



ANNUAL REPORT FOR THE FINANCIAL YEAR 2010

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1.1. UMWALIMU SACCO BACKGROUND

UMWALIMU Savings and Credit Cooperative, referred to as UMWALIMU SACCO, is a **Savings and Credit Cooperative** for Rwandan teachers, mandated to empower the members towards uplifting of their social-economic welfare and to contribute to socio-economic development of the community in which they live.

The establishment of U/SACCO was the initiative from His Excellence the President of the Republic of Rwanda **Paul KAGAME**.

The Ministry of Finance and Economic Planning with the Ministry of Education were charged with responsibility of having the idea implemented. The main concern was the economic position of teachers that would not cater for their basic needs, the budget constraint and the wage bill limit as normally advocated by international financing institutions.

Lack of sufficient financial incentives calls for a combination of benefits and inducements as supplements to low wages. This will contribute to teacher retention, stability, effective curriculum instruction, and may cause positive multiple effects in the community development through small business interactions, joint ventures and other services and skills that may be offered by motivated teachers.

U/SACCO was accepted by the Ministry of Trade and Industry as a cooperative on 21st June 2006 and given license to operate by the National Bank of Rwanda (BNR) on 22nd February 2008.

1.1.1. Our vision

To be a MODEL SACCO in the country, offering high quality, yet affordable financial services to its members.

1.1.2. Our mission

“To improve members’ welfare through provision of appropriate, innovative, affordable and accessible financial services”.

1.1.3. Our Vision

“To be a model SACCO in the country, offering high quality, and affordable, financial services to its members”

1.1.3. Our Motto

“Your Welfare is Our Desire”.

1.1.4. Corporate values

- Objectivity
- Integrity
- Team work
- Accountability
- Efficiency
- Effectiveness

2. CHAIRMAN'S REPORT



U/SACCO Chairman: NZAGAHIMANA Jean Marie Vianney



1st & 2nd Chairpersons of the Board of Directors :
SEBAGANWA Damien and MUKANDAMAGE Annonciata



Secretary of the Board of Directors:
NYIRABAVUGIRIJE Anne Marie



Treasurer : MUGISHA Christophe



Member : NYARWAYA URWINZIZA Pascal



Member : RUGARAGARA Joseph

2.1. Introduction

Am pleased to present to you the Annual Report and Financial Statements for the year ended 31 December 2010. This was a relatively good year for us as it reflected the ongoing growth momentum for the business and witnessed real progress towards establishing UMWALIMU SACCO as a strong micro finance across the Rwandan financial industry. This ongoing good performance in the business has impacted confidence and a strong spirit of ownership from the shareholders.

Our vision is being guided by an ambitious growth plan that will not only succeed with financial strength and excellence execution as the core ingredients but also the continuous support and guidance from Board is equally important. Our dynamic management team will work tirelessly on further enhancing the Cooperative's financial strength including accessing our financial services more close to the members.

As I wind up my first statement as Chairman of the Board, I am humbled to express my deep gratitude for having elected me as the Chairman of the Board at such a critical time in the Cooperative's development. In 2010, UMWALIMU SACCO achieved commendable results in spite of the challenging operating environment in the aftermath of the global financial crisis, to our clients who have portrayed the loyalty and confidence in the cooperative which we all appreciate. I also wish to thank the entire management staff of UMWALIMU SACCO, for their tireless, determination and unwavering commitment to achieving excellence. Lastly, I would like to thank my fellow Board members for their support in the pursuit to lift the teacher's social economic welfare and making UMWALIMU SACCO a MODEL SACCO not only in Rwanda but also across the East African region.

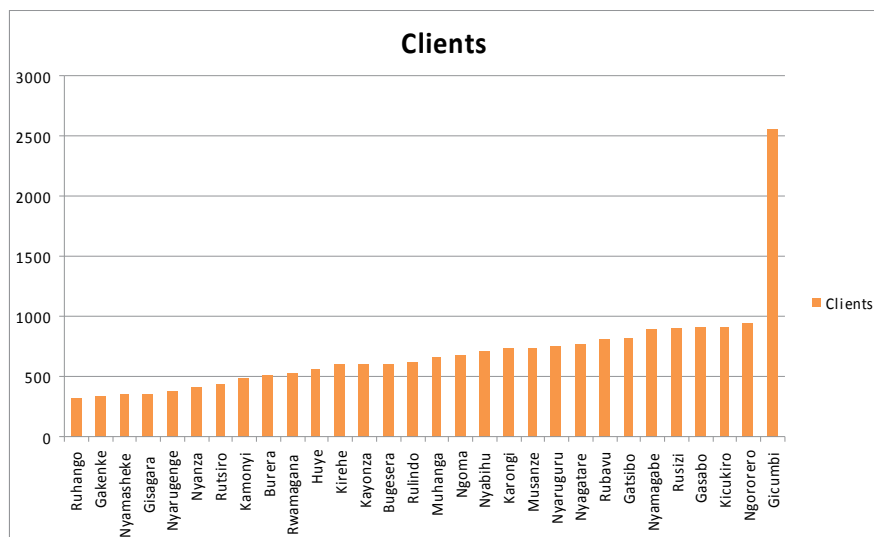
2,034,060,066 Frw has been mobilized as member's savings, giving loans equivalent to 5,679,122,374 Frw distributed among 1,115 members at a competitively low interest of 14% per annum, a move that ought to be encouraged so that the momentum is not lost because there are so many teachers in need of short and medium term loans yet their monthly savings can not meet those needs. There is much influx of teachers to U/SACCO with restored hope of having their financial problems addressed. Well structured speedy and thought out strategies have been fundamental in the capturing of teacher's confidence. U/SACCO currently has 50,924 members of which 14,648 pass their salaries through the U/SACCO, an advent that all members have hailed and are supportive of due to the cooperative's demonstrated capacity of efficiency and of being the leading financial house to pay teacher's salaries in time and quickly in the whole country. Special attention is being paid to recent global recession especially avoiding laxity in inventory investment and making sure that the risk of loans disbursement and recovery tend to zero.

