



Les Minoteries Industrielles Import-Export Ltd

2012 ANNUAL REPORT

March 2013



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0. INTRODUCTION

During the year 2012, the Import-Export industrial mill «MINIMEX» has significantly increased its production and sales activities. A quantity of 18,130 tons of maize crops has been processed against 8981 tons in 2011, meaning an increase of 102%. The factory ran at 42% of its capacity against just over 20% in 2011.

Revenues increased by 113% from 2.537M Rwf in 2011 to 5.421M Rwf in 2012, with increases in all product types, but especially in flour and bran.

Despite this progress, only 86% of the projected turnover has been realized due to the lack of working capital and difficulty in purchasing sufficient quantity of (local) maize.

For the first time in its history, Minimex Ltd made an operating profit. It amounted to 174M Rwf against an operating loss of 8.4M Rwf in the previous year.

Although the financing costs decreased from 487M Rwf in the year 2011 to 396M Rwf in 2012, these costs still weighed heavily on the final results.

As a consequence, the financial year 2012 was concluded with a loss of 220 Million Rwf, 55% less than the loss of 495M Rwf made in the year 2011.

The cumulated net loss over the past years amounted to **2,730** million Rwf as at 31/12/2012 against **2,762** million Rwf by the end of 2011.

The balance sheet ratios improved significantly in the year 2012. This was mainly due to the continuous payment of debt and a conversion of payables to ProDev Rwanda Ltd into equity. In order for this injection to the share capital to be made possible, the shareholders of Minimex issued 11.000 new shares at 100.000 Rwf each, which were all subscribed to by ProDev Group Holding Ltd.

By the end of 2012 the total assets were valued at **4,973** million Rwf against **5,258** million Rwf in 2011 and the total debts were standing at **2,861** million Rwf against **3,820** million Rwf in 2011.

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 44,000 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.

Capital Structure

The authorized and issued share capital of MINIMEX Ltd. amounts to 2,200,000,000 Rwf and is divided as follows:

N°	Name of Shareholder	Number of shares	% of shares	Amount
1.	ProDev Group Holding Ltd	16,648	75.673	1664,800,000
2.	Development Bank of Rwanda	2,750	12.5	275,000,000
3.	MMI	2,200	10.0	220,000,000
4.	MUTAGWERA Frédéric	400	1.818	40,000,000
5.	MUTALIKANWA Jean Paul	1	0.005	100,000
6.	4417140 Canada	1	0.005	100,000
Total		22,000	100	2,200,000,000

The number and distribution of shares differs from the one stated in the previous Annual Report in that:

- 1) ProDev Rwanda Ltd transferred its 51.34% of shares in Minimex Ltd to ProDev Group Holding Ltd on 22nd May 2012;
- 2) In its Extraordinary General Assembly of 1st March 2013 the shareholders of Minimex Ltd issued an additional 11,000 of new shares at a value of 100.000 Rwf each, as at 31/12/2012;
- 3) ProDev Group Holding Ltd subscribed to all of these 11,000 new shares.

1.2. Administration and management of the company

a) Board of Directors

On 31st December 2012 the company is managed by a Board of Directors composed of 5 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 2012

N°	Name of the Board member	Shareholder represented
1.	Félicien MUTALIKANWA	ProDev Group Holding Ltd, Frédéric MUTAGWERA, Jean Paul MUTALIKANWA, 4417140 Canada
2.	Dr. Jean Paul BITEGA	Medical Military Insurance (MMI)
3.	Michel MAKUZA	Medical Military Insurance (MMI)
4.	Lambert NGAMIJE	Independent
5.	Vincent NGARAMBE	Independent

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 2012

N°	Name of the Director	Shareholder represented
1.	Félicien MUTALIKANWA	ProDev Group Holding Ltd, Frédéric MUTAGWERA, Jean Paul MUTALIKANWA, 4417140 Canada
2.	Dr. Jean Paul BITEGA	Medical Military Insurance

c) Finance and Administration Committee

In its meeting on 15th May 2012 the Board of Directors constituted a Finance and Administration Committee to support General Management in meeting its business objectives, specifically looking at these areas: Finance, Auditing, HR, Investments and Risk Management. The following Board Members were elected to form this Committee:

N°	Name of member of the Finance and Administration Committee
1.	Michel MAKUZA
2.	Lambert NGAMIJE

d) 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 3 directors, respectively the Administration & Finance Director, Technical Director and the Commercial Director.

