

FirstChoice

KIWISAVER SCHEME

ANNUAL
REPORT 2009

Welcome to the FirstChoice KiwiSaver Scheme Annual Report, which provides the scheme's summary financial report for the period 1 October 2008 to 30 September 2009.

Manager's Report



Membership in KiwiSaver continued to grow throughout 2009, with the Government initiated savings scheme now having more than 1.3 million members. This growth has been reflected in the FirstChoice KiwiSaver

Scheme, which has had a 24% rise in membership over the last year. With fantastic benefits such as the one-off \$1,000 Government kick-start, matching Government contributions of up to \$1,042 a year, and a minimum employer contribution of 2% for employees – you can see why so many New Zealanders have recognised KiwiSaver as a smart way to save for their future.

To further increase the appeal of KiwiSaver, a number of changes and improvements were made to the scheme in 2009. The minimum contribution rate for employees was reduced from 4% to 2% in order to make KiwiSaver affordable for more New Zealanders. The Mortgage Diversion facility was discontinued in June as this had low member interest and resulted in additional costs for members and providers. This feature also went against the main principle of KiwiSaver as it allowed members to withdraw contributions prior to retirement.

Another positive change was made in 2009 to make it easier for withdrawals to be made from a KiwiSaver account upon the death of a KiwiSaver member. This change enables withdrawals of up to \$15,000 to be paid directly to nominated person(s) from the deceased members KiwiSaver account without having to obtain probate or administration.

2009 was an exceptional year in terms of the changing fortunes of the global economy and world sharemarkets. In the opening months of the year, fears of a second 'Great Depression' melted away as the economy began to recover due to both radical and unprecedented

policy stimulus. The growth predictions for 2010 have significantly increased over recent months and it is expected these could rise again during the year.

As the outlook gets brighter, investors' appetite for risk is returning. This renewed enthusiasm is helping the sharemarkets to recover from the lows experienced in March last year. In an environment of economic recovery where interest rates continue to remain low, growth assets are making strong progress. Over the last six months, the returns for the FirstChoice KiwiSaver Scheme have benefited through their exposure to global sharemarkets.

However, even though the economy is getting back on its feet, it cannot yet walk unaided. Monetary and fiscal stimulus packages continue to serve as a vital crutch for economies around the world. As the recovery becomes more embedded, the policy stimulus will eventually need to be withdrawn and be replaced with demand from households and companies.

The recent market upturn following the global recession illustrates the changeable nature of investment markets. History shows us that markets are cyclical in nature and that they do trend higher over time, making it important to focus on the long-term objective of your KiwiSaver investment.

Thank you for your ongoing support.



Greg McAllister
Acting Head of ASB Group Investments

Statutory Information

In accordance with section 123 of the KiwiSaver Act 2006, the Trustee reports as follows:

In the last Annual Report, the membership figures were incorrect. Below are the correct FirstChoice KiwiSaver Scheme membership movements for the period 1 July 2007 to 30 September 2008:

Total membership as at 1 July 2007 (opening balance)	0
New members joining during the period	10,044
Members who left during the period	(112)
Total membership as at 30 September 2008 (closing balance)	9,932*

* Reported as 9,919 total membership in the 2008 Annual Report.

FirstChoice KiwiSaver Scheme membership for the period 1 October 2008 to 30 September 2009

Total membership as at 1 October 2008 (opening balance)	9,932
New members joining during the period	3,025
Members who left during the period	(651)
Total membership as at 30 September 2009 (closing balance)	12,306

Breakdown of withdrawals for the period 1 October 2008 to 30 September 2009

Reason for withdrawal	Number of members	Total amount withdrawn
First home purchase	0	\$0
Significant financial hardship	27	\$68,438
Serious illness	1	\$3,116
Transfers out	559	\$1,831,690
Death	1	\$3,946
Permanent emigration	2	\$4,114
Mortgage Diversion	45	\$28,837
Invalid enrolments/refunds	581	\$171,762
Court order	0	\$0

Breakdown of contributions and fees for the period 1 October 2008 to 30 September 2009

Type	Number of members	Amount
Member contributions	10,928	\$18,528,300
Transfers in from a registered superannuation scheme	40	\$339,999
Transfers in from another KiwiSaver scheme	315	\$1,073,076
Employer contributions	9,202	\$8,305,084
Government kick-start contributions	3,012	\$3,012,000
Matching Government contributions (Member Tax Credits)	9,924	\$8,491,712
Member accumulations	12,306	\$69,761,815
Government fee subsidies received and credited to member's accounts	11,666	\$384,560

\$694,904 in fees has been charged during the period from 1 October 2008 to 30 September 2009.

Investment returns

The following rates of return before tax and after fees (excluding administration fees) applied for each FirstChoice KiwiSaver Scheme Investment Fund for the year ending 30 September 2009:

FirstChoice KiwiSaver Scheme Investment Fund	Rate	FirstChoice KiwiSaver Scheme Investment Fund	Rate
NZ Cash Fund	4.22%	Active Conservative Fund	7.43%
Tracker Conservative Fund	6.21%	Active Balanced Fund	3.89%
Tracker Moderate Fund	3.07%	Active Growth Fund	3.10%
Tracker Balanced Fund	1.04%	Active High Growth Fund	-8.34%
Tracker Growth Fund	-1.79%	Global Sustainability Fund	8.06%

The returns assume a lump sum invested at the beginning of the period with no subsequent contributions or withdrawals. Please note that past returns are not necessarily indicative of future performance as returns fluctuate according to market conditions. Returns may be positive or negative. No party guarantees the investment in the FirstChoice KiwiSaver Scheme Investment Funds or the returns of the FirstChoice KiwiSaver Scheme. Returns are before tax and after fees (excluding administration fees) and are calculated on the change in unit price over the period, and adjusted for tax credits and formation losses.

