

# CHAIRMAN'S STATEMENT



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## **ALHAJI FAROUK LAWAL YOLA, CHAIRMAN**

Esteemed Shareholders, Representatives of our Regulators, Representatives of our Auditors, my Colleagues on the Board, Management of FUG Pensions, Distinguished Ladies and Gentlemen, I am pleased to welcome you on behalf of the Board of Directors to the 10th 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, 2016, my first as Chairman of the Board.

Since becoming Chairman in August 2016 and Chairing the first meeting in November 2016, I have enjoyed a busy period getting to know our Company and discovering at first-hand what a superb organization it is. I discovered an organization made up of many talented and principled people who care deeply about the business and ready to make any sacrifice that will advance the cause of the Company. I am glad to be part of this team.

Permit me to present briefly an overview of the major developments that took place in our operating environment and subsequently, the summary of the company's performance for the financial year ended 31st December, 2016.

## **OPERATING ENVIRONMENT**

It has been an eventful year, marked with rising political uncertainty. The Brexit referendum in the United Kingdom and the US election created challenges and raised questions about the existing global economic order. The policy shifts in the United States impacted both developed

and developing economies. The price of crude oil in the international market plummeted significantly during the year and the situation was exacerbated by disruptive activities of militants in the Niger Delta which affected crude oil production volumes. There was consequently a massive reduction in government revenues and spending throughout the year. The year also witnessed drop in foreign reserves and consequent scarcity of supply of US dollars in all tiers of the FOREX market resulting in massive devaluation of the naira. This came with attendant negative impact on interest rates (driven by the increase in the Monetary Policy Rate), implications on finance costs, supply of raw materials and machinery. As a result of FOREX shortages, many companies were unable to pay foreign suppliers for goods and services or had to do so at gravely expensive rates.

Economic activities were further affected negatively by the delay in the process of approval of the 2016 budget. The massive reduction in Federal allocations to States and Local Governments also meant that many States were unable to pay salaries and local contractors leading to a general lull in economic activities and reduction in consumer spending. Inflation soared to a six-year high of 15.6% in May 2016, the highest level since February 2010. The very high inflation rate and growing unemployment reduced consumer spending.

Reflecting the broad weakness in the economy, Nigeria's GDP contracted by 1.7% in 2016, per capita growth was also negative for the period. Foreign reserves account averaged \$26.03bn in 2016 from an average of \$29.81bn in 2015, posting a dip of 12.7% year-on-year. Following

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two quarters of negative GDP growth, the economy was officially declared to be in recession.

The above prevailing economic conditions restricted growth across many sectors and culminated in the closure of several businesses while some businesses struggled but could neither pay salaries nor meet their pension obligations.

## FUG PENSIONS FINANCIAL PERFORMANCE HIGHLIGHTS

Despite the gloomy turn of events in the operating environment, our Company, Future Unity Glanvills Pensions Limited, strived amidst all the adverse market challenges to realize impressive performance.

We recorded ₦744.9 million earnings in the year; an impressive 21% growth, over our performance in 2015. Profit before Tax (PBT) increased by 121% to ₦233.5 million. Operating expenses rose slightly by 0.68% to ₦511.4 million from ₦507.946 million recorded in 2015. Total Assets under Management (AUM) increased by 31.5% to ₦50 billion in 2016 from ₦38 Billion in 2015.

## GOVERNANCE AND CHANGES IN BOARD COMPOSITION

A strong Board complemented with a focused and efficient management and a highly effective corporate governance process continues 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.

The composition of the Board with seasoned professionals who possess diverse and rich experience in the private and public sectors have further enhanced 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 changes occurred in the Board composition during the financial year. I came on board in August 2016 as the Chairman. I would like to take this opportunity to thank Mr. Adeyinka Oyesola Sogunle, the Acting Chairman,

both for ensuring the handover process was carried out in an exemplary manner and for his leadership and personal contribution during what was a period of significant improvement for the Company. On the other hand, Mr. Michael Danjuma Dogo who left in July 2016 functioned as a Non-Executive Director until his resignation from the Board.

## OUTLOOK

Given the current improvement in the negative GDP, expectations are very high that the economy will exit recession by the end of Q2 2017. Indeed, implementation of appropriate policies will lift the economy out of recession in 2017. The recent sustained rise in crude oil to above \$50pbl, strong commitment by the OPEC and non-OPEC member states to cut output effective January 1, 2017, and renewed attempts at calming the restiveness in the Niger-Delta in order to assure steady crude oil production and ultimately boost output to the 2015 peak, are all indicative of the improved prospects of Nigeria coming out of recession soon rather than later.

In demonstration of its strong intent to turn the economy around, the Federal Government has proposed a 2017 financial year budget of ₦7.3tn – 20% higher than the ₦6.1tn for 2016. The budget which was presented to a joint session of the National Assembly (NASS) in December was finally passed by the two chambers of the National Assembly (NASS) recently and assented to by the Ag. President.

Furthermore, the Federal Government has proposed a 3-year \$30bn borrowing plan to fund critical infrastructure needed to spur economic activities and drive growth on a sustainable basis. To further complement the 2017 Budget and articulate the specific medium-term action plans for economic recovery, the Federal Government unveiled the 2017-2020 National Economic Recovery and Growth Plan in the first quarter of 2017.

While the year ahead will present its challenges and uncertainties with regard to the political, regulatory, economic and business environment, I am very optimistic about the future prospects of our Company due to the untapped potentials in the industry; the micro pensions and the informal sector.

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We are well placed to make the most of the opportunities as they emerge. With the medium term strategy plan that we formulated during our retreat in January 2017, we look forward to building further on the impressive 2016 records of profit growth, gross earnings and assets under management.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the teams that have enabled us to achieve these great results 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 and loyalty, whom we want to assure of continuous and even more effective service delivery; 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

**Alhaji Farouk Lawal Yola**  
**Chairman, Board of Directors**