

## CHAIRMAN'S STATEMENT



**ADEYINKA OYESOLA SOGUNLE**  
**ACTING CHAIRMAN**

*“Esteemed Shareholders, Representatives of our Regulators, Representatives of our Auditors, Distinguished Ladies and Gentlemen, I am pleased to welcome you on behalf of the Board of Directors to 9th Annual General Meeting of Future Unity Glanvills Pensions Limited and to present to you the Annual Report and Financial Statements of your Company for the year ended December 31, 2015”*

I am honoured to present an overview of the major developments that took place in our operating environment as well as the summary of the company's performance for the financial year ended 31st December, 2015.

### **Global Macroeconomic Environment**

According to the World Bank, the global economy grew by 2.4% in 2015, a 0.2% decline from the 2.6% recorded in 2014. This sub-optimal growth was driven largely by the advanced economies which grew by 1.6% year-on-year as weaker performance in the UK and Russia suppressed output especially in the Euro Area. In the US, the long anticipated rate adjustment came through in December 2015 when the US Federal Reserve Bank hiked interest rate from the range of 0% - 0.25% to 0.25% - 0.5%, resulting to significant capital inflow reversals from emerging markets, including Nigeria. Emerging economies grew by 4.3% year-on-year in 2015, a 0.6% decline relative to 2014 expansion. The slump in commodity prices negatively impacted income, trade and general economic activities in emerging markets during the year, as economic growth in China declined to a 6-year low of 6.9% in 2015. The drag in emerging market economies translated to lower government revenues, investment and weakened capital expenditure outlays during the year.

The weak and uneven global economic recovery has lowered oil demand and created global excess supply of over one million barrels per day (mbd).

The Organization of Petroleum Exporting Countries (OPEC) currently produces above its collective quota of 30mbd. It exceeded the quota by about 1.7mbd as at November 2015. The OPEC meeting in December 2015 could not agree on a production cut to boost oil prices. The OPEC Reference Basket of Crudes (ORB) declined by 39.88% to US\$31.26 per barrel between 2014 and 2015. The Bonny Light Price dropped by 33.91% to US\$36.92 per barrel during the same period. The oil price has dropped by about 67% between June 2014 and December 2015. This has had a significant negative effect on the revenue and the foreign exchange inflow into Nigeria with attendant negative implications for government expenditure and the value of the Naira.

### **Operating Environment in Nigeria**

Nigeria witnessed a successful general election in 2015. For the first time in the history of the country, there was a seamless democratic transition from a ruling party to an opposition party. This has been widely hailed as a sign of deepening democracy and a new Nigeria. The impact is also positive for the business community in the Country. Although significant progress has been made to resolve the security challenges in the North East, there are still isolated pockets of violence that hinder economic activity. The new government has declared its commitment to ending the insurgency that is the main cause of the security challenges.

According to the National Bureau of Statistics (NBS), the Nigerian economy grew by 2.79% in 2015 and it is expected to grow by 3.78% in 2016; both significantly lower than the 6.22% growth rate recorded in 2014.

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The oil sector contracted by 5.45% in 2015, compared with the contraction of 1.32% recorded in 2014. The non-oil sector recorded a growth rate of 3.75% in 2015, lower than the 7.18% growth rate recorded in 2014. The nonoil sector growth was primarily driven by growth in the Crop Production, Financial Services, Telecommunications, and Trade sectors, amongst others.

The Central Bank of Nigeria (CBN) adopted various strategies to stabilize the value of the Naira in 2015. The persistent demand pressure at the foreign exchange market led to a significant withdrawal from the external reserves to defend the value of the Naira. The CBN closed the Retail Dutch Auction System (RDAS) window of the foreign exchange market in February 2015 to curb the persistent drawdown from the external reserves. The apex Bank further introduced administrative measures to curb the demand for foreign exchange by prohibiting access to the foreign exchange market for the importation of a number of items. This led to a growing disparity between the exchange rates of the Naira at the official window and in the parallel market. Although the currency depreciated in both markets, at the official window the Naira depreciated by 14.72% in 2015 to close at US\$1/N197, compared with 2014 closing figure of US\$1/N168 while in the parallel market it depreciated by 29.26% to close at US\$1/N270 in 2015, compared with US\$/N191 as at the end of December 2014. As regards the country's reserves, according to the CBN, the 30-Day Moving Average of Nigeria's external reserves as at December 31, 2015 stood at US\$29.07billion, representing a decrease of US\$5.40billion or 15.67%, compared with US\$34.47billion at the end of December 2014. The administrative measures that the CBN adopted in the foreign exchange market were to limit the drawdown from the external reserves.

Inflation peaked at 9.6% year-on-year in December 2015 having been on a gradual ascent since November 2014, breaking out of the CBN's target band of 6% to 9%. The upward pressure on the inflation rate emanated largely from inadequate infrastructure and power supply that raised the cost of production in the country.

Other factors include the continuing security challenges in the North East and the pass through effect of imported inflation on domestic prices from the

depreciation of the Naira. However, drop in global commodity prices and the weak purchasing power in the country moderated the general price level in 2015.

