



**UMWALIMU  
SACCO**

*Your welfare is our desire*



**ANNUAL REPORT  
2012**



# CORPORATE INFORMATION

## REGISTERED OFFICE

## UMWALIMU SACCO

P.O. Box 2257

Kigali

Rwanda

Opposite Rwanda Education Board

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www.umwalimusacco.co.rw

TIN/VAT: 101522783

## BANKERS

### Ecobank SA

Avenue de la Paix

Kigali

Rwanda

### Bank of Kigali

Kigali

Rwanda

### Banque Rwandese de Development

Kigali

Rwanda

### Cogebanque

Kigali

Rwanda

### Kenya Commercial Bank

Kigali

Rwanda

### Banque Commerciale du Rwanda SA

Kigali

Rwanda

### FINA Bank SA

Boulevard de la Revolution

Kigali

Rwanda

### Banque Nationale du Rwanda

Avenue Paul VI

Kigali

Rwanda

## AUDITORS Garry White Knight

Certified Public Accountant

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# OUR FINANCIAL PRODUCTS

## LOAN PRODUCTS

- Construction loan
- Business loan
- Agriculture loan
- School fees loan

## SAVINGS PRODUCTS

- Free savings
- Permanent savings

## OTHER SOCIAL PRODUCTS

- Funeral solidarity fund
- Credit solidarity fund

## OUR VISION

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

## OUR MISSION

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

## CORPORATE VALUES

- Objectivity
- Integrity
- Team work
- Accountability
- Efficiency
- Effectiveness
- Zero tolerance to corruption and fraud



# CHAIRMAN'S STATEMENT



Mr. NZAGAHIMANA Jean Marie Vianney

On the behalf of UMWALIMU SACCO Board of Directors, I'm pleased to present the Cooperative's financial statements for the year 2012.

## Operating environment

The year 2012 was characterized by global economic shocks. According to the National bank of Rwanda in its 2013 Monetary Policy Financial Stability Statement, this unstable macroeconomic environment was due to escalating sovereign debt crisis in Europe and following concerns about the fiscal cliff in USA. IMF estimates show that, the world real GDP increased by 3.2% in 2012, lower than 3.9% achieved in 2011 and 3.5% projected in 2013.

Despite these turbulences, the Rwanda economy continued to be resilient, performing well in line 7.7% initial projections for 2012. Real GDP growth was 7.5%, 9.9% and 7.3% respectively in Quarter 1 (Q1), Q2 and Q3 in 2012, mainly driven by services and industry. Agriculture performance has been modest due to unfavorable weather conditions. The Rwandan financial sector stability continued to be stable throughout the year 2012 and all Sectors complemented each other in the national development. The authorities tightened the monetary policy to contain inflation, while fiscal consolidation remains on track and is expected

to further anchor the country's macroeconomic stability.

The banking system in particular continues to be liquid and profitable, with a decline in non-performing loans (NPL) standing at 6.1% due to strengthened legal, regulatory and supervisory framework.

The microfinance sector in which UMWALIMU SACCO recorded a positive performance with the continued expansion of its balance sheet, realizing 28.8% asset growth. By the end of December 2012, the sector registered deposits and gross loans amounting to Rwf 54.15 billion and Rwf 58.93 billion respectively. Additionally, the SACCOS continued to play a significant role in expanding financial inclusion.

During the year UMWALIMU SACCO recorded a net income of Rwf 865,261,281 over the corresponding Rwf 700,033,594 for the year 2011. Our loan book grew up to Rwf 19,249,495,378, which is a reflection of the Cooperative's moving closer to attaining its mission of up lifting the social economic welfare of the Rwanda Teachers during this difficult period. Risk mitigation was also ensured through a diverse business model that took into such as encouraging loan disbursements in groups or Teacher's Enterprise Cooperatives, a segment with low risks and involve in a wide range of income generating projects.

The focal point for the Cooperative remains to make UMWALIMU SACCO a MODEL SACCO which focuses on establishing meaningful relationships with its clients and providing excellent customer service. This strategic focus has been reinforced by the progress made by the expansion of our branch network. During the year, 10 new additional branch offices were launched, bringing our nationwide network to 30 branch offices.

We are optimistic that the investment made in these branch offices will contribute positively to the Cooperative's results in the near future. The management of UMWALIMU SACCO is committed to simultaneously strengthening its operations and increasing efficiency and productivity to increasing their profitability and grow the balance sheets.

## The Board and Corporate governance

The Board recognizes that strong management and corporate governance are key components of our business model and of particular importance in the banking sector where we are guardians of teacher's funds. UMWALIMU SACCO's strategy has been to ensure strict adherence to regulatory guidelines on business and operational matters. Our aim has consistently been the achievement of global best practices in corporate governance. Beyond the rules, policies and procedures, the Cooperative recognizes the importance of fostering a culture of belief and commitment to the highest standards of business ethics.

The Board will continue to play its role effectively under the corporate governance structure. The non-executive directors will continue to maintain oversight on the management of the Cooperative, through board meetings as well through the various board committees.

A vital component of the achievement and aspirations of the Cooperative for growth and success is the performance its employees. In regard, UMWALIMU SACCO maintains its focus on staff development, both professionally and personally, as it prepares to move into its next phase of growth.

To attract and retain talent, the Cooperative strives to maintain and improve on a healthy, vibrant and learning work environment. Our Cooperative's human capital strategy encourages a performance culture, with staff development and compensation as its cornerstone. Our staff members are committed to the highest standards of service delivery, underpinned by team work, professionalism,

customer orientation and the most demanding level of integrity.

## Outlook

As we look into 2013 and beyond, we expect the regional economies to continue its growth momentum, especially in the light of the significant infrastructure projects and regional integration. The Cooperative will continue to capitalize on its core competencies in the financial sector, while exploiting opportunities arising out of the untiring support of the Government of Rwanda. In this regard, we will continue to challenge ourselves to improve further. On this note, I look forward to a fulfilling and successful 2013.

## Appreciation

On the behalf of the Board, I would like to thank our partners, particularly our loyal members, regulators and service partners for their continued support and partnership that has enabled us to deliver the results. I particularly wish to thank the Management and the staff for their commitment during the very engaging and activity-packed year of 2012. I thank them for their commitment, diligence and dedication. I also wish to acknowledge with appreciation my colleagues on the board. The Directors continue to give their time and very valuable expertise and experience to the Cooperative. This contribution cannot be taken for granted and I thank them most sincerely.

Chairman's Signature



Right to Left: Umwalimu Sacco Chairman handing over a certificate of participation to the Managing Director





# MANAGING DIRECTOR'S STATEMENT



It gives me pleasure to present to you UMWALIMUSACCO's annual report and financial statements for the 2012. We have continued to live to the purpose of up lifting the Rwandan teacher's social economic welfare by availing to them affordable, modern and inclusive financial services in a year that was characterized by several adverse economic and financial events.