Other Information

- The registration date of the most recent Prospectus for the FirstChoice KiwiSaver Scheme is 23 February 2010.
- The FirstChoice KiwiSaver Scheme was established on 11 June 2007.
- Members were admitted to the FirstChoice KiwiSaver Scheme from 1 July 2007.
- Contributions were first invested into the the FirstChoice KiwiSaver Scheme Investment Funds on 2 October 2007, except for the Global Sustainability Fund and the Active High Growth Fund. Contributions were first invested into the Global Sustainability Fund on 8 April 2008 and the Active High Growth Fund on 22 April 2008.
- Latest information on investment returns can be found in the Fund Performance section on our website www.firstchoiceinvestments.co.nz

Summary Financial Report for the period ended 30 September 2009

Income Statement for the period ended 30 September	2009	2008
	\$ 000's	\$ 000's
Total investment revenue/(losses)	4,118	(805)
Management and Trustee expenses	(213)	(54)
Other expenses	(94)	(23)
Profit/(Loss) before tax	3,811	(882)
Tax expenses	-	-
Profit/(Loss) after tax	3,811	(882)
Statement of changes in net assets attributable to members for the period ended 30 September		
Profit/(Loss) after tax	3,811	(882)
Contributions from members	18,528	12,281
Contributions from employers	8,305	2,471
Crown contributions	11,888	14,251
Transfer in from another scheme provider	1,413	1,204
Transfers out to another scheme provider	(1,832)	(112)
Lump sum withdrawals	(72)	(12)
Other withdrawals	(416)	(186)
Death & serious illness	(7)	(8)
PIE tax received/receivable	112	66
PIE tax paid/payable	(877)	(164)
Net assets attributable to members at the beginning of the financial year	28,909	-
Net assets attributable to members at the end of the financial year	69,762	28,909
Balance sheet as at 30 September		
Cash held with ASB Bank Limited	932	607
Investment assets managed by ASB Group Investments Limited	69,531	28,397
Other assets	16	71
Total assets	70,479	29,075
Other liabilities	(717)	(166)
Net assets available to pay benefits	69,762	28,909
Cash flow statement for the period ended 30 September		
Net cash flows from operating activities	(37,287)	(29,268)
Net cash flows from financing activities	37,612	29,875
Cash at the beginning of the financial year	607	-
Cash at the end of the financial year	932	607

The summary of the financial report contained in this report complies with FRS 43: *Summary Financial Statements* and is a summary of the FirstChoice KiwiSaver Scheme's full financial statements in New Zealand dollars authorised for issue by the Board Members of the Trustee on 30 November 2009 and as such cannot be expected to provide as complete an understanding as provided by the full financial statements. The full financial statements have been audited with an unqualified audit opinion issued thereon. Refer to page 4 for the Auditors' Report on the Summary Financial Report. The full financial statements comply with the New Zealand generally accepted accounting practice and include an explicit and unreserved statement of compliance with New Zealand Equivalents to International Financial Reporting Standards as appropriate for profit orientated entities. The full financial statements are available free of charge from ASB Group Investments Limited upon request.

To the members of the FirstChoice KiwiSaver Scheme.

We have audited the summary financial statements of the FirstChoice KiwiSaver Scheme for the year ended 30 September 2009 on page 3.

Trustee's 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 annual financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation on information in the summary financial statements against the requirements of FRS-43: *Summary Financial Statements*.

We have no relationship with or interests in the FirstChoice KiwiSaver Scheme other than in our capacity as auditors and tax advisers.

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 FirstChoice KiwiSaver Scheme 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 30 November 2009; and
- (b) the information reported in the summary financial statements comply with FRS-43: *Summary Financial Statements*.

We completed our work for the purposes of this report on 26 February 2010 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

Trustee Statement

- All contributions received in respect of each member, including contributions paid via the Commissioner in respect of the member have been applied in accordance with the terms of the FirstChoice KiwiSaver Scheme Trust Deed.
- The Trustee certifies that all benefits required to be paid from the FirstChoice KiwiSaver Scheme have been paid in accordance with the FirstChoice KiwiSaver Scheme Trust Deed.
- The Trustee certifies that the market value of assets of the FirstChoice KiwiSaver Scheme as at 30 September 2009 equaled or exceeded the total value of all 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 or other beneficiaries as at the close of the financial year.
- The Trustee certifies that all fee subsidies received in respect of each member of the FirstChoice KiwiSaver Scheme have been applied in accordance with the prescribed requirements.
- The Trustee certifies that there is a scheme provider agreement between the Commissioner and ASB Group Investments Limited that remains in force.



Dennis Church
General Manager, Corporate Trustee Services
Public Trust
26 February 2010

Directory

Trustee

Public Trust

Public Trust Board Members

D F Curtin

S M Roberts

R Hill

C E Craven

T D Janes (appointed June 2009)

R J Finlay (appointed June 2009)

F A Oliver (appointed November 2009)

H A Raumati (appointed November 2009)

The following Board Members have resigned since the last Annual Report:

PJM Taylor (resigned November 2008)

D E Edwards (resigned April 2009)

Honourable M P Robson (resigned April 2009)

M D Weatherston (resigned October 2009)

F S Pimm (resigned October 2009)

Administration Manager

ASB Group Investments Limited

Investment Manager

ASB Group Investments Limited

Auditor

PricewaterhouseCoopers

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Or

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