



Les Minoteries Industrielles Import-Export Ltd

2011 ANNUAL REPORT

March 2012

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0. INTRODUCTION

During the year 2011, the Import-Export industrial mill «MINIMEX» has increased its procurement, production and sales activities. A quantity of 9,076 tons of maize crops has been processed against 6001 tons in 2010, meaning an increase of 46%. The factory has been operating at 20.4% of its capacity against 14.2% in 2010.

Revenues doubled from 1.28B Rwf in 2010 to 2.54B Rwf in 2011, due to a combination of an increased volume and higher prices for flour. The latter resulted from Minimex' newly acquired capability to produce the fine flour demanded by the local market.

Despite this progress, only 70% of the projected turnover has been realized due to the lack of working capital and difficulty in purchasing sufficient quantity of (local) maize.

As a result, the financial year 2011 was concluded with a loss of 495 Million Rwf, almost equivalent to the financial costs of the company, against a loss of 477 Million Rwf in 2010.

The cumulated net loss as at 31/12/2011 was therefore amounting to **2,762** million Rwf against **2,266** million Rwf in 2010, while the total assets was valued at **5,148** million Rwf against **5,766** million Rwf in 2010 and the total debts was standing at **3,710** million Rwf against **3,832** million Rwf in 2010.

1. GENERAL OVERVIEW OF MINIMEX S.A

The "Import-Export industrial Mill" society « MINIMEX», in abbreviation, is a Rwandan unlimited company, created on December 9, 2002, with an initial share capital of 1,100,000,000 Rwf.

The company has one maize milling plant, with an installed processing capacity of 144 tons per day, meaning 43,000 tons per year, which is operational since October 2006.

1.1. Mission of the company

MINIMEX Company's mission is the commercial operation of industrial, semi-industrial or cottage milling plants all over the Rwandan territory or outside the country, as well as any other activity of agricultural production, storage, transformation, packaging, import and export, general business of wholesale or retail trading.

1.2. Capital Structure

The share capital of MINIMEX S.A. which amounts to 1,100,000,000 Rwf is divided as follows:

N°	Name of Shareholder	Number of shares	% of shares	Amount
1.	ProDev Rwanda Ltd	5,648	51.34	564,800,000
2.	MUTAGWERA Frédéric	400	3.64	40,000,000
3.	MUTALIKANWA Jean Paul	1	0.01	100,000
4.	4417140 Canada	1	0.01	100,000
5.	Development Bank of Rwanda	2,750	25	275,000,000
6.	MMI	2,200	20	220,000,000
Total		11,000	100	1,100,000,000

The distribution of shares differs from the one stated in the previous Annual Report in that M. Felicien Mutalikanwa transferred his 51.34% of shares to ProDev Rwanda Ltd on 30th December 2011.

1.3. Administration and management of the company

a) Board of Directors

On 31st December 2011 the company is managed by a Board of Directors composed of 4 members. The Board which is appointed for a 4 year mandate is invested of the most extended powers to act on behalf of the company, while the General Assembly has powers to take the most important decisions concerning the company, without nevertheless any prejudice to the authority that is granted to the Board of Directors.

Board members of the company, 31st December 2011

N°	Name of the Board member	Shareholder represented
1.	Félicien MUTALIKANWA	ProDev Rwanda Ltd, Frédéric MUTAGWERA, Jean Paul MUTALIKANWA, 4417140 Canada
2.	Lambert NGAMIJE	Independent
3.	Vincent NGARAMBE	Independent
4.	Charles RUDAKUBANA	Military Medical Insurance

b) Executive Committee

The executive committee (EC) is composed of 2 members who are elected for a renewable 1 year mandate. The EC supervises the activities of the management on the basis of monthly reports and ensures the correct performance and execution of the strategic decisions, investments and budget. It has the responsibilities to negotiate bank loans and to discuss with potential investors.

Members of the executive committee, 31st December 2011

N°	Name of the Director	Shareholder represented
1.	Félicien MUTALIKANWA	Félicien MUTALIKANWA, Frédéric MUTAGWERA, Jean Paul MUTALIKANWA, 4417140 Canada
2.	Charles RUDAKUBANA	MMI

c) Management

The company is daily managed by a General Manager, in charge of the implementation of the decisions of the Board of Directors. The General Manager is currently assisted by 2 directors, respectively the Administration and Finance Director and the Technical Director.

2. THE COMPANY'S ACTIVITIES

2.1. Supply of raw materials

In 2011, MINIMEX bought 6,630 tons of maize grains against 8,644 tons in 2010. This reflects the fact that by the end of 2010 there was a significant stock of maize. As of 30th December, Minimex Ltd has partly outsourced the procurement function to ProDev Rwanda Ltd., for reasons of financing and risk management.

