

MANAGING DIRECTOR'S REMARKS

Dear Stakeholders,

I count it a great privilege to present to you the performance of our Company in 2010 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

The economy witnessed another year of impressive growth amidst the current global recession with a GDP growth rate was approximately 7.86%, which was a marked improvement over the growth rate of 6.96% recoded in 2009. Hence, there was a general improvement in economic activities during the year under review culminating into the improved performance of the pension industry.

The Pension Industry benefited immensely from the Nigerian economic growth as Funds under management grew by 32.7% in 2010 resulting to N2.029 trillion worth of pension assets out of which RSA was N980.29b, and RSA Retiree was N127.31b. The RSA growth was 13.2% higher than 2009 figure.

Operational Results

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. Amidst intense competition, 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, 2010, we closed the 2010 financial year with a loss after tax of N62.6m. This was below the N136.7m 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, 2010 indicated a fixed assets net book value of N34.4m, and a Deferred tax assets of N170.2m, while the current assets is made up of prepayments and other receivables of N28.2m and cash and short term funds of N331.5m.

Significant Development

During the year under review, FUG pension fund under management grew from N3.7b the previous year to close the year at N5.9b (60% growth) as fund under management as at December 31, 2010. The Retirement Savings Accounts also increase from 40,176 as at December 2009 to 55,306 (37.7% growth) at the end of the year under review.

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Future Outlook

The Economy

The non-oil sector's performance will continue to play an important role in boosting economic growth in 2011 especially as agricultural output looks set to perform better amidst increased funding for investments and improved weather prospects. Major infrastructural projects are expected to be adequately funded in major commercial cities as a result of the continuous increase in pension fund. In view of the easing of the liquidity in the banking sector, the set up of AMCON is expected to become completed by 2011.

Stock Market

Considering the improvements in the stock market in 2010 fueled mainly by attractive valuations of some companies, we anticipate a further improvement in the year ahead, expected growth drivers of the stock market are, 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, the banking sector reforms and more stability in the macroeconomic environment as a result of political stability being experienced.

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 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.

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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. Suleiman
Managing Director/CEO