.63% before tax for the year, well below its international counterparts, as the Reserve Bank raised interest rates in response to building inflation pressures in New Zealand, while major global central banks turned their concerns to US recessionary forces.

New Zealand cash returned 8.69% before tax for the year, outperforming both international and New Zealand fixed interest.

Asset Allocation Summary

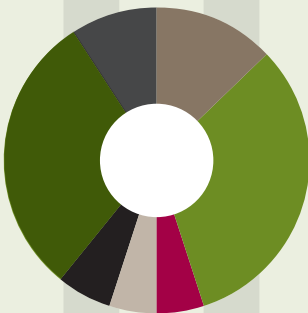
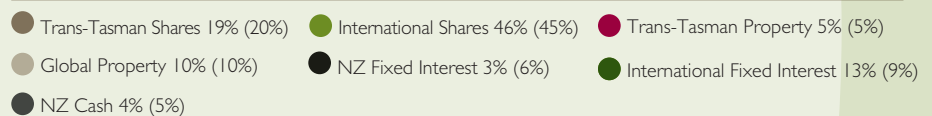
The following charts show the benchmark (or target) asset allocation as at 31 December 2007. The benchmark asset allocation prior to the introduction of the new investment structure is shown in brackets.



Growth Option Value as at 31 December 2007: \$30,330,852

Profile

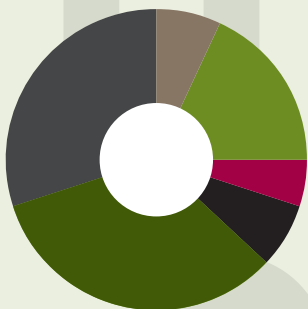
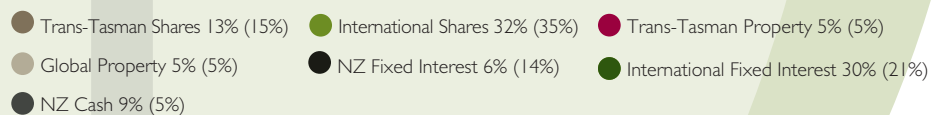
Has the potential to provide the highest returns of the four options over the long term. Returns are likely to be more volatile from year to year. Investors should be aware that this is the highest risk option.



Balanced Option Value as at 31 December 2007: \$189,254,648

Profile

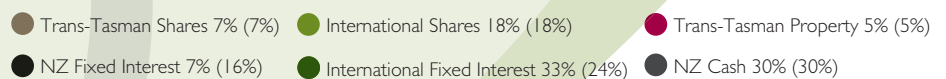
Has the potential to provide higher long-term returns than the Conservative or Cash options. Returns are likely to be more volatile from year to year than the Cash or Conservative options. Some risk, but not as volatile as the Growth option.



Conservative Option Value as at 31 December 2007: \$4,502,631

Profile

Medium to longer-term returns are likely to be lower than Growth or Balanced, but higher than the Cash option. Designed to dampen volatility, but might provide the occasional negative return.



Cash Option Value as at 31 December 2007: \$1,743,367

Profile

The most conservative option. Intended for shorter-term savings since it is not expected to achieve large long-term growth. Very unlikely to post a negative return.



How the Scheme Works

Trustees

The Scheme is governed by five Trustees. Of these, two are University-appointed Trustees, two are member-elected Trustees and the fifth is elected by the other four Trustees to act as an independent chair.

At 1 January 2008, the Trustees of the Scheme are:

Dr Graeme Fogelberg	Independent Chair Appointed 2006 Previously a University-appointed Trustee (1998-2005)	
Dr Neville Bennett	Member-elected Trustee History Department University of Canterbury Re-elected 2006	
Mr Jonathan Blakeman	University-appointed Trustee Director of Administration University of Auckland Appointed 2000	
Mr Grant McKenzie	Member-elected Trustee Director of Financial Services Otago University Elected 2006	
Mr Wayne Morgan	University-appointed Trustee Chief Financial Officer Victoria University Appointed 2006	
Secretary to the Trustees and address for correspondence to the Trustees:		
Penny Fenwick*	Executive Director New Zealand Vice-Chancellors' Committee Wellington	

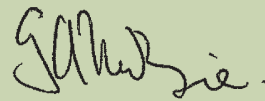
*As advised earlier in this report, Penny Fenwick replaced Lindsay Tairaoa as Secretary to the Trustees with effect from 1 January 2008.