Within a period of two years (2010-2012), UMWALIMU SACCO registered a lot of successes in members account numbers, over all operational growth and staff growth. The future holds a lot for the Cooperative as we continue our ceaseless efforts for innovation and being drivers of change and development.

UMWALIM SACCO will continue being guided by the principle of customer focus and stake holder value backed by a sound corporate governance. This will enable the cooperative to achieve ethical value and sustainable value creation. The outlook for principle lines of business remains favorable given the robust macroeconomic environment and commerce. Further development of our branch network and service quality in the financial sector creates attractive opportunities. The current product range will be enhanced to include electronic banking channel and new products to suit the various member

needs while new innovations will be explored in areas such as long term mortgage financing.

Major focus points have been up scaling skills, branch expansion, technology up grade and Cooperative-wide risk management. During the year a big number of staff had management based programs, leadership, project management and credit administration.

## Financial Review

Our net income for the year 2012 was of Rwf 865,261,281 (2011, Rwf 700,033,594). The performance can be rated creditable spread over the net interest income from loans, fees and commission income, which demonstrates the Cooperative's improved all round performance, as the Cooperative remained fully compliant with all regulatory and statutory requirements during the year.

Our membership steadily increased to a total number of 70,924 as active members (2011, 59,598 active members). The member's permanent savings significantly increase from 4,081,577,363 in 2011 to Rwf 5,482,276,477 in 2012.

During the year 2012, the Cooperative's total operating costs amounted to Rwf 1,606,019,521, above more than Rwf 496,833,789 vis-à-vis those of 2011 largely due to the investment made in the new branch offices.

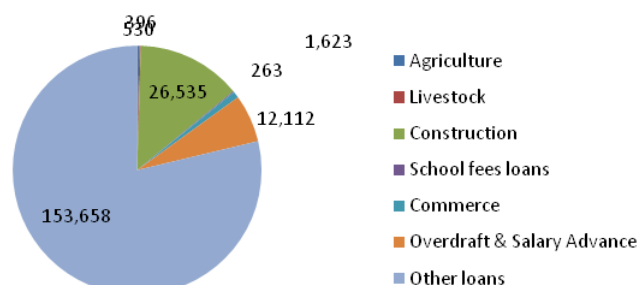
## Loan book growth

The Cooperative disbursed 195,117 total number of loans amounting to Rwf 19,249,495,378 with 8,870,285,674 as outstanding loan amount. This demonstrates the Cooperative's commitment to national development, that even during the hard times the Cooperative continued to lend money to support our members make investments to uplift their social economic welfare. On qualitative terms, the NPL ration declined from 10.78% in 2011 to 6.10% during the year.

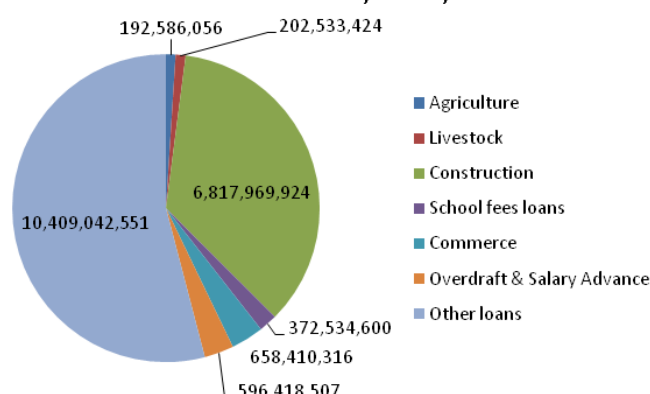
## Distribution of loans by activity sector

Sector	No. of Clients	Amount in Rwf	% age
Agriculture	530	192,586,056	1.00
Livestock	396	202,533,424	1.05
Construction	26,535	6,817,969,924	35.40
School fees loans	263	372,534,600	1.93
Commerce	1,623	658,410,316	3.12
Overdraft & Salary Advance	12,112	596,418,507	3.09
Other loans	153,658	10,409,042,551	54.00
<b>TOTAL</b>	<b>195,117</b>	<b>19,249,495,378</b>	<b>100.00</b>