In order to ensure member's ownership of the cooperative, U/SACCO has taken another step of educating its members on the basic business planning principles, a skill that will not only qualify them to acquire loans but also for better management of their business ventures. Feasibility studies are being carried out on how the U/SACCO can create enterprise cooperative for teachers in schools. Coupled with the introduction of one laptop per teacher and solar energy, to match with the one laptop per child. These new visionary products require heavy investment estimated to a tune of 22 billions Frw but we are optimistic that once these funds are mobilized, a remarkable change in the teacher's social-economic welfare will be evident.

2.2. Membership and Savings (Graph showing the evolution)

Member's savings by district

District	Clients	Amount
Ruhango	320	150547700
Gakenke	338	122563038
Nyamasheke	348	142807820
Gisagara	349	133468950
Nyarugenge	378	214900584
Nyanza	416	203299104
Rutsiro	432	195491226
Kamonyi	491	210110235
Burera	511	171311241
Rwamagana	533	254333336
Huye	562	252045176
Kirehe	605	217286360
Kayonza	607	257516470
Bugesera	608	256055360
Rulindo	619	231704526
Muhanga	657	315485640
Ngoma	680	363725784
Nyabihu	715	264237766
Karongi	732	371370050
Musanze	734	333603837
Nyaruguru	754	288663433
Nyagatare	767	344085016
Rubavu	807	397037060
Gatsibo	815	271964135
Nyamagabe	893	346842746
Rusizi	906	364898200
Gasabo	910	667183147
Kicukiro	912	642130227
Ngororero	949	490361550
Gicumbi	2548	572959689



Our membership is steadily increasing from 42,017 members in 2009 to 50,924 members with also an increase in the permanent savings from Rwf 1,770,741,675 to Rwf 2,539,915,674.

Thank you.