2. THE COMPANY'S ACTIVITIES

2.1. Supply of raw materials

In 2012, MINIMEX bought 18,280 tons of maize grains against 6,630 tons in 2011. The relatively low figures of 2011 are partly caused by the fact that by the end of 2010 there was a significant stock of maize.

As of 30th December 2011, Minimex Ltd has partly outsourced the procurement function to ProDev Rwanda Ltd, for reasons of financing and risk management.

In 2012, Minimex bought 62% of its maize through ProDev Rwanda Ltd and 38% directly through smaller traders. The average prices paid for maize from these two sources differed slightly: 239.6 RwF/Kg for maize bought from ProDev Rwanda and 237.0 RwF for maize bought from other sources. During the year Minimex Ltd built up a debt at ProDev Rwanda Ltd of 896M RwF for maize delivered, meaning that ProDev Rwanda Ltd made it financially possible to Minimex Ltd to run at the rate it did.

Maize procurement by Minimex in 2012	Total bought by Minimex	Bought from ProDev Rwanda	Bought from other parties
Value of maize bought	4,361,796,213	2,697,013,560	1,664,782,653
Quantity of maize bought	18,280,557	11,257,607	7,022,950
% of maize bought per source	100%	62%	38%
Average price of maize bought	238.6	239.6	237.0

The transactions between Minimex Ltd and ProDev Rwanda Ltd were monitored by the Board of Directors of Minimex Ltd as a regular point on the agenda of the Board Meetings.

2.2. Maize processing

Minimex increased the usage of its processing capacity of 144 tons/day from 20.4% in 2011 to 41.2% in 2012, an increase of 102%. This is still below the breakeven point of MINIMEX that was originally set at a relatively low level of 25% of its installed capacity, in particular due to the high financing costs.

Although in 2012 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:

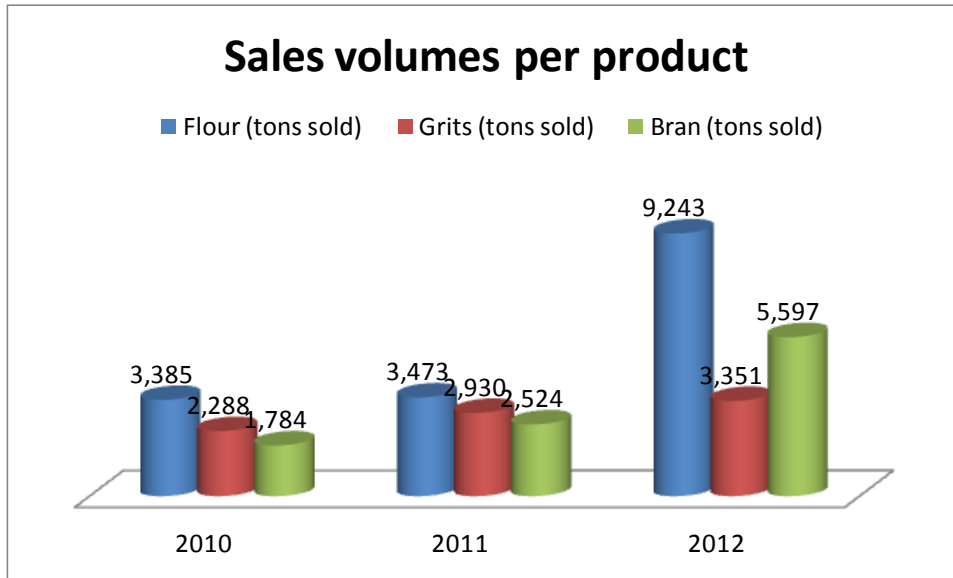
- Maize flour
- Grits
- Corn bran

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.