The CBN implemented the Treasury Single Account (TSA) on behalf of the Federal Government of Nigeria (FGN) on September 15, 2015. This led to a significant liquidity squeeze in the financial institutions. However, the CBN subsequently injected funds into the system through the reduction of the Cash Reserve Requirement (CRR) from 31% to 25% at its Monetary Policy Committee (MPC) meeting on September 21-22, 2015. Consequently, yields on fixed income securities and inter-bank rates dropped lower than the inflation rate resulting in negative real returns to investors.

The decline in oil prices and the unfavourable macroeconomic conditions in Nigeria had an adverse impact on the equities market in 2015. The Nigerian Stock Exchange All Share Index (NSE ASI) depreciated by 17.36% to close at 28,642.25 points. Other specific factors that affected the market in 2015 were the regulatory headwinds and the effect of the devaluation of the Naira on the operating costs of the manufacturing companies. The incessant security challenges in some areas of Northern Nigeria also contributed to the poor performance of the stock market. Foreign investors that hitherto generated a significant proportion of the activity in the market were largely absent in 2015 because of their concerns over the exchange rate of the Naira. As a result of the foregoing issues, there was also general apathy towards equity investments on the part of Nigerian investors, both retail and institutional.

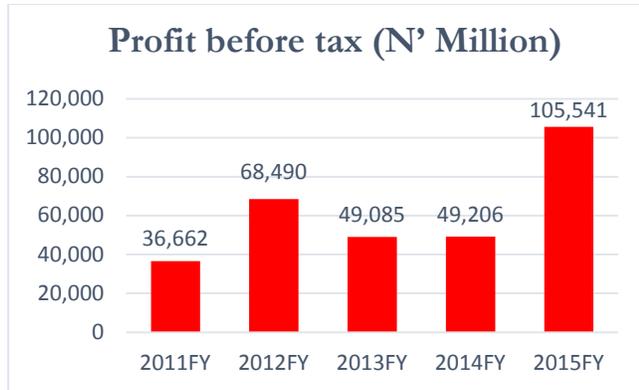
### **FUG Pensions Financial Performance Highlights**

Despite the gloomy turn of event in the global arena and the operating environment, your Company, Future Unity Glanvills Pensions Limited strived amidst all the adverse market challenges to realize a fair performance. Below is the summary of the Company's performance for the year ended December 31, 2015.

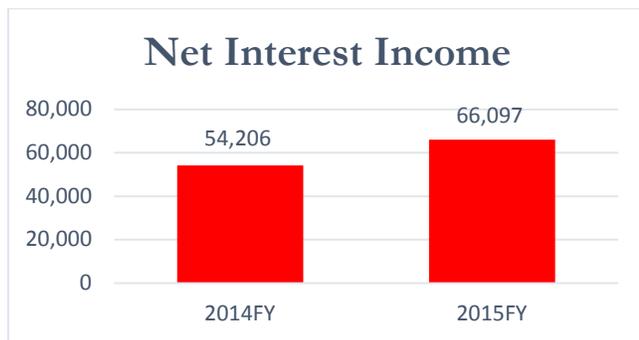
## CHAIRMAN'S STATEMENT

**Profit before Tax increased by 115% to N105.541 Million,**

This was driven by an appreciable growth in gross earnings and a tight hold on operating expenses.



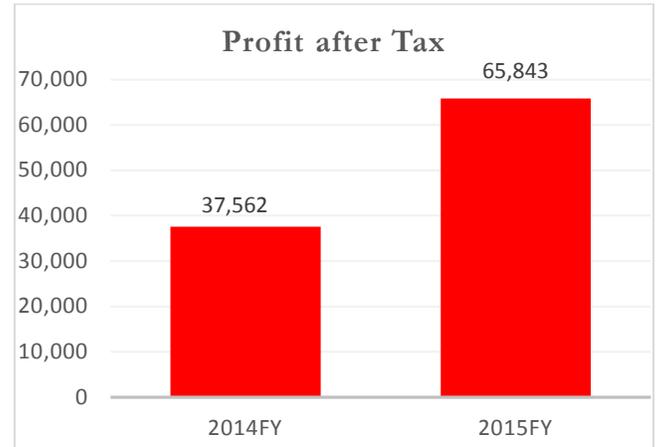
**Net Interest Income grew by 22% to N66.097 Million** for the Financial Year Ended (FYE) December 31, 2015, as against N54,206 million recorded in December 31, 2014.