Trustees' Certification

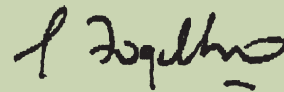
The following is provided in accordance with the Superannuation Schemes Act 1989:

1. The Trustees state that all the contributions required to be made to the Scheme in accordance with the terms of the Trust Deed have been made.
2. The Trustees certify that all the benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid.
3. The Trustees certify that the market value of the assets of the Scheme at the close of the financial year exceeded the total value of benefits that would have been payable had all members of the Scheme 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 the Trustees:



Trustee



Trustee

Prospectus

The registration date of the Scheme's most recent Prospectus is 26 March 2008.

Interim Interest Rates

At the end of each month, members' account balances are updated with interest at the rates declared by the Trustees.

The rates applied for the month of December are usually adjusted up or down when the annual financial statements have been completed. Any adjustment to the interim interest rates for December take into account differences between the actual expenses and those estimated during the year. No adjustments are made to the rates declared for the months January to November inclusive.

When a member leaves the Scheme during the financial year, an interim monthly rate is used to cover the period between the end of the previous month and the date on which the benefit is payable.

The Superannuation Schemes Act requires that the year-to-date monthly crediting rates (after tax and expenses) be disclosed.

They were:

2007	Investment Option			
	Cash	Conservative	Balanced	Growth
January	0.51%	0.80%	1.30%	1.73%
February	0.92%	0.82%	0.79%	0.84%
March	1.39%	1.26%	1.36%	1.57%
April	1.82%	1.79%	2.15%	2.56%
May	2.22%	2.54%	3.60%	4.56%
June	2.71%	1.87%	2.12%	2.63%
July	3.16%	1.62%	1.06%	0.92%
August	3.54%	2.67%	2.78%	3.10%
September	4.16%	3.69%	4.14%	4.67%
October	4.72%	4.23%	4.67%	5.20%
November	5.19%	3.42%	2.22%	1.52%
December*	5.70%	3.32%	1.59%	0.39%

*The December year-to-date figures differ from the final rates shown elsewhere in this report because the figures for the December month were adjusted to take into account differences between the actual expenses and those estimated during the year.

Example:

The account balances of a member who left the Scheme in November (after the rates for October were declared) would have been credited with interest at:

- 5.20% had the member elected to invest in the Growth option,
- 4.67% had the member elected to invest in the Balanced option,
- 4.23% had the member elected to invest in the Conservative option, and
- 4.72% had the member elected to invest in the Cash option.

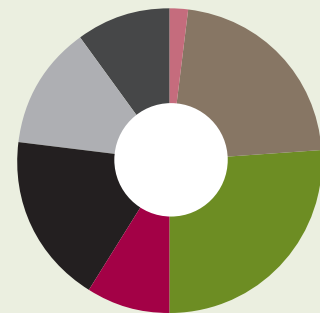
If the member left in December before the November rates were declared, the October rates would apply.

Membership Profile

The changes in the Scheme's membership over the last two years are shown in the table below:

	Year ended 31 December 2007	Year ended 31 December 2006
Opening Membership	4,704	4,317
Increased by:		
New members	1,207	636
Decreased by:		
Normal retirements (including late retirements)	(29)	(46)
Early retirements	(8)	(9)
Ill-health retirements	(2)	(3)
Death	(1)	(8)
Redundancies	(18)	(29)
Resignations	(187)	(144)
Transfers out	(15)	(10)
Membership as at 31 December	5,651	4,704

The distribution of members at 31 December 2007 amongst the participating universities is illustrated in the chart below:



● Auckland 22%	● Otago 26%
● Victoria 9%	● Massey 18%
● Canterbury 13%	● Waikato 10%
● Lincoln 2%	

Scheme Documentation

Copies of the Investment Statement and Super Guide are included with this Annual Report. Further copies of the current Investment Statement, the Super Guide and the Prospectus are available from the Superannuation Officer at members' Universities. Copies of the Trust Deed are also available from the Secretary to the Trustees. Alternatively, follow the links on the website www.nzvcc.ac.nz or www.superfacts.co.nz to see a copy of the Investment Statement, Super Guide, Prospectus or Trust Deed.