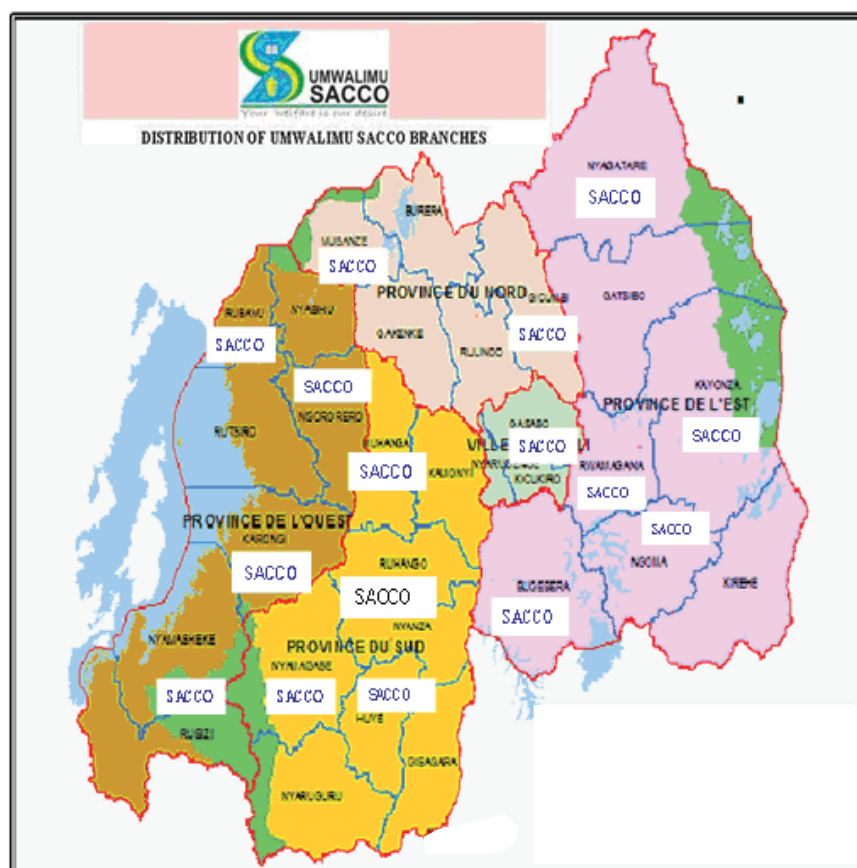
Signature

Jean Marie Vianney NZAGAHIMANA
U/SACCO Chairman

3. DISTRIBUTION OF U/SACCO BRANCHES

UMWALIMU SACCO has 16 branches namely; Nyagatare, Kayonza, Ngoma, Rwamagana, Bugesera, Gicumbi, Musanze, Muhanga, Nyanza, Huye, Nyamagabe, Rusizi, Rubavu, Karongi, Ngororero, and the Head office at Remera. All being centralized to the Head office for quick accessibility of data and information, a framework for efficient and effective monitoring and evaluation mechanism enabling the U/SACCO to demonstrate unquestionable internal control system to minimize risks and produce quality results.

Distribution of UMWALIMU SACCO Branches



4. MANAGING DIRECTOR'S REPORT



U/SACCO Managing Director: MUSERUKA Joseph

4.1. Introduction

I am pleased to report that in 2010 our Cooperative UMWALIMU SACCO continued the growth path. The Rwandan financial industry as a whole had a good year in 2010, as the global macroeconomic conditions improved, the Rwandan economy continued to grow and so did the sector liquidity. UMWALIMU SACCO's strategy is to become a regional MODEL Savings and Credit Cooperative universal with a ubiquitous branch network and modern, high-capacity technology driven banking channels in order to maximize our client's value.

Even though 2009 was a difficult year that marked the beginning of the global economic recession and credit crunch, the Cooperative's competitive environment stably intensified where by the Cooperative continued to render its core financial services to its members in a higher gear. U/SACCO aspires at all accounts what lifts the socio-economic welfare of its members based on our philosophy of «Your Welfare is Our Desire». The management and staff will continue working closely with timely, accurately and bold actions to put U/SACCO on a lime light.

Over the last two years, the cooperative is proud to have registered remarkable achievements and milestones especially being able to serve its customers beyond their expectations across the country.

4.2. Our Inspiration

The Board and the Management of UMWALIMU SACCO are guided by Global Best Practice in leading the business to greater heights of prosperity and regularly review the systems that govern our operations to minimize risks and benefits from improved efficiencies. Policies, procedures and practices are established to identify, evaluate, address, monitor and manage the cooperative's exposure to these risks through limiting individual positions to acceptable levels, and encourage decision makers to manage risk in a manner that is consistent with the cooperative's goals and objectives. The adopted tools include among others, setting standard financial reporting, position limits, and/or minimum standards for participation and investment guidelines or strategies.

4.3. Acknowledgments

We continue to record higher performance year on year due to patronage and loyalty of our customers. We would like to appreciate the loyalty and pledge to continuously improve our customer service.

We value and appreciate the contribution of all our staff. It is through hard work and dedication to delivering strong service to all our customers that enabled the Cooperative to maintain its leadership position in performance. We are on course with our human capital development initiative that aims to make U/SACCO Bank the employer of choice in the market. My appreciation goes to our Board of Directors who throughout the year diligently and tirelessly guided our directions and initiatives. My thanks to our shareholders and other stakeholders, we continue to create value for the shareholders.

4.4. Achievements

Going forward, we want to focus on consolidating our business and accelerate expansion across the country.

Over the last three years, the cooperative is proud to have registered remarkable achievements and milestones especially being able to serve its members beyond their expectations in the following dimensions:

The cooperative's demonstrated capacity of timely and quick payment of the teacher's salaries and loan services.

- So far 50,924 active members have been mobilized as members
- Since August 2010 the cooperative has been able to raise its loan ceiling from Rwf 3,000,000 payable in 2 years to Rwf 15,000,000 payable in-5 years.

Summary of the Cooperative's financial position:AS at 31st December 2010

Financial Performance

Description	2009	2010	Variance	Comments
Member	42,017	50924	8,907	
Permanent savings	1,770,741,675	2,539,915,674	769,173,999	
Free savings	326,178,809	1,272,797,946	946,619,137	
Number and amount of loans				
Number of loans/Agriculture	328	629	301	
Amount	118,177,220	202,028,364	83,851,144	
Number of loans/livestock	620	1,342	722	
Amount	245,951,314	439,519,014	193,567,700	
Number of loans/construction	2,396	5,295	2,899	
Amount	874,549,724	2,064,590,681	1,190,040,957	
Number of loans/School fees	513	1,812	1299	
Amount	163,453,141	494,057,873	330,604,732	
Other loans	1,170	16,607	15,437	<i>These include small business</i>
Amount	701,110,444	2,909,894,541	2,202,784,097	
Total number of loans for long and medium term	5,027	25,685	20,658	<i>These don't include overdraft (découvert)</i>
Total amount of loans	2,103,241,843			
Loan Portfolio/Total outstanding loan	2,089,356,524	6,110,090,473	4,020,733,949	