Number of Clients who acquired loans by activity sector



Amount of loans disbursed by activity sector

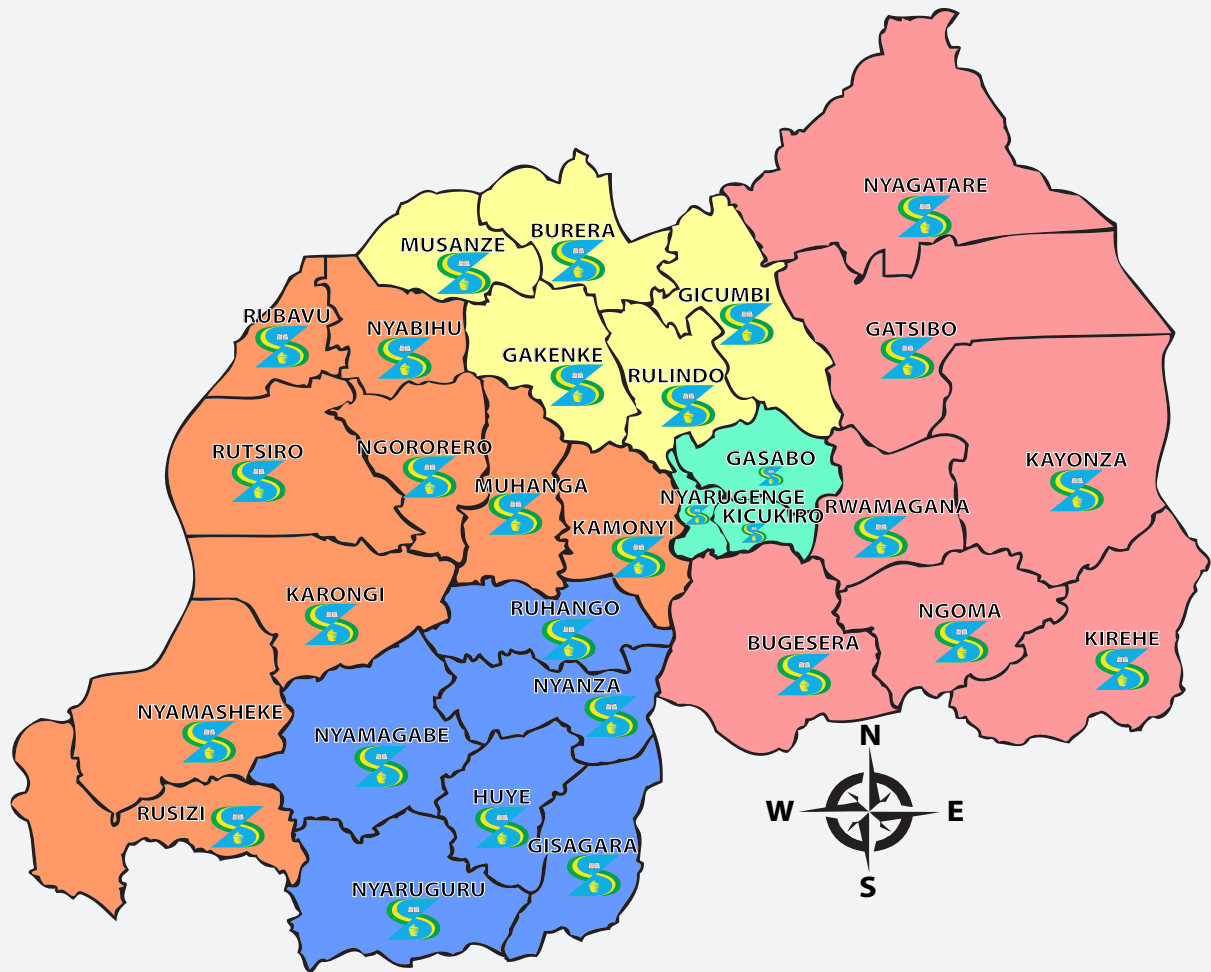


## Branch network expansion

It is interesting to note that, regardless of the Rwf 865 million earned during the year as net income, the Cooperative made to grow its branch network by opening 10 more new branch offices, bringing our nationwide coverage to 30 branch offices. These include: Kicukiro, Nyarugenge, Kamonyi, Nyarugenge, Ruhango, Nyabihu, Burera, Gakenke, Rulindo and Rutsiro.

We are optimistic that the investment in these branch offices will contribute positively to the cooperative's results in the near future. The management of UMWALIMU SACCO is committed to strengthening its operational efficiency to increase profitability and balance sheet growth.

# UMWALIMU SACCO BRANCH NETWORK



## Funeral solidarity fund

The Cooperative continued to champion its noble initiative of the established funeral solidarity fund whereby from the member's voluntary contribution of Rwf 300 per month, UMWALIMU SACCO re-imburses(contributes) bereaved members that have lost their relatives

an amount of Rwf 300,000 and rwf 200,000 if the deceased is a spouse or child respectively. In 2012, the fund benefited 222 members to a tune of Rwf 54,200,000 leaving the Cooperative with a reserve of Rwf 309,162,130.



## Business Development and innovation initiatives

A number of initiatives have been made in the Business Development and innovation space during 2012. The Business Development Department was created with a mandate of identifying and developing new business opportunities, corporate brand visibility, market assessments and playing an integral role in the Cooperative's economic growth and profitability. The Cooperative is committed to develop innovative products and services that meet the needs of our members.

Members are being mobilized to form Enterprise cooperatives at their school centers so as to access big loans for income generating projects especially in transport, agriculture and business in support of their monthly income.

UMWALIMU SACCO in its continued its efforts to empower teachers with knowledge, skills and attitudes required to adopt good management practices that will help them to scale up their business and ultimately transform their lives. These skills empower them with the tools necessary to access finance and become more bankable. In 2013 we plan to conduct a training of trainers that whereby one teacher from each sector throughout the country will be trained in entrepreneur skills and cooperative management. In the second phase, the trained teachers will train their fellow teachers; one teacher from each cell throughout the country. In the third phase, the trainees will train one teacher from each their school center who will in turn train their colleagues in all schools. We remain focused on ensuring that we capitalize on the value that our unique business model brings to our members. During the year there were tremendous improvements with which we intend to polish on more in the year 2013.

## Technology and operational efficiency

UMWALIMU SACCO embraces compatible and versatile technology platform as we roll out our tailor made financial services. With a view to dispense convenient and real time services to members, the Cooperative started sending SMS alerts to members on their transactions. Related objective to this is to reduce paper consumption

and account enquiries. The Cooperative invested in a robust core banking system that is capable of accommodating all the necessary operational needs.

Last year, the Cooperative began negotiations with R switch in regard to how the members can start enjoying the use of ATM cards. Individual account holders will use cards which are interoperable with R switch. Other areas of focus shall bring on board the expansion of PoS (point of sale) and introduction of co-branded cards.

## Partnerships with UMURENGE SACCO

To further bring close our services to the member's proximity, the Cooperative engaged in business partnership with UMURENGE SACCOs regarding quick money transfer services on a real time basis. At the moment we are working with 19 UMURENGE SACCOs selected by the Rwanda Cooperative Agency (RCA) in a pilot study on how our banking technology can be interlinked with UMURENGE SACCO, and so far the process has turned out with positive results. In the first quarter of 2013, we shall train over 150 UMURENGE SACCO managers on how efficient the operational transactions will be carried out to avoid inconveniences in the future.

## Risk management

The Cooperative continues to enhance the risk management culture by investing in activities that increase education and awareness in risk management and compliance among our staff. Credit risk remains the most significant risk to be managed. During the year, the Cooperative focused more on loan files and case management. In this regard loan files in performing and watch categories are actively managed by the credit Department and the Business Development Service Department. Those in substandard and doubtful categories are actively managed by the Credit Department. Files in loss are managed by the legal services section with assistance of outsourced legal services providers.

In 2013 we expect the default rate to come down as a result of the implementation of the Mortgage law, recognition of the Land Registry and the Registrar general's Office in RDB coupled



with the establishment of commercial courts and the establishment of the Credit Reference Bureau.

New policies on IT security, members accounts and cash management will be added to the existing array of policies covering credit, compliance and operational as per the internal policies.

The Cooperative's Internal Audit department plays a vital role within the governance process by keeping the Board and senior management aware of risk and control issues and by assessing the effectiveness of risk management. Reporting to the Board of Directors, Supervisory Committee and the Managing Director, the department objectively and independently evaluates the existing risk and internal control frame work and analyses business processes and associated controls.

### Funding our growth strategies

In its untiring efforts to support UMWALIMU SACCO, the Government of Rwanda has pledged to support the Cooperative in a special financial facility amounting to Rwf 30 billion in the next 10 years. Of the pledged amount, Rwf 5 billion has been allocated for 2012/2013 budget while Rwf 1 billion is expected during the 2013/2014 financial year. The remainder will continue to be extended to the Cooperative in installments over the next 10 years. This special financial facility will help the Cooperative in funding the Cooperative's visionary products and attaining its financial sustainability.