Statement of Investment Policy and Objectives

A copy of the Scheme's investment policy and objectives is available free of charge by contacting the Secretary to the Trustees at the address shown on the inside front cover. The Trust Deed allows the Trustees to amend the policy and objectives as they see fit.

Trust Deed

The Scheme's trust deed was consolidated and amended by deeds dated 30 May 2007, 28 September 2007 and 31 March 2008. Details of the amendments are set out on page 4 of this report.

Summary of the Financial Statements

New Zealand Universities' Superannuation Scheme

For the year ended 31 December 2007

	2007	2006
	\$	\$
Statement of Changes in Net Assets		
Investment Activities		
Net Investment Income	4,308,400	18,525,350
Net Investment Income/(Loss)	4,308,400	18,525,350
Less		
Other Expenses		
Administration Fees	278,572	236,717
Superannuation & Investment Consulting Fees	248,164	171,182
Communication Fees	51,396	71,147
Auditors' Remuneration - Audit Fees	26,873	14,991
Legal Fees	96,442	19,041
Trustees' Expenses	93,469	63,889
Bank Charges	179	120
Other Expenses	651	400
Total Other Expenses	795,746	577,487
Change in Net Assets before Taxation and Membership Activities	3,512,654	17,947,863
Income Tax Benefit	(401,371)	(330,308)
Change in Net Assets after Taxation and before Membership Activities	3,914,025	18,278,171
Membership Activities		
Member Contributions	19,093,871	15,867,267
Employer Contributions	15,825,551	12,520,860
Transfers from Other Funds	306,412	275,806
Less		
Benefits Paid	9,039,780	9,099,572
Net Membership Activities	26,186,054	19,564,361
Net Increase in Net Assets During Year	30,100,079	37,842,532
Statement of Net Assets		
Financial Assets - Investments		
Investments	225,692,277	196,784,112
Current Assets	2,429,222	1,977,099
Total Assets	228,121,499	198,761,211
Less		
Liabilities		
Income Tax Payable	67,893	-
Contributions Refundable	-	16,471
Benefits Payable	27,399	778,540
Sundry Creditors	153,691	193,763
Total Liabilities	248,983	988,774
Net Assets Available For Benefits	227,872,516	197,772,437
Vested Benefits*	216,884,517	168,003,738
Statement of Cash Flows		
Net Cash Flows from Operating Activities	24,679,291	19,838,671
Net Cash Flows from Investing Activities	(24,377,832)	(19,457,647)
Net Increase in Cash Held	301,459	381,024
Cash at Beginning of Year	1,601,689	1,220,665
Cash at End of Year	1,903,148	1,601,689

*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 Scheme at balance date.

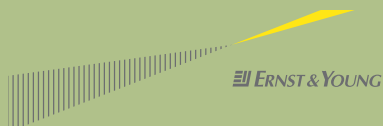
Financial Statements

A summary of the Scheme's audited financial statements for the year ended 31 December 2007, which were authorised for issue on 29 May 2008, is shown on page 12. The summary financial report has been extracted from the full audited financial statements dated 29 May 2008 and therefore cannot be expected to provide as complete an understanding as provided by the full financial statements of the financial performance, financial position and cash flows of the entity.

The summary financial statements are set out on page 12.

- The Scheme is a profit-oriented entity and the full financial statements have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs)
- The Scheme has made an explicit and unreserved statement of compliance with NZIFRS in note 2 of its full financial statements.
- The summary financial statements are in respect of the Scheme's first NZ IFRSs full financial statements. The transition to NZ IFRS had no impact on the Statement of Net Assets, the Statement of Changes in Net Assets and the Statement of Cash Flows.
- The summary financial statements have been prepared in compliance with Financial Reporting Standard No. 43 – Summary Financial Statements.

A copy of the full financial statements can be obtained free of charge from the Superannuation Officer at your University or by calling the Service Centre on 0800 UNISCHEME (0800 864 724).



ERNST & YOUNG

Chartered Accountants

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Auditor's Report

To the Members of the New Zealand Universities' Superannuation Scheme,

We have audited the summary financial statements of the New Zealand Universities' Superannuation Scheme for the year ended 31 December 2007 as set out on page 12.

This report is made solely to the New Zealand Universities' Superannuation Scheme's (the Scheme) members as a body, in accordance with the Financial Reporting Act 1993 and the Superannuation Schemes Act 1989. Our audit has been undertaken so that we might state to the Scheme's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's members as a body, for our audit work for this report or for the opinions we have formed.