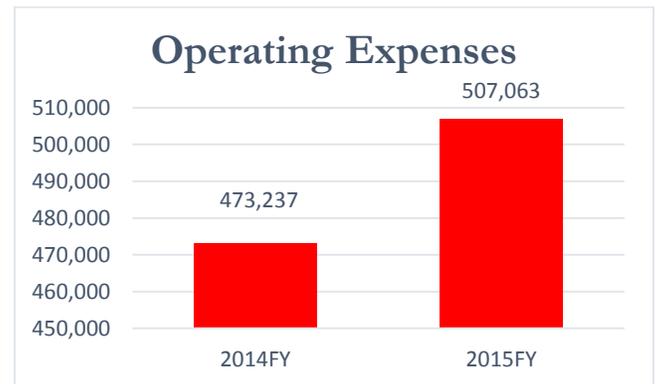
**Gross Earnings increased by 18% to N546.507 Million in 2015.**



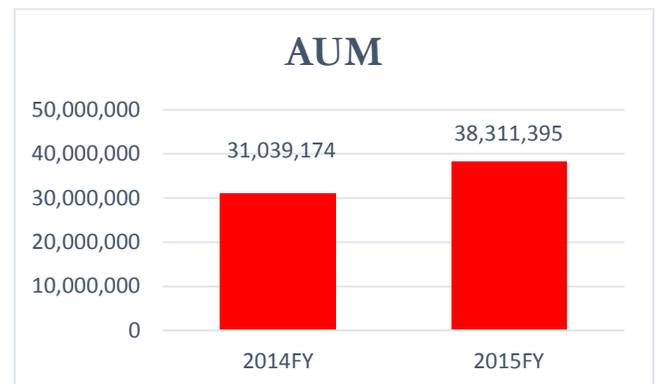
**Profit after Tax (PAT) increased by 75% to N65.843 Million**



**Operating Expenses rose slightly by 7% to N507.063 Million.** This was due to the need to boost our staff strength to improve client coverage and brand awareness to better project the Company.



**Total Assets Under Management (AUM) increased by 23% to N38 Billion**



## CHAIRMAN'S STATEMENT

### Governance and Changes in Board Composition

A strong Board complemented with a focused and efficient management and a highly effective corporate governance process continue to be the key pillars of FUG Pensions. The various Board Committees played vital roles in supporting the Board and Management in the discharge of their duties. You will agree with me that a business built on the principles of good governance will succeed over the long term. Our commitment to best practices is further validated by our giant stride at being International Organization for Standardization (ISO) Certified in Quality Management System.

The Company responded constructively to an increased number of government and regulatory consultation exercises in 2015. Let me use this opportunity to commend Management for the great work they have done over the years, particularly in 2015. This has not gone unnoticed as our Company received the following recognitions amongst others: "Most Customer Focused Pension Fund Administrator of the Year" by Nigeria Pension Award, "Distinguished Pension Fund Administrator of the Year" by Portfolio Management Institute (PMI) and "Best Performing Pension Company of the Year" by African Development Award of Excellence. On behalf of the Board, I extend our congratulations to the CEO and his team.

The composition of the Board with seasoned professionals who possess diverse and rich experience in the private and public sectors will further enhance the capacity of the Board to deliver on its corporate goals. I have no doubt in my mind that this Board will continue to serve you with the utmost sense of responsibility, commitment and excellence, steering this great institution to unprecedented heights in the years ahead.

A few of my colleagues left the Board during the year. Mr. Kins U. Ekebuike in January 2015 and Alhaji Garba Aliyu Hungu in September 2015. We wish them the very best in their future endeavours. On the other hand, we welcomed Mr. Michael Danjuma Dogo in August 2015 as a Non-Executive Director.

### Outlook

The current low oil price poses a significant challenge to the revenue of the country. In addition, the increase in the Fed Rate in the U.S. may increase the cost of funds in the international markets. It may also result in the flow of funds to the U.S and consequently have an adverse impact on the exchange rates in the emerging markets. The Federal Government of Nigeria (FGN) has indicated that it intends to run a fiscal deficit in

excess of N2.2trillion in the fiscal year 2016. This is to reflate the economy and place it on a sustainable growth path. The FGN expects to raise additional funds in addition to the N900billion it plans to borrow from the domestic market.

The aforementioned factors are likely to make 2016 a very challenging year for business in Nigeria. The FGN has indicated its desire to grow the non-oil sector of the economy in order to diversify the revenue base from oil. It is hoped that this will lead to massive infrastructure development to make the economy more competitive and thus create financing opportunities in other sectors.

In spite of the challenges that we see in the economy and in the financial markets in the year 2016, we will continue to explore and expand relationships with our esteemed customers and to offer our exceptional service delivery to them which will ultimately entice prospective clients to the Company.

I am confident that we are well positioned for better success. We will continue to adapt in a manner that ensures that the Company is able to make the most of opportunities as they emerge. We are well positioned and there is every expectation that as growth normalizes in the coming years, we will reap the rewards of strengthening and maintaining our solid foundations.

### Appreciation

In closing, I would like to take this opportunity to express my sincere appreciation to the teams that have enabled us make these great strides over the years. Many thanks to my fellow Board members; the management and staff of this great institution for their hard work and commitment; our customers for their untiring support; our esteemed shareholders for their faith, resilience and strong support; our regulators and all other stakeholders for their invaluable assistance and continuous guidance.

God bless FUG Pensions.

I Thank you All.

**Mr. Adeyinka Sogunle**  
**Acting Chairman, Board of Directors.**