

MANAGING DIRECTOR'S REMARKS

Dear Stakeholders,

I count it a great privilege to present to you the performance of our Company in 2011 financial year. Prior to this a brief review of the Nigerian economy with an emphasis on the Pension Industry wherein the Company operated is presented.

The Economy and the Pension Industry

In the midst of a global recovery from the recent recession, the economy witnessed another year of impressive growth with a GDP growth rate of approximately 7.36% and although this represented a 62 basis point reduction compared to last year, this is very encouraging in light of the current situation around the world at this time. In spite of this slowdown in growth, the pensions industry experienced significant growth as more people and companies joined the new scheme.

The Pension Industry benefited immensely from the Nigerian economic growth as Funds under management grew by 20.75% in 2011 from N2.029 trillion to N2.45 trillion out of which RSA was N1.293 trillion, and RSA Retiree was N175.3 billion. The RSA growth was 31.9% higher than the 2010 figure.

Operational Results

Our Company's operations are dispensed from six regional offices located in Lagos, Abuja, Port Harcourt, Ibadan, Kano and Maiduguri, three sub-regional offices located in Enugu, Sokoto and Jos and from 23 zonal offices located nationwide. Amidst intense competition, FUG has been able to compete favorably amongst its peers.

Profit and Loss Account

As indicated in the profit and loss account for the year ended December 31, 2011, we closed the 2011 financial year with a profit after tax of N19.5 million which represented a 131% increase from last year when we recorded losses after tax of N62.6 million. This is in line with our expectations taking last year into account and we are delighted to finally record a profit. It is our hope that as this trend is maintained and further improved upon and as a result, increase our market share in the industry.

Balance Sheet

The balance sheet as at the year ended December 31, 2011 indicated a fixed assets net book value of N34.939 million, and a Deferred tax assets of N169.8 million, while the current assets is made up of other receivables of N47.725 million and cash and short term funds of N331.5m.

Significant Development

During the year under review, FUG pension fund under management grew from N5.9 billion in 2010 to N9.5 billion in 2011. This represents a 61% growth in the period under review. This is also an improvement in relative terms compared to 2010 – total assets under management grew 60% between December 31, 2009 and December 31, 2010.

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Future Outlook

The Economy

Like in 2010, the non-oil sector remained vibrant with the telecommunications sector providing the highest growth rate of about 35%. This was followed by construction, hospitality and minerals sectors which also had double digit growth throughout the year. Slow growth in the agricultural sector was one of the contributing factors leading to a decline in GDP growth compared to last year. In the next year, we expect that the telecommunications sector will continue to lead the way followed by the other sectors mentioned earlier but given the economic climate, we would expect GDP growth to decline again.

Stock Market

Changing regulations in the financial industry in 2011 meant that the uncertainty in the industry led to comparatively low returns. To some extent, we would expect this trend to continue until there is some stability in the industry. This coupled with the fact that this was an election year, with all the uncertainty that surrounds it made 2011 a slow year contrary to what was expected coming in. However, we would expect that as pension funds continue to grow and investments continue to be made, the market will rebound gradually in 2012 and beyond. This should be as a result of firming up of policies in the financial industry as well as the increased political stability that comes from having a very successful election period.

Pension Fund

The industry is currently at the growth stage with a lot of prospect in compliance level especially in the States. In the next few years, the industry will be characterized by the following trends.

- Increased competition as more states join the scheme and PenCom opens the transfer window.
- More market growth, as more companies and employees are getting aware of the new scheme and its advantages.
- Contributors becoming more enlightened and demanding more value added services.
- More focus on service delivery in a bid to retain contributors given the implementation of the provision for change of PFA, as contained in the act
- Growth of the Nigerian economy with attendant growth in GDP and employment
- Consolidation by mergers acquisition and other form of business combination

In the midst of significant challenges ahead, our Company is positioned for sustainable growth and development in the year ahead. We shall continue to experience growth in all areas of our marketing and investment activities. Our systems and processes will continue to

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be fine tuned for greater levels of efficiency and effectiveness. We shall harness our staff training and development in order to improve our penetration level in the industry.

Conclusion

In view of the foregoing, I hereby express the sincere appreciation of Management for the support and co-operation of our stakeholders particularly our clients, shareholders and the regulator. I also thank our Board members for their continued support and contribution to all strategic management decisions and efforts undertaken during the year under review. Ultimately it is my great privilege to thank God for his abundant mercies for keeping us alive and well and also giving us the advancement we have experienced so far.

Thank you for your attention.

Usman B. Sulciman
Managing Director/CEO