Trustees' Responsibilities

The Trustees are responsible for the preparation of summary financial statements in accordance with generally accepted accounting practice in New Zealand.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the summary financial statements presented by the Trustees and report our opinion to you.

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 they are based. We also evaluated the overall adequacy of the presentation information in the summary financial statements against the requirements of FRS-43: *Summary Financial Reports*.

Other than in our capacity as auditor we have no relationship with, or interest in, the Scheme.

Unqualified Opinion

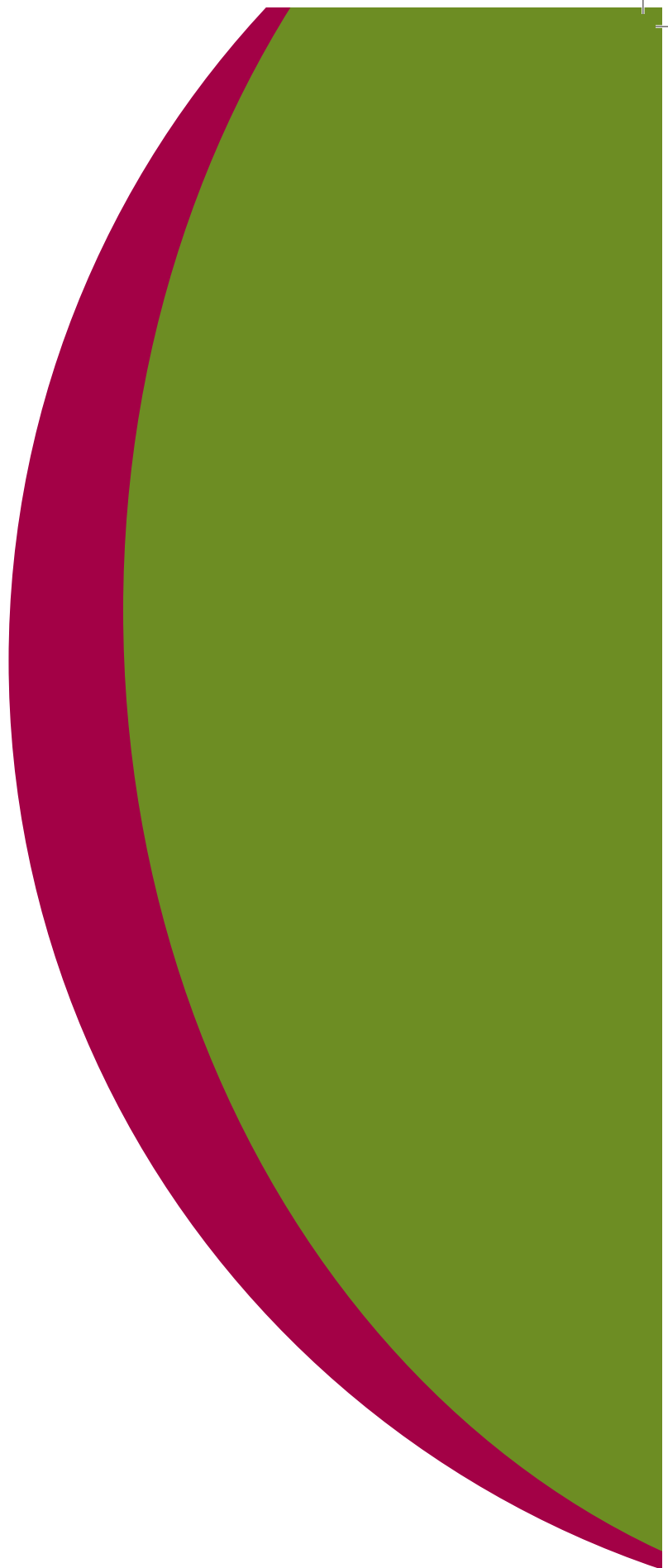
In our opinion, the information reported in the summary financial statements complies with generally accepted accounting practice in New Zealand, is correctly extracted from and is materially consistent with the full financial statements from which they are derived and upon which we expressed an unqualified audit opinion in our report to the members dated 29 May 2008.

Our audit was completed on 29 May 2008 and our unqualified opinion is expressed as at that date.

Ernst & Young

Wellington


NZUSS



New Zealand Universities' Superannuation Scheme