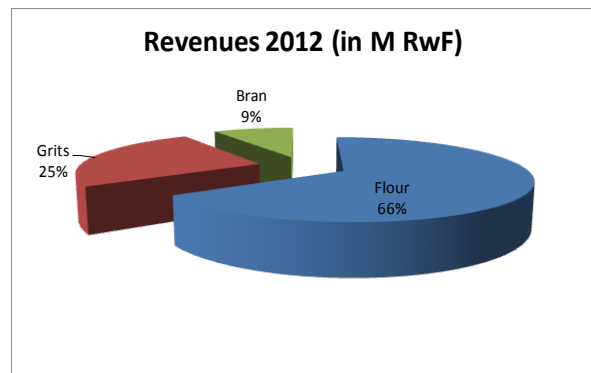
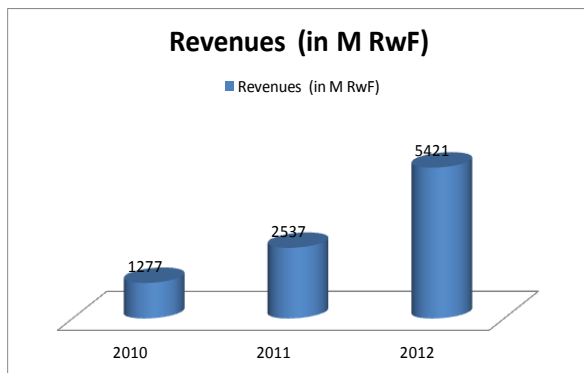
The demand for flour has increased, as well as the price that the market is ready to pay for Minimex flour. Currently, consumers are willing to pay 1000 – 1500 FRW above the market price for a 25 kg bag of Minimex flour, indicating that the quality of the flour is much appreciated.

The **grits** is exclusively bought by the Rwanda Brewery and Lemonade Company (BRALIRWA) with a demand of 64 tons per week. This is 14% higher than in 2011.

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.



Turnover increased from 1,277M in 2010 to 2,537M in 2011 and to 5,421M RwF in 2012. The increase of 113% in 2012 was due to an increase in volume by 103.5% and an average increase in price of 5%.



In the year 2012 two thirds (66%) of the revenues were generated by sales of flour, one quarter (25%) by the sales of grits and the remaining 9% by sales of bran.

FINANCIAL SITUATION OF THE COMPANY

3.1. Income statement

Revenues increased by 113% to 5,421M RwF, mainly due to higher volumes sold. Cost of sales went up even more, namely with 125.7%. The reason why revenues have not gone up as much as cost of sales is mainly caused by a change in the product mix sold, showing a decrease of grits as a percentage of sales, and an increase of bran and flour on the other hand, with these two latter products combined having a lower margin than the grits.

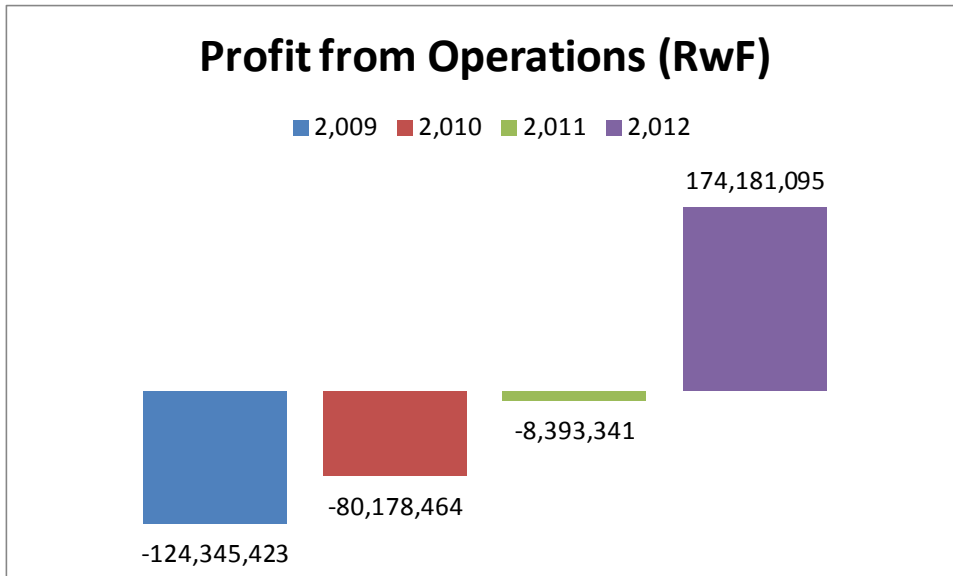
Gross profit increased by 233M RwF to 661M RwF, an increase of 54% compared to the year 2011.