### Outlook for 2013

The future outlook for 2013 remains positive as the Cooperative expects to continue paying special attention to the improvement of the assets quality through prudent lending and risk management. We will increase the efficiency of our operations through enhanced use of technology and automation for better customer service delivery. We will achieve this by imparting training to the entire Credit and Customer service team on credit assessment, financial analysis, delinquency management and recovery of loans and continue leveraging on the Teachers Enterprise Cooperatives. Special emphasis will be put on cost management practices.

### Our staff

I take pride in being a member of UMWALIMU SACCO team and thank each member of our staff for their commitment and hard work. I shall fail in my duty if I do not acknowledge the contribution of their family members, whose morale and emotional support makes each staff member an achiever at the work place.

### Acknowledgements

I wish to take this opportunity to express my sincere gratitude to you our members that we the pleasure of serving, my staff for their focus, energy and determination to succeed. Indeed without them, our excellent performance in 2012 would not have been possible.

I press on record deep sense of appreciation and gratitude to the Government of Rwanda for its continued support in many countless dimensions.

To our regulator the Central Bank of Rwanda

A cross section of some of UMWALIMU SACCO staff





(BNR) for their supportive guidance, business partners for your overwhelming association and support to the Cooperative. I also wish to thank my Board of Directors for actively engaging in policy, oversight and strategic guidance to the management throughout the year. All our human and material resources will be harnessed in order to meet our day-to-day challenges that may confront us as we strive to attain our mission of uplifting the social economic welfare of the Rwanda teacher.

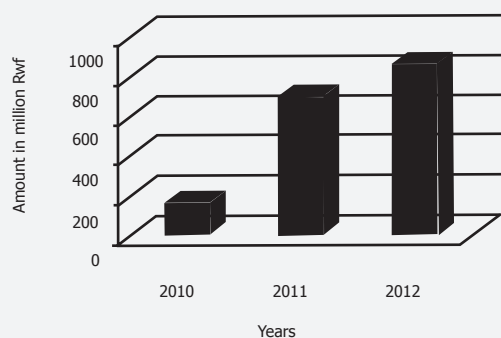
MD's Signature



### The Cooperative's 3 year trend financial performance analysis

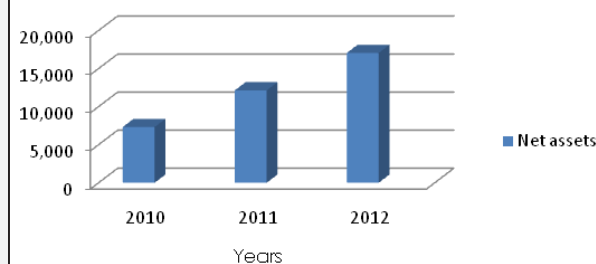
Item	2010	2011	2012
Net income (in Rwf)	166,353,366	700,033,594	865,261,281
Total assets (in Rwf)	7,310,678,187	12,123,712,075	17,039,585,769
Permanent savings (in Rwf)	2,539,915,674	4,081,577,363	5,482,276,477
Membership evolution	50,924	59,598	70,924
Amount of loans disbursed (in Rwf)	10,231,153,354	18,778,132,853	19,249,495,378
Funeral solidarity fund-reserve (in Rwf)	78,041,200	206,539,230	309,162,130

Net income

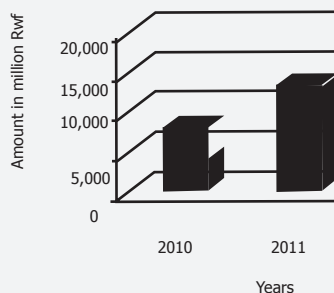


Net income

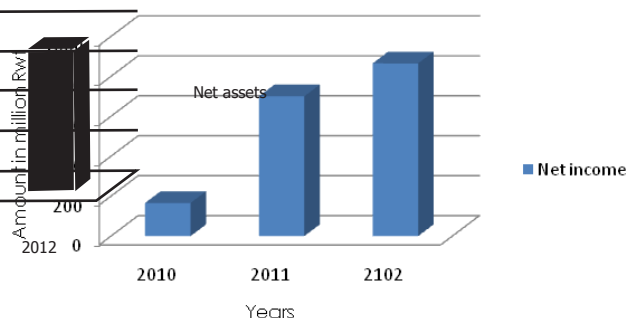
Total Assets

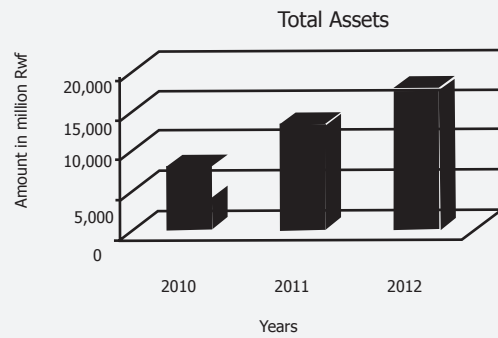


Total Assets

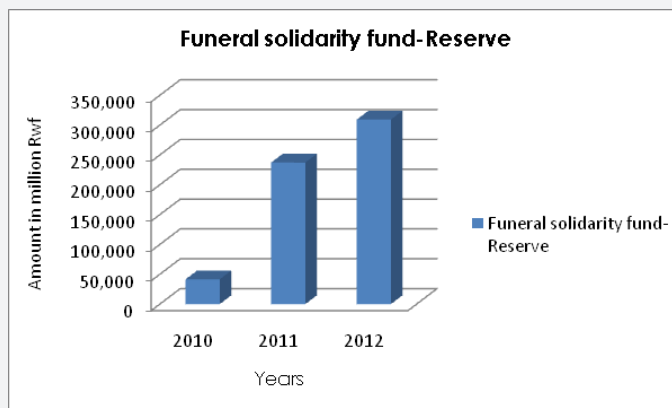
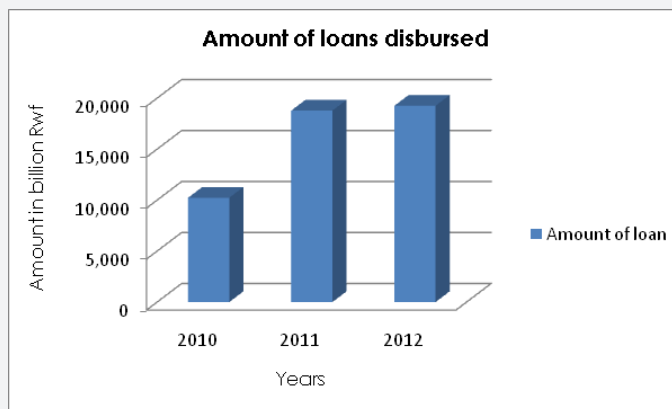
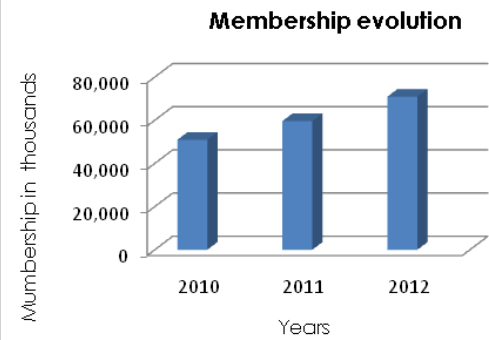
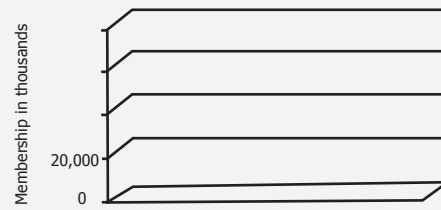
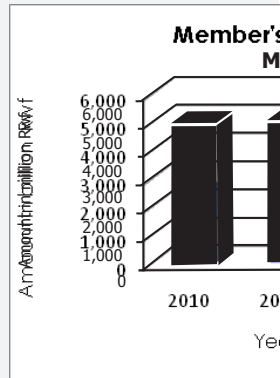