2.2. Maize processing

In 2011 Minimex increased the usage of its processing capacity of 144 tons/day from 14% in 2010 to 20.4% in 2011, an increase of 47%. This is still below the breakeven point of MINIMEX that was originally set at a relatively low level of 25% of its installed capacity.

The main reasons for not producing at higher rate are the following:

1. The equipment required to produce the fine flour demanded by the local market was only installed in March 2011. Consequently, during the first 3 months Minimex operated at relatively low capacity to avoid generating an oversupply of flour.
2. Procurement of maize was hampered due to limited access to local maize and due to the fact that suppliers demanded long term contracts with payments up front, which, given the liquidity situation of Minimex was not a viable option.

Although in 2011 the factory still operated under its installed capacity, it remains the main Rwandan maize mill that can bring a greater value added to the national maize production in the framework of the Rwandan Agricultural Policy.

2.3. Sales of maize flour and other products

The finished products are of 3 types:

- Maize flour
- Grits
- Corn bran

The **maize flour** is essentially bought by wholesale dealers from Kigali who sell cereals and other products (maize flour, corn flour, corn, sugar, etc.). A significant portion of those indirect sales find their way to the DRC. Direct sales are made to the Rwandan Defence Forces, to schools and to a number of other institutional buyers.

With the equipment for the production of fine maize flour installed, the demand for flour has increased, as well as the price that the market is ready to pay for Minimex flour. Last year, around April, a 25 kg bag of Minimex flour was trading 100 FRW below all the other flours. Currently, consumers are willing to pay 1000 FRW above the market price for a 25 kg bag of Minimex flour.

The **grits** is exclusively bought by the Rwanda Brewery and Lemonade Company (BRALIRWA) with a demand of 56 tons per week. This is 28% higher than in 2010.

The **maize bran** is appreciated and requested by farmers of large livestock and poultry. With these industries becoming more mature and professional, an increase of the demand for bran can be expected.

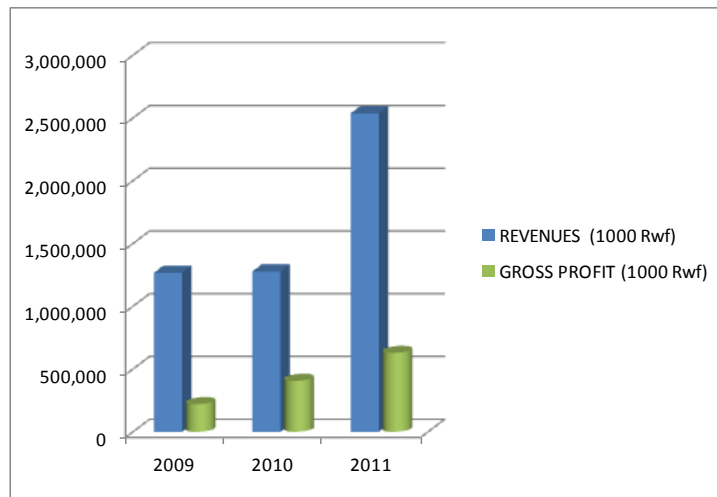
3. FINANCIAL SITUATION OF THE COMPANY

3.1. Income statement

	2,009	2,010	2,011
Revenue	1,267,730,150	1,277,942,215	2,537,085,545
Cost of sales	1,047,200,107	871,454,946	1,908,569,878
Gross profit	220,530,043	406,487,269	628,515,668
% Gross Profit	17%	32%	25%
Other income	7,030,966	11,941,446	18,231,581
TOTAL INCOME	227,561,009	418,428,715	646,747,249
Administrative expenses	91,588,083	182,751,676	148,136,080
Staff cost	120,674,318	146,315,636	175,505,859
Taxes and duties	2,896,600	5,836,601	5,578,931
Earnings before depreciation	12,402,008	83,524,802	317,526,379
Provisions for bad debts			46,724,308
Depreciation and Amortization	136,747,431	163,703,266	280,445,155
Loss from Operations	(124,345,423)	(80,178,464)	(9,643,084)
Finance cost	348,565,055	396,572,002	485,580,927
Loss for the year	(472,910,478)	(476,750,466)	(495,224,011)