Description	2009	2010	Variance	Comments
Profit	116,408,116 (with support of Government)	166 331 264	499 231 48	In 2009, Government Grant was used in operations expenditure which 374 million in salaries. In 2010, 123 million was realized as profit after covering all operations expenditure which 440 million in salaries. We expect to realize more profit in the following years
Liquidity	1,624,237,467	957,038,307	667,199,160	Low liquidity because of the more loans that are being offered than in 2009. it composed of teachers salaries for December not yet paid
Total assets	4,104,110,735	7,261,270,105	3,157 159 370	Net assets after depreciation and provisions. The big part of our assets is composed of the loans that are given to members
Share Capital	349,493,474	395,711,447	46,217,973	
Non performing loans	199,634,179 (9.5%)	578,831,328 (9.4%)	379,197,149	The reasons are: -some teachers were fired from their work, teachers whose salary don't cover their installments, teachers who left or changes their work. Mechanisms are now in place for recovering those loans.

Description	2009	2010	Variance	Comments
Branch	16	16	-	- 7 mobile counters have already opened - Before the end of March, we expect to open mobile counter in each district
Staff	79	92	13	
Temporary staff and local defense force		56		
Government Grant	2,315,971,170	3,267,173,640	951,202,470	We expect 250 millions as the remaining balance on the Government budget

N.B: Since 2010, all Government grant given is used to give loan to teachers, not for paying salaries or function expenditures like last years.

- Increased member's permanent savings of Rwf 2,539,915,674 as at December 31, 2010, remunerated by 4% per annum.
- Establishment of a funeral mutual fund where by each member voluntarily makes a monthly contribution of Rwf 300 and in case of death gains a benefit support of Rwf 300,000, when the deceased is a spouse and Rwf 200,000 if the deceased is a child. This fund is already operational since September 2010 and 63 members have benefited from it. The beneficiary only just presents to the nearest UMWALIMU SACCO branch office a death certificate of the deceased and a Headmaster's approval in case the deceased was teacher and an approval from the Executive Secretary on the cell level if the deceased was a headmaster.
- Over 40,000 cases of teachers demanding loans have received loans from their cooperative, including overdrafts that are given to teachers immediately at all UMWALIMU SACCO branch offices during every working day of the month.
- Introduction of member's pass books where by they can easily monitor the evolution of their permanent savings.
- Establishment of mobile counters specifically in those districts where U/SACCO has no branch offices thus, curbing down the proximity problem.
- As highlighted in the cooperative's financial performance, I have the pleasure to inform our shareholders and the public in the year 2010 we managed to make profits of Rwf 64million after all other operating expenses whereas in the year 2009 the cooperative operated in a loss zone.
- I personally managed to visit 26 Districts in a bid to clearly listen to the needs of our members and then find the best way to implement their demand in a combined effort.
- The cooperative's institutional documents were reviewed and put to the standard that suits our daily operations, namely: Internal Rules and Regulations, Human Resources procedures manual, Credit policy and the Business plan.

4.5. Customer Service

In line with the national call UMWALIMU SACCO clearly understands its member's needs and so conceives customer service as a prime consideration among its doctrines. We have demonstrated the highest capacity of efficiency in

being the leading financial house to pay the teacher's salaries in time and quick manner through out the country. We value the fact that a lost member to U/SACCO means lost revenue and an unhappy member damages the cooperative's credibility. That is why the Cooperative is in the process of seeking approval from the Central Bank to open more branches as one way of ensuring easy access to our services to all our existing and potential clients. On our part, the Cooperative reciprocates through provision of loans and advances. Clients with a good track record of saving with the Cooperative find it easy to access loans and advances since the Cooperative can be able to evaluate the customers' ability to service their loans and advances.

4.6. Human Resource Development

UMWALIMU SACCO policy places staff at the centre. The Cooperative's staff is its most valuable asset and the manner in which the U/SACCO has managed its staff has been a crucial contributor to the cooperative's success. U/SACCO is focused on building the skills and competencies of staff at various levels and to meet the current knowledge business demands.

The cooperative's goal is to aspire at all times to be "the employer of first choice". Through the compassionate management of its human capital U/SACCO would like to create a dedicated team who are passionate about what they do and who on their own initiate, direct and synergize their common creativity towards achieving continuous excellence and greater levels of customer convenience.



U/SACCO Staff : The Managing Director (left) poses for a group photo with some of the staff from after training.

4.7. Risk Management and Compliance

Given the events across the world, the risk management bar has been raised as the major problems afflicting the failed institutions arose from poor risk management. At UMWALIMU SACCO, we have taken steps to establish the risk management position in the Cooperative's governance structures, we have undertaken an overall review of the policies and procedures as a dynamic process relative to changes in the market conditions. The policy framework being reviewed includes risk management, credit, liquidity and Assets and Liability management, business continuity and disaster recovery plans. Likewise, as part of our ongoing reforms, we are investing in risk management and compliance education and awareness to all our staff. We are creating a culture of risk management in our strategic approach to business. We are promoting compliance and accountability among all our staff as a new culture at UMWALIMU SACCO. This will especially be enhanced through our human capital development initiative currently underway.