MINIMEX P&L	2,011	2,012
Revenue	2,537,085,545	5,421,357,760
Cost of sales	2,108,854,436	4,760,055,760
Gross profit	428,231,109	661,302,000
% Gross Profit	25%	12%
Other income	18,231,581	24,948,054
TOTAL INCOME	446,462,690	686,250,054
Admin expenses	171,946,746	178,097,139
Staff cost	109,070,022	164,533,735
Earnings before depreciation	165,445,922	343,619,180
Depreciation and Amortization	173,839,263	169,438,085
Profit from Operations	-8,393,341	174,181,095
Finance cost	486,830,670	396,261,907
Profit or loss for the year	-495,224,011	-222,080,812

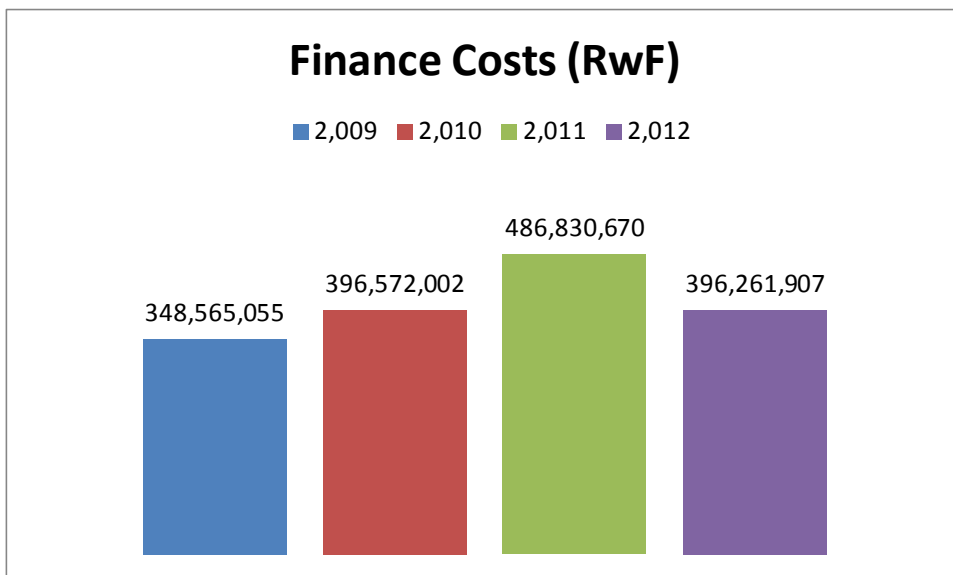
Staff costs went up by 55M RwF for two main reasons:

- The team was strengthened at executive level as well as at supervisory level. These additional supervisors were needed as the number of shifts were doubled so that the mill could be run day and night;
- The number of (costly) overhours increased due to the number of hours that the mill was operated, including on Saturdays and Sundays.