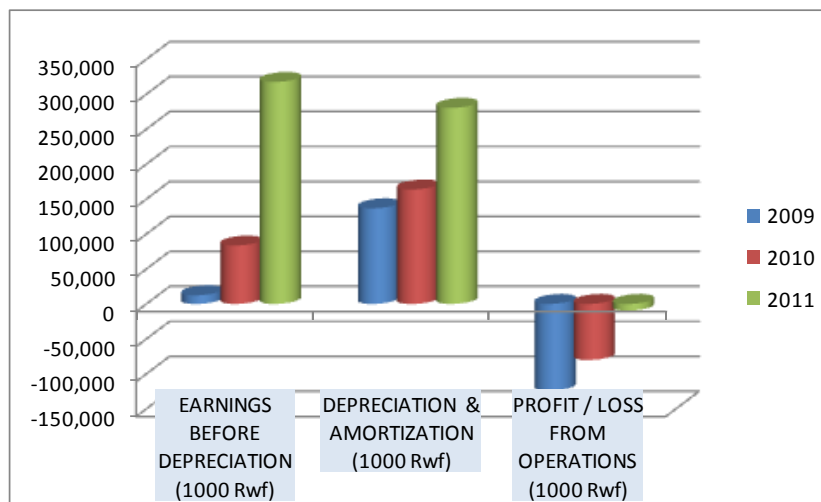
Revenues doubled to 2.54B Rwf, due to this increase in volume and an increase in the price for flour.

In 2011, the gross profit grew by 55% from 406 million Rwf in 2010 to 628 million Rwf mainly due to the increase of the production capacity usage.

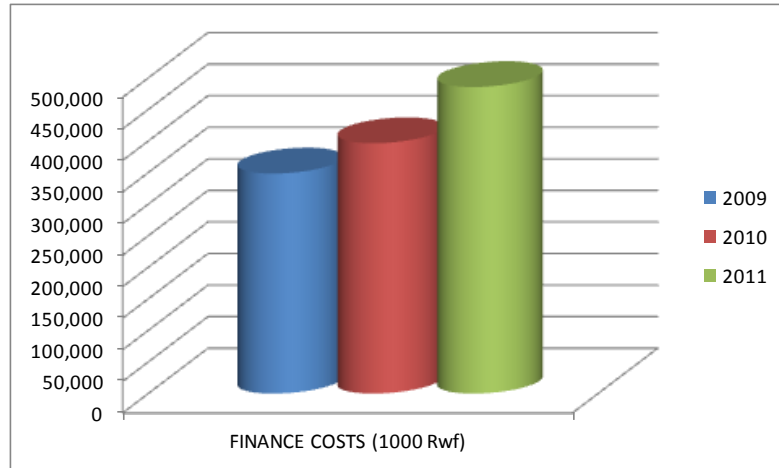


Earnings before depreciation and amortization grew by 280% from 83 millions Rwf to 317millions Rwf.

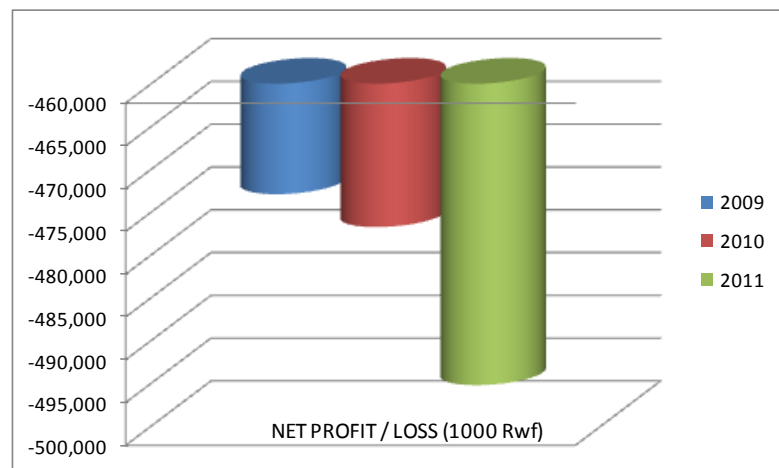
However, the depreciation grew by 71% in 2011 compared to the previous year due to the re-evaluation of the fixed assets (buildings and machines) made in 2010, leading to a small loss from operations in 2011.



As in the year 2010, the weight of indebtedness led to important financial costs. Financing costs increased again, from 397 million Rwf in 2010 to 486 million Rwf in 2011, an increase of 22%, with repercussions on the net result and cash flow.



Thus, the net loss for the year 2011 increased by 4% compared to 2010, from 476,750,466 Rwf at the end of 2010 to 495,224,011 Rwf as at 31/12/2011.



3.2. Realizations compared to projections

	Previsions 2011	Realizations 2011	% of realization
Costs of maize used	2,866,254,578	1,908,569,878	67%
Turnover	3,606,868,244	2,537,085,545	70%
Gross Margin	740,613,666	628,515,668	85%
Financial costs	444,516,794	485,580,927	109%
Amortizations	276,325,717	280,445,155	101%
Net profit	(453,066,991)	(495,224,011)	(109%)

Compared to projections, the company's turnover has only been realised at 70% mainly due to the lack of raw materials, caused by the financing constraints and limited access to good quality (local) maize.