Net income





Net assets



# ECONOMICALLY EMPOWERING TEACHERS

As stated by Calvin Coolidge the 30th President of the United States of America, Teaching is one of the noblest of professions. It requires an adequate preparation and training, patience, devotion, and a deep sense of responsibility. Those who mold the human mind have shaped it not for time, but for eternity. But due to poor remuneration world over and Rwanda in particular, teachers are often less respected by the community and the profession as a whole is being ridiculed as one for those who have failed in other fields. Thus in order reverse this trend in Rwanda, that starting step was economic empowerment, hence the establishment of UMWALIMU SACCO.

Majority of the teachers do not have assets to use as collaterals to acquire loans from financial institutions and owing to their small salaries, what they are able to get after a stringent process from the banks is always small and unable to support them create sources of extra income. The lack of access to credit leaves teachers to depend solely on their meager income which is insufficient for their survival. For them to make ends meet they have to live in a vicious cycle of debts borrowing from almost everyone in their neighborhoods. Teachers at large were more susceptible to this style of living hence UMWALIMU SACCO's emphasis on economically empowering them through availing low interest loans compared to their public servants counterparts.

Following its establishment in 2009, UMWALIMU SACCO has embarked on breaking the over dependence of the Rwandan teachers on the small salary and many have been empowered to build homes while others have established other income generating activities all these leading to the improvement of the teacher's standard of living.



The Cooperative has demonstrated high capacity of timely and quick payment of teacher's salaries loan service disbursements. UMWALIMU SACCO is proud of having registered remarkable milestone in regard to improving the Rwandan teacher's social economic welfare. Teachers acquire loans at competitively low interests in comparison to other financial institutions. In light of the above, the government offered a special financial facility of Rwf30billion to the co-operative for the next 10 years which will be given out in installments. Of the pledged amount, Rwf5billion was allocated through the 2012/2013 budget while Rwf1billion is expected during 2013/2014 financial year. The remainder will continue to be extended to the co-operative in installments over the next 10 years.

UMWALIMU SACCO cherishes the successes that teachers have achieved through hard work and working together as teachers and the efforts they have dedicated at giving the profession a new face and making it an enviable one have paid off.

## Member's testimonies

**Mrs. Rwimo Domitille** a teacher at St. Joseph Primary School in Kicukiro district, Kigali is among the teachers whose lives have been changed by UMWALIMU SACCO's support. From a loan amount of Rwf 8,000,000, she







managed to build a house from which she earns Rwf 200,000 as rent every month.

Rwimo's life has been changed by UMWALIMU SACCO's support. From Rwf 8,000,000 loan, she built a house from which she earns 200, 000 every month.

**Mrs. Niwemugeni Donatille** a teacher at Groupe Scolaire Rasaniro in Nyaruguru district benefited from the Cooperative loan giving. She has been able to invest in income generating ventures. Initially, Niwemugeni started her piggery project with Rwf 4, million credit from UMWALIMU SACCO which she used to establish a piggery project where she started with 21 piglets of exotic breed. As a member it was easy for her to access a top-up loan of Rwf13, 000,000 to improve and sustain her project. Part of the money was used to increase on the number of pigs to 31 and build modern pigsties.

Today, Niwemugeni's farm has a population of 31pigs and 36piglets. She also employs a qualified veterinary officer who ensures that her piggery is in good health so as to maximize quality on the farm and she planning on extending the size her project while sharing her learnt techniques to fellow teachers.



Listening to Niwemugeni speak of the economic empowerment that UMWALIMU SACCO gave her and what other teachers like herself can do, it's like speaking with a development expert considering the expertise with which she narrates her success journey from nearly a starving teacher to a growing business woman. For her, creating small income generating projects is the solution that would solve the financial woes of many teachers.

Alongside the pig farm, Niwemugeni has begun growing sweet potatoes and maize due to the presence of free natural manure from the farm. The produce from the gardens will reduce the costs of feeds for the pigs and increase the profit margin as a result of reduced feeding costs.

Her dreams are just starting to unveil. She envisions building a pork butchery which will put to use produce from her farm. To Niwemugeni Rwandan teachers and specifically women are blessed to have a supportive government and thus sitting back and keep on lamenting is not going to help. She therefore urges her fellow teachers especially women, to engage UMWALIMU SACCO for them to be able to access credit and get out of the biting poverty.

Similarly, **Mrs.Uwingabire M Chantal** a secondary school teacher at Groupe Schalaire