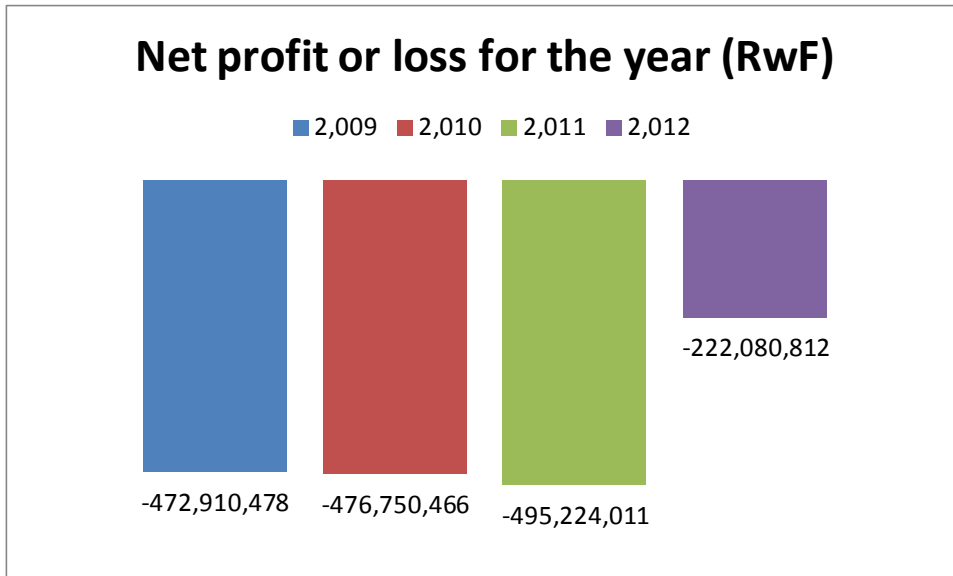
Profit from Operations was positive for the first time in Minimex’s history, moving from a loss of 8M RwF in 2011 to a profit of 174M RwF.



Financing costs decreased by 18.6% in 2012 due to the fact that Minimex Ltd did not carry the costs of an overdraft facility, and because the interest costs paid for the investment loans decrease as the loans get nearer to their final payment date.



The sharp increase in Profit from Operations and the decrease in financing costs could not prevent Minimex from making a net loss of 222M RwF.



3.2. Realizations compared to projections

	Realized 2012	Budget 2012	% realization
Turnover	5,421,357,760	7,757,194,790	69.9%
Costs of goods sold	4,760,055,760	5,375,296,660	88.6%
Gross Margin	661,302,000	2,381,908,070	27.8%
Financial costs	396,261,907	381,417,625	103.9%
Net profit	-222080812	639149254.1	-34.7%

Compared to projections, the company's turnover has achieved 70% of the budget. This 70% results from a lower than budgeted volume of sales (66%) partly compensated by higher average prices.

Lower than expected sales volumes were caused by lower production volumes, as for flour and bran it is fair to say that all products produced find their way to the market.

Lower than budgeted production volume was mainly caused by a lack of raw materials at certain periods during the year, and by a lower than budgeted demand for grits. The latter had as implication that the speed of the mill had to be slowed down in order not to produce an excess of grits.

Costs of goods sold were also lower than budget, yet less than one might expect from the lower sales volume. The average price of maize amounted to 238 RwF per Kg, 25% higher than the budgeted price of 190 RwF per Kg.

3.3. Balance Sheet on 31/12/2012

The Balance sheet of Minimex Ltd much improved compared to the one by the end of 2011, due to a capital restructuring effectuated by the 31st December 2012.

