MANAGING DIRECTOR'S REMARKS

Dear Stakeholders,

It is my privilege to present to you the performance of our Company in 2008 financial year. As a background, a brief review of the externalities wherein the Company operated is presented.

The Economy and the Pension Industry

The Nigerian economy recorded yet another growth in 2008 fiscal year. GDP growth rate was approximately 6.77% which was driven largely by non-oil sector of the economy whereby non-oil constituent of the GDP recorded approximately 77% contribution to the growth rate. The non-oil GDP was immensely fueled by Agriculture and Services as the largest contributors. The GDP growth rate was below budget expectation for 2008 which was 11%. The shortfall was mostly caused by unrest in the Niger Delta which intensified in third quarter 2008 with oil output further declining by 0.81%. Government intervention through the Joint Task Force launched military attacks that culminated in declaration of an "Oil War" by a major militant group. In addition to this, infrastructural inadequacy contributed to the shortfall as well.

The financial year 2008, even though was very challenging due to global meltdown, yet an impressive growth of 34.81% was recorded in the Pension Industry as it relates to Funds under management which grew to N1.098trillion as at December 2008. The assets were substantially invested in Federal Government Bonds, Treasury Bills and Money Market instruments. The Nigeria Capital Market, which represents one of the platform for investing pension funds continued to face challenges in 2008 due to global economy meltdown. Of the N1.098b total pension assets, N471.76b was Retirement Savings Account (RSA) fund out of which N33.02b representing 7% was invested in Ordinary Shares due to conservative proactive and risk focused investment regulations earlier issued by National Pension Commission ("PenCom") that stipulated quantitative limit on Equity investment to 25%.

The percentage holdings of equities held by Legacy Pension schemes were higher than that of the RSA funds. This was because the Pension Reform Act (PRA) 2004 allowed employers who have approved schemes to retain their investment policies prior to the Act and they are also required to make good any shortfall in the respective schemes.

Furthermore, a retiree fund was created in 2008 that demanded that retiree assets could only be invested in fixed income securities such as FGN Bonds with effect from January 2009. PenCom's stipulated assets allocation for retiree fund is 40% Government Securities and 60% Money Market instruments (bearing in mind the stipulated ratings and limits). This was with a view to safely guard pension assets of retiree from volatility of variable investment instruments.

In addition to the Pension Assets growth, the Retirement Savings Accounts (RSAs) which is the new contributory pension scheme and the primary focus of the Act also increased by 36.4% which brought number of RSAs to 3.467m as at December 2008. Public Sector contributors maintained the lead by constituting 63.6% of RSAs with the balance of 36.4% from Private sector RSAs. It is remarkable to note that exceptional growth from 8,080 employers to 149,439 employers in the private sector was recorded as at December 2008 as a result of intensive compliance enforcement by PenCom. There were 38 registered operators in the Industry as at December 2008. These include 26 Pension Fund Administrators (PFAs), 7 Closed Pension Fund Administrators (CPFAs) and 5 Pension Fund Custodians (PFCs).

Operational Results

FUG Pensions commenced operations in June 2007 and has therefore just experienced its first full financial year. Our Company's operations are dispensed from six regional offices located in Lagos, Abuja, Port Harcourt, Ibadan, Kano and Maidugury, three sub-regional offices located in Enugu, Sokoto and Jos and from 23 zonal offices located nationwide. Though the Pension Market is characterized by challenging competitive environment, FUG has been able to compete favourably amongst its peers.

Profit and Loss Account
As indicated in the profit and loss account for the year ended December 31, 2008, we closed the first full financial year with a loss after tax of N187.26m. This was below the N218.87m loss in the approved budget for the year. It is our hope that as this trend is maintained and further improved upon, that the breakeven period shall be reached faster than anticipated.

Balance Sheet
The balance sheet as at the year ended December 31, 2008 indicated a fixed assets net book value of N109.65m, and a Deferred tax assets of N137.72m, while the current assets is made up of prepayments and other receivables of N99.77m and cash and short term funds of N707,000.

Significant Development

During the year under review, FUG pension fund under management grew from N78.3m the previous year to close the current year at N1.41billion as fund under management as at December 31, 2008. The Retirement Savings Accounts also increase from 6,422 as at December 2007 to 23,376 at the end of the year under review. FUG was selected as one of the registered PFAs to manage Ogun State RSA Pension fund during the period.

Future Outlook

The Economy
The Nigerian economy is poised to derive significant benefits from the impending period of growth given its disproportionate reliance on crude oil receipts for government income and foreign exchange inflows. This expectation is reinforced by global market condition that is gradually moving out of recession especially the leading emerging markets. However an area of caution remains the amnesty deal brokered by the government with the militants in the troubled Niger Delta region and the need to ensure that further hostility is forestalled.

The banking sector as the conduit for intermediating government spending shall be positively impacted by increased government revenues. By Q2 2010, the CBN's reforms would have reached advanced stage as the Assets Management Company of Nigeria (AMCON) shall be finally set up.

MANAGING DIRECTOR'S REMARKS

Stock Market

Though there exist a lot of uncertainties in the stock market, however, expected growth drivers of the stock market are, the banking sector reforms, inflows from pension fund investments especially as average portfolio cost reduction strategy, increased investment from assets/portfolio managers and other institutional investors, more participation of foreign investors and stability in the macroeconomic environment.

Pension Fund

The industry is currently undergoing a number of transformatory changes as it continues to move from infancy to growth stage. In the next five 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
- With the success of the scheme, possible interest especially in the voluntary portion by Nigerians living outside the country
- Market leaders will be able to enjoy economies of scale which will in turn be passed to contributors in terms of discounts
- Development of business synergy between PFAs and other financial institutions e.g. HMOs, Banks, Insurance companies, etc
- Introduction of new asset classes for the investment of funds by the PFAs.

Though there are significant challenges ahead, our Company is poised to realize 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 be fine tuned for greater levels of efficiency and effectiveness. We shall harness our staff training and development in order to position effectively for market leadership in the industry. Our strategic imperatives shall be monitored effectively to ensure desired performance and intense focus.

MANAGING DIRECTOR'S REMARKS

Conclusion

It is my honor and privilege to 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 esteemed Board members for their continued support and insightful contribution to all strategic management decisions and efforts undertaken during the year under review. Ultimately I wish to give thanks to God for making all the progress we have recorded possible.

Thank you for your attention.

Usman B. Suleiman
Managing Director/CEO