4.8. Future Outlook

The future of the cooperative looks promising as we are revising our institutional policy documents so as to suit the dynamics of the financial services industry. These policy documents include among others a five year business plan to take the business forward covering essential areas such as financial targets, business expansion, product innovation and human resource development. We will review and refresh this plan annually to ensure it reflects business realities and economic circumstances of the time and we are certainly confident that we will achieve our business objectives on the platform of this plan.

- Encouraging the development of ICT knowledge through the initiation of laptop loans to teachers.
- Offering solar energy loans to teacher especially to teachers in areas with no electricity, a move that will in turn promote the government's policy of quality education and environmental protection.
- Establishment of Enterprise cooperatives (solidarity loan) where by teachers will be mobilized into cooperatives in order to minimize credit risks but rather increase accessibility to big loans for investment in income generating projects that are viable in their respective geographical regions (we have some good experience).
- Training of teachers in management of the cooperative, **first step** will concern 416 teachers in 2011, meaning one teacher from each sector of our country and training will be organized at the province level. The implementation is already agreed upon between Umwalimu SACCO and RDB. **Second step** will concern one teacher from each cell and training will be organized at the district level and it will be held in 2012. **Third step**, one teacher from each Umudugudu will be trained at sector level in 2013. This kind of practice can help in training of all country in management of the cooperative, through the multiplier effect, as teachers are living in Umudugudu.
- Construction of UMWALIMU SACCO head office in 2 years time to come.



The Managing Director (with a microphone) talking to member delegates as other Board of Director members look on.

4.9. Conclusion

We cannot ignore the fact that the general economic outlook remains challenging. Given where we stand as a group today we are very well positioned to build on the strong foundations we have laid and to deliver significant returns going forward. In times of uncertainty it's essential we are focused and self assured about our strategy. We remain committed to being the

leading Savings and Credit Cooperative in Rwanda and even in the region and our future plans are designed for us to continually focus on this important goals. In closing thanks go to you, our loyal customers, whose continued support has been instrumental in UMWALIMU SACCO's growth and expansion. I would also wish to thank the staff for their dedication and support. Their commitment and passion in building the UMWALIMU SACCO brand certainly makes my job easier. Finally, I would wish to thank the Board of Directors for their continued guidance and input. The energy and vigor with which they carry out their duties has greatly assisted in growing the Cooperative over the years.

Thank you.

Signature

MUSERUKA Joseph
Managing Director

5. CORPORATE GOVERNANCE STATEMENT

As part of our culture, the Board is committed to good corporate governance, ethical behaviors and values necessary to maintain the highest standards of accountability, transparency and integrity while remaining responsive to our stakeholders and the community.

During the year, the National Bank of Rwanda published its Regulation on Corporate Governance. In addition to the Supervisory Committee, We have also taken an opportunity to introduce improvements in our governance structures including the Sub-Committees like the Credit and Finance committee, Education and Training, and Legal and Human Resource, which are responsible for developing and monitoring the U/SACCO's risk management policies in their specific areas. This brought forth an extremely useful initiative. The Supervisory Committee is responsible for the reviewing the institutional operations framework in relation to the risks faced by U/SACCO.

5.1. Supervisory Committee

The supervisory committee supervises the functioning of internal auditors and counterchecks whether the guidelines set up by the board and general assembly are properly implemented.

They supervise the management of the cooperative once in three months and so far they have honored their obligations and their advice and recommendations have added some value into the internal control mechanism.



Chairperson :
MUKAMAKUZA Cecile



Secretary :
NDAYAMBAJE Albert



Member :
MUKAKALISA Marie Françoise

5.2. Respective dates of appointment of the Board of directors

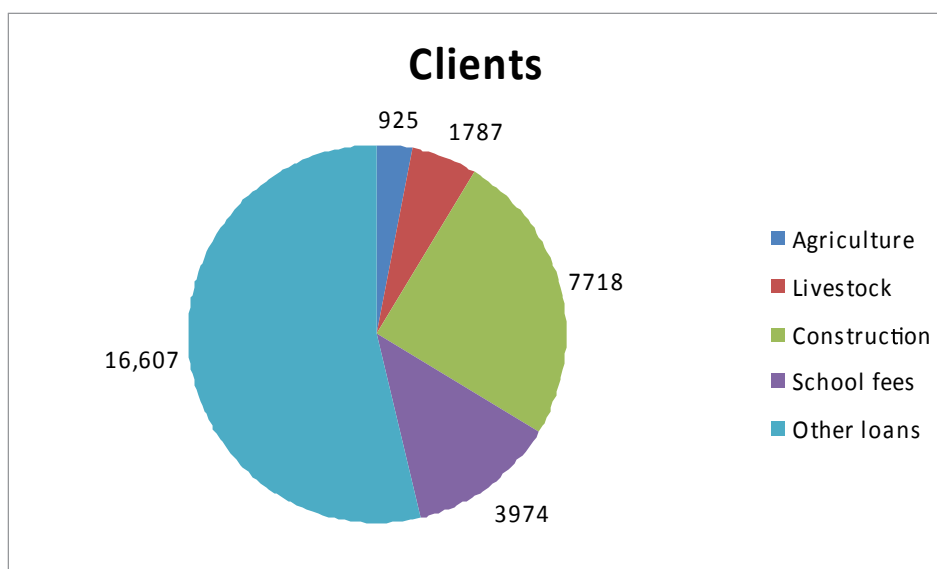
NAMES	POSITION	DATE
Mr. J.M.V NZAGAHIMANA	Chairperson	Appointed on 19/11/2009
Mr. Damien M. SEBAGANWA	1 st Deputy	Re-appointed 29/03/2009
	Chairperson	
Mrs. Annonciata MUKANDAMAGE	2 nd Deputy Chairperson	Appointed 29/03/2009
Mrs. Anne Marie NYIRABAVUGIRIJE	Secretary	Re-appointed 29/03/2009
Mr. Christophe MUGISHA	Treasurer	Re-appointed 29/03/2009
Mr. Pascal NYARWAYA URWINZIZA	Member	Re-appointed 29/03/2009
Mr. Joseph K. RUGARAGARA	Member	Re-appointed 29/03/2009