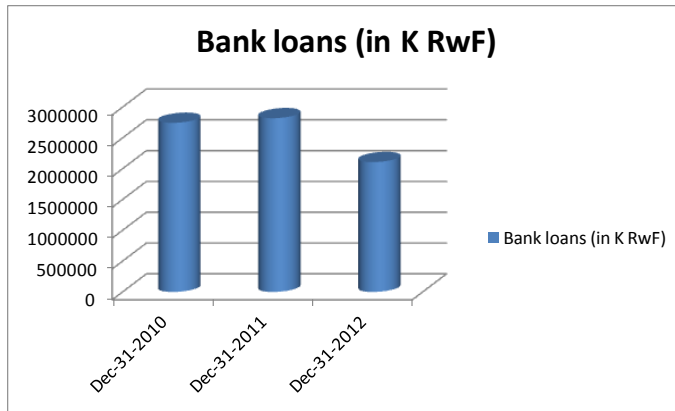
At that date, 11,000 new shares were issued at a value of 100,000 RwF each, and subscribed to by shareholder Prodev Group Holding Ltd. It converted 896.000.000 RwF of accounts receivables into equity, and has committed to inject 204,000,000 of cash by 30th April 2013.

This refinancing and the relentless repayment of debt has led to:

- 1) A decrease of the borrowings (long term loans) from 2,153M RwF by the end of 2011 to 1,671M RwF by the end of 2012;
- 2) a decrease of current liabilities from 1,667M RwF to 1,190M RwF;
- 3) an overall decline of the liabilities from 3,820M RwF to 2,861M RwF.

	Dec-31-2012	Dec-31-2011	Dec-31-2010
Assets in RwF	4,973,377,860	5,258,052,505	5,765,700,679
Non-Current Assets	4,550,987,262	4,844,510,795	4,893,713,965
Property Plant and Equipment	4,249,146,093	4,497,558,374	4,611,650,292
Intangible assets	160,641,169	205,752,421	250,863,673
Investments	141,200,000	141,200,000	31,200,000
Current Assets	422,390,598	413,541,710	871,986,714
Inventories	167,469,015	121,971,576	541,373,347
Trade and other receivable	195,129,854	228,426,351	127,869,853
Tax assets	11,945,318	11,921,854	11,765,854
Cash	47,846,411	51,221,929	190,977,660
Total Equity and Liabilities	4,973,377,860	5,258,052,504	5,765,700,679
Shareholder's Equity	2,112,255,540	1,438,336,352	1,933,560,363
Authorised and issued share capital	2,200,000,000	1,100,000,000	1,100,000,000
Paid Up Share Capital	1,996,000,000	1,100,000,000	1,100,000,000
Revaluation reserves	2,846,287,788	3,100,373,336	3,100,373,336
Cumulative Retained Earnings	(2,730,032,248)	(2,762,036,984)	(2,266,812,973)
Liabilities	2,861,122,320	3,819,716,152	3,832,140,316
Non-current liabilities	1,671,209,751	2,153,205,027	2,507,709,539
Borrowings	1,658,069,049	2,103,545,569	2,458,776,312
Related parties	13,140,702	49,659,458	48,933,227
Current Liabilities	1,189,912,569	1,666,511,125	1,324,430,777
Short term bank loans	453,450,816	716,436,126	286,394,075
Minicom loan	359,367,642	503,541,968	558,701,745
Trade and other payables	377,094,111	446,533,031	479,334,957

Bank loans, captured in the lines “borrowings” and “short term bank loans”, decreased from over 2.8 Billion RwF in the year 2011 to just over 2.1 Billion RwF by the end of 2012:



The loan of MiniCom diminished from 503M RwF end of 2011 to 359M RwF end 2012.

Regarding the Revaluation reserve and the retained earnings it is worth noting the comments made by the auditor:

Notes from the auditor	2012	2011
	Rwf	Rwf
14. Revaluation Reserve	3,100,373,336	3,100,373,336
Balance brought forward	(132,124,485)	
Prior year adjustment	(121,961,063)	
Gain on revaluation	2,846,287,788	3,100,373,336
15. Retained earnings	(2,762,036,984)	(2,266,812,973)
Balance brought forward	132,124,485	
Prior year adjustment	121,961,063	
Loss for the period	(222,080,812)	(495,224,011)
	(2,730,032,248)	(2,762,036,984)

4. PERSPECTIVES FOR THE NEAR FUTURE

The year 2013 should be the year in which the road to profitability that was entered in 2012 leads to a positive net result. For that to happen there are three factors that must be achieved:

- operating the mill at 60%
- increasing the margin on sales of end products
- further reducing the financing costs

4.1. Operating the mill at 60%

For the mill to operate at 60% two things must be in place:

- a) A steady supply of maize in all seasons, of around 2160 tons per month
- b) No break-downs of the mill
- c) Ability to vary the product mix, so that a limit in the demand of one product does not mean that the overall speed of production must be reduced.