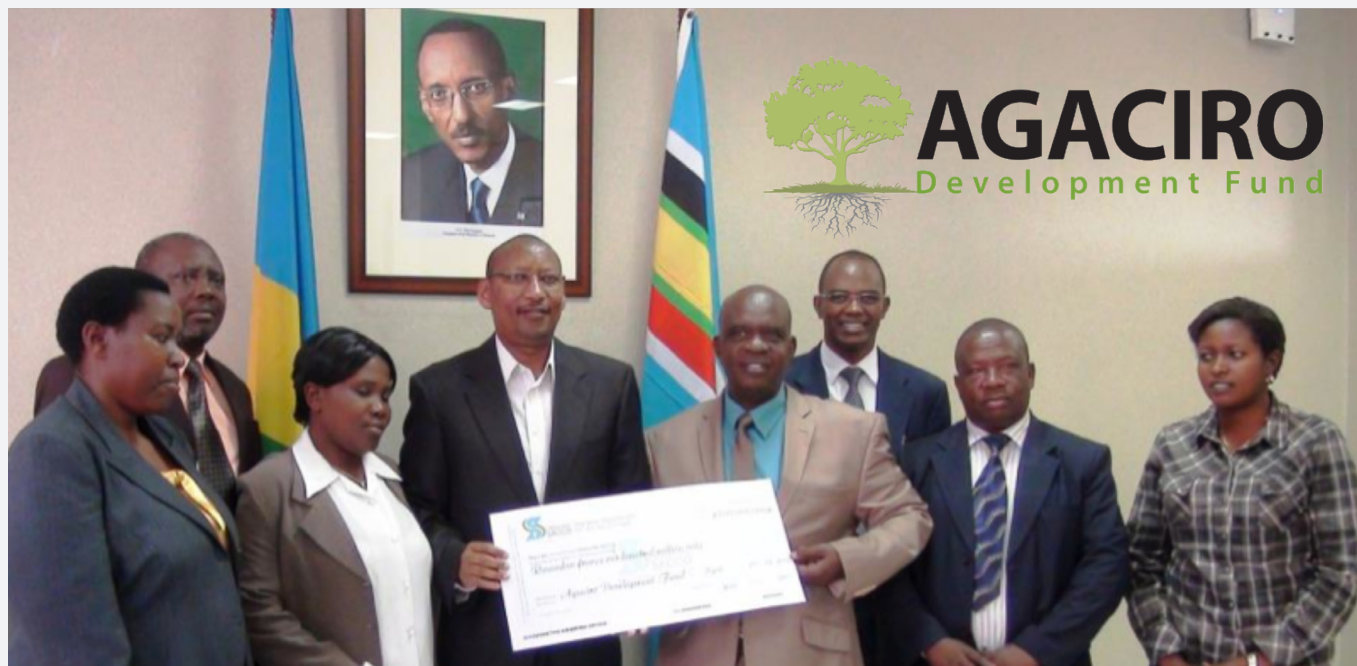
Butamwa in Nyarugenge received a loan amount of Rwf2.5million from UMWALIMU SACCO which enabled her to expand a zero grazing project she had initiated. With the initial one frisian cow, she later acquired other two using the credit acquired.

She is currently getting 10 liters of milk from one of the cows supplementing her monthly income. She has also established a small canteen from where she sells her milk to the neighboring school population, the surrounding Mageragere Sector office's staff and the medical center located just within the same area. One cow is

generating an income of Rwf150,000 per month. The response from the buyers has compelled her to look for other milk suppliers to enable her satisfy the insatiable market. Uwingabire is also planning to construct a biogas tank to generate electricity from the cattle waste. This will completely change her standards of living. In the near future, Uwingabire is also planning to establish a poultry farm and later apply for another loan to expand her projects. With the cattle farm and the milk canteen, she has been able to employ her husbands who manages and runs the two projects.



# CORPORATE SOCIAL RESPONSIBILITY



UMWALIMU SACCO Directors handing a cheque of Rwf 100,000,000 to the Minister of Finance and Economic Planning Hon. John Rwangombwa as Cooperative's contribution in AGACIRO Development Fund

## AGACIRO Development fund

Instructive to note is that, during the year the staff members and the Cooperative collectively contributed a total amount of Rwf 100 million to AGACIRO Development Fund in full support of the national growth. UMWALIMU SACCO remains committed the country's fast track and autonomous development.

## Financial literacy and saving culture

In collaboration with the Germany Savings Bank Foundation for International Cooperation and AMIR (the Association of the Micro Finance Institutions in Rwanda), the Cooperative trained 600 teacher representatives in financial education and saving culture. Our target is to educate all Rwandese in savings culture specifically from primary school children.

The training became a true eye opener to our members as it helped them to have another perspective on money and how to spend. They learnt that people do not just spend because they money, but do so after planning for what is necessary according to the priorities on expenses.

*"I normally outline all my monthly expenses for example food, clothes, transport so that I am able to compare it with my income to avoid deficit or over spending. When making the budget I make sure I differentiate and prioritize on my expenses. Now I know the different between a "need" and a "want". Making a budget helps me to monitor my finances and live within my financial means or limits. To make my budgeting successful, I encourage my wife to be part and parcel of my budgeting process so that she can support me in my endeavor towards financial freedom. This has helped us because we have been able to have some savings set aside to help us invest. Budgeting was an essential part of training. To me and my family I learnt a lot from it since it was a mirror to help me reflect on how I partition my income to expenses".*



# BOARD OF DIRECTORS

The Directors who served during the year and to the date of this report are set out below:



**Mr. NZAGAHIMANA Jean Marie Vianney - Chairperson**

Mr. NZAGAHIMANA Master's Degree in Business Administration in Finance and Banking. He is a professional teacher since 1985 in Bujumbura, he is former Chairman of the Rwanda Association of Hospitality at the same a Board member of the tourism chamber in the Private Sector Federation (PSF). He is one of the pioneer lecturers of the Rwanda Tourism University College (RTUC) where he has served as a Director of Academics and currently serving as a Dean of Students. He is a CGAP certified trainer in Micro Finance Institutional good governance and also a certified trainer by RDB in customer care and Tourism. Mr. NZAGAHIMANA also serves as a member of the Board of Directors for AMIR. Prior to his appointment as the Chairperson for UMWALIMU SACCO Board of Directors he was the Chairperson of the Supervisory Committee and has been on board since the Cooperative's



**Miss. UMURAZA Josettee - Vice Chairperson**

She holds a Bachelor's degree in Law from the National University of Rwanda and a Head Mistress for Butaro Primary School in Nyanza District for the last 12 years. She is an opinion leader in her district.



**Mrs. UWAMAHORO M. Theresa - Secretary**

A professional teacher since 1999 with a Bachelor's degree holder in Law and also a member for various committees in Musanze district.



**Mr. GASASIRA MAJORO Phillipe - Treasurer**

He is a Bachelor's degree in Sociology and a post graduate diploma in Education from the Kigali Institute of Education (KIE). His teaching career began way back 1995, he teaches at Kinihira Secondary School in Rutsiro district.



**Mr. RUGARAGARA K. Joseph - Member**

Mr. RUGARAGARA has over 15 years experience as a teacher, he holds a degree in Philosophy and also a degree in Education. He is a Head Master for APAGE MUSHA Secondary School in Rwamagana district.



**Mr. MUSERUKA Joseph - Managing Director**

He holds a Master's degree in Research and Sociology change with specialization in the social economic arena (Banking financial systems and economic development). He served as a Director General for Microfinance INKINGI s.a for 3 years, a Director of Finance and Administration in the former CAPMER and a member of the Human Resource Task Force in the Rwanda Development Board (RDB) prior to his appointment as a Managing Director for UMWALIMU SACCO. He has over 13 years of management experience.