Supervisory Committee

NAMES	POSITION	DATE
Mrs. Cécile MUKAMAKUZA	Chairperson	Re-appointed 29/03/2009
Mr. Albert NDAYAMBAJE	Member	Re-appointed 29/03/2009
Mr. MUKAKALISA Marie Françoise	Member	21/03/2010

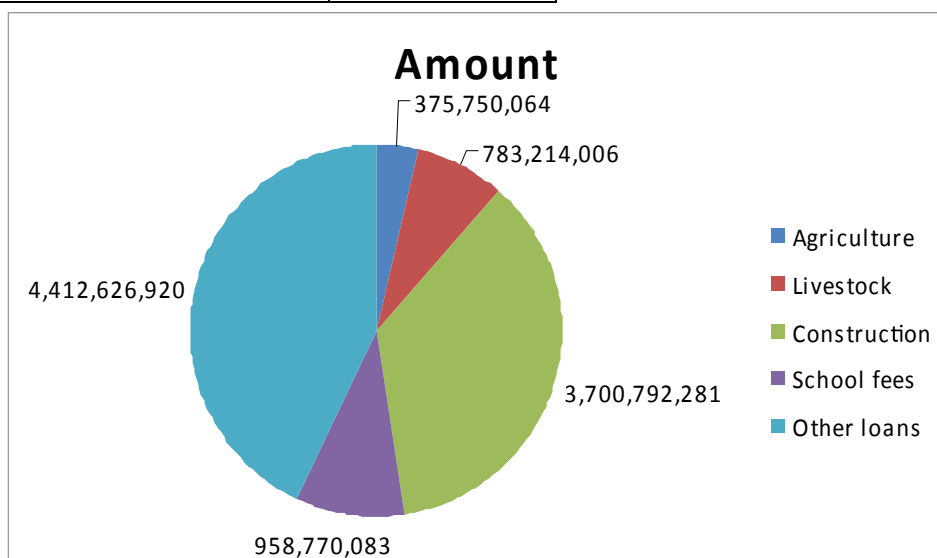
Loan amount given to teachers by sector of activity and the corresponding number of clients