Based on the factors already mentioned, the net result remained negative compared to projections.

3.3. Balance Sheet on 31/12/2011

	2011 Rwf	2010 Rwf
ASSETS		
Non-Current Assets		
Property Plant and Equipement	4,497,558,374	4,611,650,292
Intangible Assets	205,752,421	250,863,673
Investments	141,200,000	31,200,000
	4,844,510,794	4,893,713,965
Current Assets		
Inventories	121,971,576	541,373,347
Receivables and Prepayments	118,426,351	127,869,853
Tax Asset	11,921,854	11,765,854
Cash and Cash equivalents	51,221,929	190,977,660
	303,541,710	871,986,714
TOTAL ASSETS	5,148,052,504	5,765,700,679
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share Capital	1,100,000,000	1,100,000,000
Revaluation Reserve	3,100,373,336	3,100,373,336
Retained Earnings	(2,762,036,984)	(2,266,812,973)
	1,438,336,352	1,933,560,363
Non Current Liabilities		
Borrowings	2,103,545,569	2,758,776,312
Related parties	58,908,132	48,933,227



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	<u>2,162,453,701</u>	<u>2,807,709,539</u>
Current Liabilities		
Trade and other Payables	327,284,357	479,334,957
Short term loans	1,219,978,094	545,049,093
Bank overdrafts	-	46,727
	<u>1,547,262,451</u>	<u>1,024,430,777</u>
TOTAL EQUITY AND LIABILITIES	<u>5,148,052,504</u>	<u>5,765,700,679</u>

4. OTHER REALISATIONS

4.1. Prospection of maize and grits flour markets

A market study for the consumption of flour conducted earlier provides a basis for sizing the market:

Consumer category	Estimated size (number of people)	Average daily ratio per person	Total consumption daily	Total Annual consumption
Low and middle income earners (1)	500.000	250 gm	125 tones	45 000 tones
Army and Police	40.000	250 gm	10 tones	3 600 tones
Prison services	80.000	250 gm	20 tones	7 200 tones
Boarding schools	25000	250 gm	6,25 tones	2 250 tones
Solidarity camps	1000	250 gm	250 kg	90 tones
			161.50 tones	58 140 tones

With Minimex producing about 56 tons of flour per day at the current maximum installed capacity, it can provide up to 35% of the market share.

Private and public institutions have previously been contacted to negotiate the supply of maize meal to institutions such as secondary schools via MINEDUC and the WFP (World Food Program).

Last year, the acquisition of those contracts required having a certificate of quality of MINIMEX products. Since May 2011, Minimex has obtained the certification of its products from the Rwandan Bureau of Standards.

The company has also invested in a vitamin micro-feeder that will be able to inject vitamins and minerals (iron, zinc) in the flour. This program is in line with the government's objective to counter malnutrition problems in the country.

5. PERSPECTIVES FOR THE NEAR FUTURE

5.1. Financing the procurement

A main change compared to 2011 will be the fact that ProDev Rwanda takes on a significant part of the maize procurement function. That means that, in particular for large contracts that require a solid financial situation, ProDev Rwanda will step in, and will offer the maize at market price to Minimex Ltd. Hence, one severe bottleneck will have been resolved.

5.2. Repayment of the facility granted by the Rwandan Government.

The advance of 702 million Rwf given by the Government is planned to be paid back in full in the year 2012.

6. OPPORTUNITIES IN 2012

- MINIMEX Ltd, partly through ProDev Rwanda Ltd, has currently many and important sources of supply for raw material. Rwanda has high expectations for a great production of maize.
- ProDev Rwanda has a drier that has been operational since the second half of 2011. This will ensure the quality of maize acquired by MINIMEX ;
- The factory has acquired machines allowing the production of fortified flour. This will allow Minimex to enter this market as one of the first players, thereby contributing to the appropriate nutrition of the Rwandan population.

7. CONCLUSION AND RECOMMENDATION

In 2012 the company will be able to acquire enough raw materials to make its processing plant used efficiently.

In the interest of local maize producers, it is recommended that the Government and the private sector create stocks of maize in all districts throughout the country for a regular and better supply of good quality maize on the market at stable and affordable prices.

With the success of the refined flour, the company has positioned itself as the primary producer of high quality maize flour in the region. MINIMEX will use representatives at districts level to sell MINIMEX products.



In addition, MINIMEX will diversify its products to satisfy a high range of consumers especially through the production of fortified flour.

Sales of bran to poultry and cow farmers is picking up early 2012 and promises to generate solid incomes for this product category.

Regarding the sale of grits, Bralirwa remains the main client for this product. It is likely to show a growing demand over time, as the value of grits as reliable and cost-effective ingredient proves itself over time, and as the volume of beer production in Rwanda increases.