Article 49 of the Cooperative's By Laws, provides for retirement of the directors by rotation. The following directors retired by rotation on 03/04/2012

1. Mr. SEBAGANWA Damien – 1<sup>st</sup> Vice Chairperson
2. Mr. MUKAN DAMAGE Annonciata – 2<sup>nd</sup> Vice Chairperson
3. Mr. NYIRABAVUGIRIJE Anne Marie – Secretary
4. Mr. MUGISHA Christophe – Treasurer
5. Mr. NYARWAYA URWINZIZA Pascal – Member

## SUPERVISORY COMMITTEE



Mr. RUGEMINTWAZA Jean Nepomuscene - Chairperson

Mr. RUGEMINTWAZA is a Bachelor's degree holder in Law and a head Master for Bucumba Primary school in Nyamasheke district for the last 13 years. He is also an opinion leader in his home district.



Mr. NYIRAGUHIRWA Beatrice - Secretary

Mr. NYIRAGUHIRWA holds a Bachelor's degree in Economics – Rural Development from INES-Ruhengeri with a teaching experience of 21 years.



Mr. SEMUTUNZI MUSHONDA Daniel - Member

Mr. SEMUTUNZI holds a Bachelor's degree in accounts from the National University of Rwanda and has served in the teaching profession since 1979.

### Oversight role of the Board of Directors

The Board's most significant responsibilities include guiding the Cooperative a view to ensuring long – term, sustainable returns for the institution whilst delivering exceptional services to our members and having regard to interests to other stake holders including staff, regulators and the communities. The board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the Cooperative. The Board of Directors has continued t supervise the delivery of strong business growth coupled with continued delivery of very strong financial performance.

No.	Name of Director	Meetings attended out of the 8 that were held over the year 2012
1	NZAGAHIMANA Jean Marie Vianney	8
2	UMURAZA Josettee	7
3	UWAMAHORO M.Theressa	8
4	GASASIRA MAJORO Phillipe	7
5	RUGARAGARA K. Joseph	7

### Financial reporting and disclosure

With prudent guidelines the Cooperative ensures that members and other stakeholders are provided with full and timely information on performance. Financial statements are produced in accordance with International Financial Reporting Standards (IFRS) and requirements of all the relevant statutes, rules and regulations. The Cooperative also complies with all the relevant requirements by all other regulatory authorities such as the National Bank of Rwanda (BNR), Rwanda Cooperative Agency (RCA) and other relevant ones.

### Ethics and Corporate values

All the staff of the Cooperative are guided by very high standards of ethical values and observance of all relevant laws and regulations at all times.

Code of Conduct: UMWALIMU SACCO has a code of conduct which applies to all employees and directors of the Cooperative and requires the observance of strict ethical guidelines. The core values of the Cooperative which define staff conduct in the course of service are as follows:

- Objectivity
- Integrity
- Team work
- Accountability
- Efficiency
- Effectiveness
- Zero tolerance to corruption and fraud

# UMWALIMU SACCO FINANCIAL STATEMENTS

## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2012.

### PRINCIPAL ACTIVITIES

Umwalimu Saving and Credit Cooperative's business activities surrounds the provision of microfinance, savings and credit services to clients.

### RESULTS

The financial results of Umwalimu Saving and Credit Cooperative are set out on page 7 of these financial statements.

### TAXATION

In accordance with the laws governing Micro Finance Institutions in Rwanda, Umwalimu Saving and Credit Microfinance SA was exempted from taxes for a period of 5 years.

### DIVIDENDS

The Directors do not recommend the payment of a dividend.

### DIRECTORS

The current members of the board are shown on page 2.

### AUDITORS

Garry Whiteknight Certified Public Accountant, who were appointed during the year 2013, have expressed their willingness to continue in office in accordance with the provisions of the laws of Rwanda.

BY ORDER OF THE BOARD

  
Chairman of the Board

Kigali



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the microfinance as at the end of the financial year and of the operating results of the microfinance for that year. The directors are also required to ensure the microfinance keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the microfinance. They are also responsible for safeguarding the assets of the microfinance.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the laws of Rwanda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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



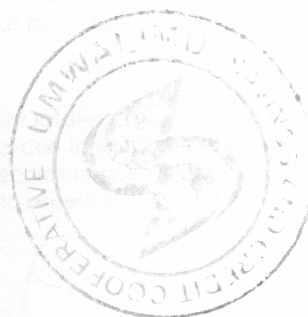
Director

2013



Director

2013





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**Tel:** +250 788 846 900  
**Email:** nkagoro@garrywhiteknight.com  
garrywhiteknight@yahoo.co.uk  
**Website:** www.garrywhiteknight.com



#### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UMWALIMU SAVINGS AND CREDIT COOPERATIVE**

We have audited the accompanying financial statements of Umwalimu Saving and Credit Cooperative set out on pages 7 to 21 which comprise the statement of financial position as at 31 December 2012, and the Statement of comprehensive income, statement of changes in equity and Statement of cash flows for the year then ended, together with the 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 provisions of the Rwandan law. This responsibility includes: designing, implementing and maintaining internal control 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.

##### *Auditors' Responsibility*

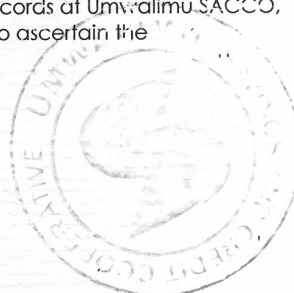
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as 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 our judgment and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered 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 directors, as well as evaluating the overall presentation of the financial statements.

##### **Qualifications**

Umwalimu SACCO received a subsidy from the Government of Rwanda in form of non rentable office premises for the head office and all branches. In the financial statements for the year ended 31 December 2012, the SACCO has not assessed the fair value of the non-monetary grant for inclusion among grants received at that fair value.

The SACCO's members capital contributions includes an amount totalling Frw 662,691,295 for which we could not obtain assurance over its completeness due to limitation of scope imposed on us by the company. Owing to the nature of the records at Umwalimu SACCO, there were no alternative procedures that we could perform to ascertain the completeness of Members Capital Contributions.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF UMWALIMU SAVING AND CREDIT COOPERATIVE (Continued)**

*Qualifications continued*

Included among accounts payable is an amount totalling Frwn 13,770,559 which is a balancing figure. Management is currently investigating this amount. Should they fail to resolve the amount, adjustments will have to be passed leading to an increase of the profit and reserves for the year then ended.

Provisions for loans includes a prior year adjustment totalling Frw 7,554,749 for which we could not obtain audit evidence due to limitation of scope imposed to us by SACCO. Owing to the nature of the records of the company, there were no other satisfactory alternative audit procedures we could adopt to fully verify the accuracy of the provisions for loan allowance.