The first point demands an effectively working sister company ProDev Rwanda Ltd, which last year provided 62% of Minimex's maize. It is expected that in 2013 this percentage will be surpassed. ProDev Rwanda Ltd, with its drying and storage facilities strategically located in Rwamagana, will be able to attract significant quantities of local maize and sell it to Minimex at market price. Contrary to the year 2012 in which ProDev Rwanda had to pre-finance much of the maize it delivered to Minimex, this year Minimex will need to apply normal payment terms. This demands a healthy cash flow at Minimex which can only be achieved if the mill runs at 60% of capacity.

The second point, no break-downs of the mill, demands serious attention from production management and possibly an investment in technical expertise, as maintenance activities will need to take place in ever shorter timeframes with the mill running almost continuously.

The third point, ability to vary the product mix of the mill, requires an investment in equipment foreseen to be made in the second half of 2013.

4.2. Increasing the margin on sales of end products

The margin which consumers are willing to pay for the only certified maize flour product in Rwanda needs to be maintained and increased. In 2013 a rebranding campaign will strengthen the brand name of Minimex Ltd as the leading company in Rwanda and the region, using the slogan "East Africa's finest".

In parallel with this rebranding campaign, Minimex will introduce its fortified flour into the market. Minimex has had the ability to produce this fortified product since mid 2012, yet

demand has not picked up, notwithstanding support from the Ministry of Health. The product launch, ahead of regulatory enforcement of fortified products, is expected to lead to an increased awareness of and demand for this health increasing product.

The price of bran is expected to stay strong, with the demand from the poultry and cattle sector for quality feed increasing in and around Rwanda.

4.3. Further reducing the financing costs.

The financing costs have been a major component of the costs and will need to further reduced to allow Minimex to break even. This can be achieved by turning the cash-flows positive (due to points 4.1 and 4.2 above) and by limiting costly funding by financial institutions. Under these conditions financing costs can be diminished with 70M – 80M Rwf compared to the year 2012.

In this context it is worth mentioning that Minimex Ltd resumed the repayment of the facility of 702 million Rwf given by the Government. During 2012 a total amount of 144M Rwf was paid. The remainder is planned to be paid back in full in the year 2013.

5. CONCLUSION AND RECOMMENDATION

The year 2012 has shown a sharp increase in production and sales volumes. The mill has run at 42% of capacity, sales of flour and bran have shown to be strong. Maize supply has improved due to a strong performance of Minimex's sister company ProDev Rwanda, which played the role of sourcing and financing partner of Minimex in 2012.

Minimex can continue its growth assuming that it can get sufficient maize, partly through ProDev Rwanda and partly from local traders, and that it can increase its cash flow to such a level that maize suppliers and financing partners can be paid.

Minimex will strengthen its position in the maize value chain, not only by increasing the volume, but also by using more and more of the maize produced in Rwanda. A branding campaign will further position Minimex where it belongs: at the top of maize processors in Rwanda and around. Product diversification will add to Minimex's reputation as market leader and innovator, specifically in the field of enhancing the health of the population.

Sales of bran to poultry and cow farmers, and even to animal feed plants abroad have been strong and promise to generate an increasing and reliable stream of revenues from 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.

In order for the maize value chain in Rwanda to become stronger, to the benefit of maize farmers and consumers, Minimex invests in strengthening the ties with all stakeholders, including Ministries of Agriculture, Trade & Industry and Health, as well as large cooperatives, districts and multiple NGO's working in this field.

The year 2013 should prove that the vision of Minimex as profitable and important player in the value chain can be realized.