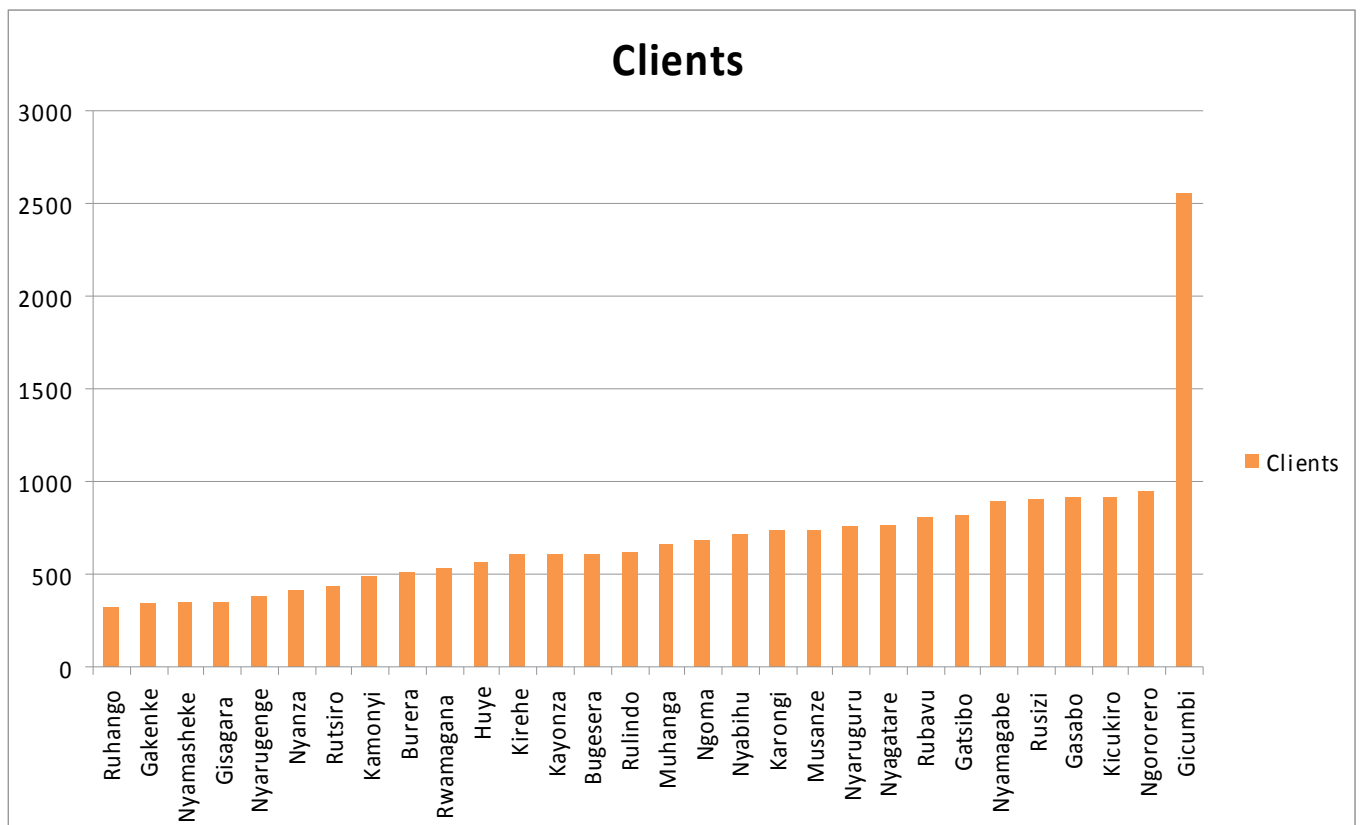
Sector	Clients	Amount
Agriculture	925	375,750,064
Livestock	1787	783,214,006
Construction	7718	3,700,792,281
School fees	3974	958,770,083
Other loans	16,607	4,412,626,920



Loan amount given to teachers by sector of activity

Sector	Amount
Agriculture	375,750,064
Livestock	783,214,006
Construction	3,700,792,281
School fees	958,770,083
Other loans	4,412,626,920





Front Office services: Teachers being served at
the SACCO Head Offices

6. UMWALIMU SACCO SUCCESS STORIES



Terimbere Mwalimu Cooperative:
Pineapple plantation of about 2 hectares
in Ngoma District,



SACCO loan: Teacher, MUGABO Willison
in Nyagatare District possess a fresean cow
that earns him 20 litres of milk per day



SACCO loan: Teacher FARANGA Leonard, in
his Irish potatoesterraced gardens



SACCO loan: Poultry house for Teacher
MUBANO Irene in RULINDO District

UMWALIMU SACCO SUCCESS STORIES (Continued)



SACCO loan: Teacher MUREKATETE Anastasie with her taxi special hire - Nyakabanda Kicukiro District



SACCO loan: Teacher MUKAMUKIZA Odette outside her rehabilitated home in Remera Gasabo District



SACCO loan:
Teacher, MUKAHABAGUSENGA Jeannette poses for a photo on her motorcycle



SACCO loan: Students hostel for Teacher NDUWAMUNGU Immaculée in Gakenke District

Report of the Directors

The directors submit their report and the audited financial statements for the period ended 31st December 2010, that disclose the state of affairs of Umwalimu SACCO.

Incorporation

The SACCO was incorporated on 22nd February 2008 and commenced trading on the same date.

Principal Activities

The SACCO's principal activity is that of savings and credit.

Results

	2010 Rwf	2009 Rwf
Profit before tax	166,331,264	116,408,116
Tax charge (Exempted)	-	-
Profit for the period	<u>166,331,264</u>	<u>116,408,116</u>

Dividend

The directors do not recommend the declaration of dividend for the period. This is in regard to Article 66 regulation no. 02/2009 on activities of Microfinance organizations (BNR) and the fact that profit of Rwf 166,331,264 is arrived at after including Government grants and donations of Rwf; 100,412,980 that covered depreciation of fixed assets. Similarly for the period ended 31st December 2009, profits were recorded after including donations and Government grants of Rwf. 570,062,145 that was used to pay staff salaries and cover depreciation on fixed assets. Therefore, to these extent the results do not depict real profits. When we compare the two periods by analyzing the two said accounts (government subsidies to the SACCO against operating expenses and profit of the two years) we realize a substantial improvement of Rwf 519,572,313.


Directors

The directors who held office during the period and to the date of this report are shown in the report.

Auditors

The auditors: TM Auditors who were appointed in the previous period vacated office in accordance with rules governing appointment and vacation of office as auditors.

By order of the board



Director

Kigali



2011


Statement of Directors' Responsibilities

The Laws governing Cooperative societies in Rwanda requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the SACCO as at the end of the financial period and of the results for that period. It also requires the directors to ensure that the SACCO maintains proper accounting records which disclose with reasonable accuracy the financial position of the SACCO. The directors are also responsible for safeguarding the assets of the SACCO.

The directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous periods, and in conformity with International Financial Reporting Standards and the requirements of the Law Governing SACCO Societies in Rwanda. The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the SACCO as at 31st December 2010 and of its operating results for the period then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the SACCO which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the directors to indicate that the Umwalimu SACCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 04/05 2011 and signed on its behalf by:



Director

Director

**Report of the independent Auditors
To the members of Umwalimu Sacco**

Report on the financial statements

We have audited the accompanying financial statements of Umwalimu SACCO set out on pages 7 to 19 which comprise the balance sheet as at 31st December 2010 and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Laws Governing Cooperative societies in Rwanda. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matter of emphasis

Without necessarily qualifying the opinion, our attention is drawn to issues raised in note no. 15 accompanying these financial statements in which we realised a multiple of unexplained account balances and differences that would cause mistatements in various account balances.

Opinion

In our opinion, except for the effect of such adjustments, as might have been determined to be necessary had we been able to satisfy ourselves, the financial statements present fairly, in all material respects the financial position of Umwalimu Sacco as of 31st December 2010, and of its financial position and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the laws Governing Cooperative Societies in Rwanda.

**TM Auditors; Represented by,
Mr NSHIZIRUNGU TUNDA Telesphore
Partner**

Date: _____



Income statement

	2010 Rwf	2009 Rwf
Financial revenues	1,032,977,563	351,433,217
Financial Expenses	(77,115,904)	(42,910,499)
Financial margin	<u>955,861,659</u>	<u>308,522,718</u>
Provision for loan losses	(201,184,150)	(56,255,547)
Loans written off (During the year)	(50,690,911)	-
Recoveries on loans	107,865,152	-
Operating expenses	<u>(806,561,863)</u>	<u>(707,576,180)</u>
Profit/Loss from operations	5,289,887	(455,309,009)
Grants and donations	100,412,980	570,062,145
Non operating revenues	69,330,152	2,076,153
Non operating expenses	<u>(8,701,755)</u>	<u>(421,173)</u>
	<u>60,628,397</u>	<u>1,654,980</u>
Profit before tax	166,331,264	116,408,116
Tax (exempted)		
Profit for the year	<u>166,331,264</u>	<u>116,408,116</u>

Balance sheet

	2010 Rwf	2009 Rwf
Current assets		
Cash and cash equivalents	972,800,401	1,013,213,855
Loan Portfolios	5,953,877,810	2,025,613,870
Trade and other receivables	110,831,285	611,023,612
Stocks	18,255,314	-
	<u>7,055,764,810</u>	<u>3,649,851,337</u>
Non-current assets		
Plant and equipment	<u>254,913,377</u>	<u>389,315,174</u>
Net assets	<u>7,310,678,187</u>	<u>4,039,166,511</u>
Liabilities and shareholders' equity		
Liabilities		
Trade creditors	4,321,899,921	2,101,532,484
Accruals	<u>32,513,808</u>	<u>72,033,296</u>
	<u>4,354,413,729</u>	<u>2,173,565,780</u>
Shareholders' equity		
Share capital	395,624,447	349,081,474
Accumulated Reserves	334,862,396	168,531,132
Grants and Donations	<u>2,225,777,615</u>	<u>1,347,988,125</u>
Shareholders' funds	<u>2,956,264,458</u>	<u>1,865,600,731</u>
Non current liabilities		
Related party Borrowings		<u>421,173</u>
Total liabilities and equity	<u>7,310,678,187</u>	<u>4,039,166,511</u>

The financial statements were approved for issue by the Board of Directors

on 03/04/ 2011 and were signed on its behalf by:

 Director

 Director

The notes on pages 10 to 17 form an integral part of these financial statements.

Report of the independent auditors - pages 4 and 5.

Cash flow statement	2010 Rwf	2009 Rwf
Operating activities		
Cash applied to operations	(997,655,239)	(148,908,928)
Provision for bad debts	(157,061,652)	-
Taxes paid	22,075,729	-
Non cash adjustments	1,179,456,993	(310,047,566)
Interests on customer deposits	70,590,006	-
Loan loss covered by credit solidarity fund	10,000	-
Net cash used in operating activities	<u>117,415,837</u>	<u>(458,956,494)</u>
Investing activities		
Purchase of property, plant and equipment	<u>(68,947,899)</u>	<u>(114,248,192)</u>
Net cash (used in) investing activities	<u>(68,947,899)</u>	<u>(114,248,192)</u>
Financing activities		
Issue of share capital	46,542,973	39,462,686
Proceeds from grants and donations	877,789,490	1,546,955,855
Net cash generated from financing activities	<u>924,332,463</u>	<u>1,586,418,541</u>
Movement in cash and cash equivalents	<u>972,800,401</u>	<u>1,013,213,855</u>
At start of period	1,013,213,855	576,506,064
Decrease/Increase	<u>(40,413,454)</u>	<u>436,707,791</u>
At end of period	<u><u>972,800,401</u></u>	<u><u>1,013,213,855</u></u>