*Opinion*

In our opinion, except for the matters referred to in the paragraphs above, the accompanying financial statements present fairly in all material respects the state of affairs of Umwalimu SACCO as at 31 December 2012 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Laws of Rwanda.

Without qualifying our opinion, we wish to bring to your attention the matters in note 19 to these financial statements.

**Report on Other Legal Requirements**

As required by the Rwandan law, we report to you based on our audit, that:

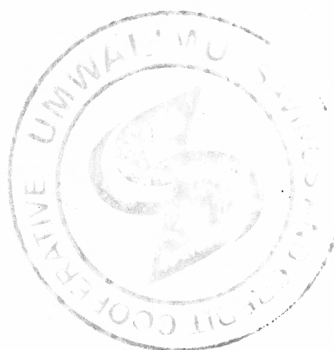
- i) except for the matters referred to in the paragraphs above, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, except for the matters referred to in the paragraphs above, proper books of account have been kept by the microfinance, so far as appears from our examination of those books; and
- iii) the Umwalimu SACCO statement of financial position and statement of comprehensive income are in agreement with the books of account.
- iv) we have no relationship, interest and debts in Umwalimu SACCO.

For Gary Whiteknight  
Certified Public Accountant (Rwanda)

Norbert Kagoro  
Partner

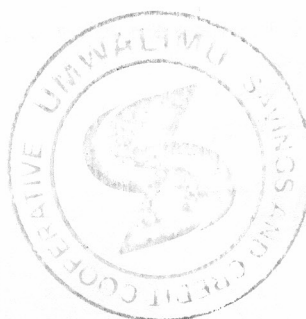
Signed at Kigali

On this day 30 of APRIL 2013



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012		2012 Frw	2011 Frw
	Note		
FINANCIAL INCOME	3	2,946,194,816	2,080,571,201
FINANCIAL EXPENSES	4	<u>(134,665,554)</u>	<u>(23,288,176)</u>
NET FINANCIAL INCOME		2,811,529,262	2,057,283,025
Recoveries of bad loan provisions and loan write offs	15	439,471,476	239,368,385
Provision for loan losses	14	<u>(488,031,147)</u>	<u>(369,683,702)</u>
Loans written off during the year		<u>(303,405,981)</u>	<u>(133,928,252)</u>
NET OPERATING INCOME	6	2,459,563,610	1,793,039,456
OPERATING EXPENSE		<u>(1,606,019,521)</u>	<u>(1,109,185,732)</u>
NET INCOME FROM OPERATIONS	6	853,544,089	683,853,724
GRANTS AND DONATIONS INCOME		9,989,332	15,711,093
NON OPERATING REVENUES	5	1,727,860	1,398,686
NON OPERATING EXPENSES		<u>-</u>	<u>(929,909)</u>
NET INCOME TRANSFERRED TO RESERVES	12(b)	<u><u>865,261,281</u></u>	<u><u>700,033,594</u></u>



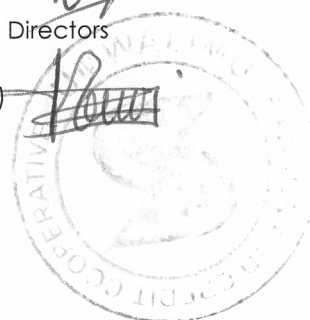


## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	2012 Frw	2011 Frw
<b>ASSETS</b>			
Cash and balances with Bank Nationale du Rwanda	8	1,324,473,000	84,414,452
Deposits and Amounts due from financial institutions	9	1,949,717,733	2,396,249,330
Net loans and advances to customers	10	13,266,759,856	9,220,526,441
Property and equipment	16(a)	400,405,999	357,774,193
Pre-establishment costs	16(b)	3,763,931	4,704,914
Stock		18,261,643	16,100,664
Other assets	17	76,203,607	43,942,081
<b>Total assets</b>		<u>17,039,585,769</u>	<u>12,123,712,075</u>
<b>LIABILITIES, EQUITY AND RESERVES</b>			
<b>Liabilities</b>			
Customer deposits	19	7,422,498,372	5,772,243,669
Accounts payables and other liabilities	21	443,650,490	804,120,494
Current bank loans	18 (c )	<u>45,464,838</u>	<u>100,000,000</u>
		<u>7,911,613,700</u>	<u>6,676,364,163</u>
<b>Equity and reserves</b>			
Share capital	11	662,693,295	518,033,068
Government grants	13	4,325,077,190	2,725,777,615
Legal reserves	12(a)	380,031,454	206,979,198
Reserves	12(b)	<u>1,500,178,325</u>	<u>807,969,300</u>
		<u>6,867,980,264</u>	<u>4,258,759,181</u>
<b>Long term liabilities</b>			
Long term loan	18(b)	1,454,535,162	800,000,000
Other long term liabilities	20	<u>805,456,643</u>	<u>388,588,731</u>
		<u>2,259,991,805</u>	<u>1,188,588,731</u>
<b>Total equity and liabilities</b>		<u>17,039,585,769</u>	<u>12,123,712,075</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 29/03/2013 and signed on its behalf by:

)   
 ) Directors  
 ) 



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 Frw	2011 Frw
<b>OPERATING ACTIVITIES</b>		
Operating profit	865,261,281	700,033,594
<b>Adjustments for:</b>		
Depreciation and amortisation	156,004,568	103,202,679
Effects of prior year adjustment	-	(28,291,971)
Profit before working capital changes	1,021,265,849	774,944,302
Changes in net advances to customers	(4,046,233,415)	(3,266,648,631)
Changes in other accounts receivable	(32,261,526)	66,889,204
Changes in customer deposits	1,650,254,703	1,656,261,200
Changes in Inventories	(2,160,979)	2,154,650
Changes in trade payable and other liabilities	(360,470,004)	565,689,234
Net cash used in operating activities	(1,769,605,372)	(200,710,041)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(197,695,391)	(202,423,930)
Net cash used in investing activities	(197,695,391)	(202,423,930)
<b>FINANCING ACTIVITIES</b>		
Proceeds from grants and donations	1,599,299,575	500,000,000
Loans issued	600,000,000	900,000,000
Other longterm liabilities	416,867,912	388,588,731
Issuance of share capital	144,660,227	122,408,621
Net generated from financing activities	2,760,827,714	1,910,997,352
NET INCREASE IN CASH AND CASH EQUIVALENTS	793,526,951	1,507,863,381
Cash and cash equivalents at 1 January	2,480,663,782	972,800,401
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	3,274,190,733	2,480,663,782
<b>Represented by:</b>		
Cash and balances with Bank Nationale du Rwanda	1,324,473,000	84,414,452
Deposits and Amounts due from financial institutions	1,949,717,733	2,396,249,330
	3 274 190 733	2 480 663 782

