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1. Project Background

The Government of Mauritius acquired 6,764 Arpents of land on 3rd July 1973, together with the Rose Belle factory and garage from a Consortium consisting of the **Mauritius Agricultural and Industrial Co. Ltd**, **Eau Bleue Ltd** and the **Grand Port Land Company Ltd** for the sum of Rs 19 Million. The land and the factory were then vested into the **Rose Belle Sugar Estate Board (RBSEB)** by an Act of parliament on 14th July 1973.

1.1 The Legal Set Up of RBSEB

The **RBSEB** is governed by the **Rose Belle Sugar Estate Board Act** of 1973 which provides that there shall be a Board and the functions of the Board are “*to manage the activities of the Rose Belle Sugar Estate Board*”.

1.2 The Board of Directors

The board has been fully replaced by another one, chaired by Mr. N. Basant Roi, PDSM in the year 2011 and this board is managing **RBSEB** up to now. The composition of this new board is as follows:

Names	Designation
Mr. Nundlall Basant Roi, PDSM	CHAIRMAN
Dr Chong Wan Cheong Ah Tow, CSK	Independent member appointed by the Minister
Mr. Shamduth Panday Benimadhu	Principal Research Scientist (Head), PLANT PATHOLOGY DIVISION, AREU, FARC
Mr. Prenduth Boojhawon, MSK	President, Human service Trust, Calebasses, Pamplemousses
Dr Dhaneshwar Dumur	Member Adviser, Ministry of Agro Industry and Food Security, R. Seeneevassen building , Port Louis
Mr. Naraindra Ghoorah	Retired Principal Inspector of schools
Mr. Sookdeo Juggoo * (Appointed on 15 th March 2012)	<ul style="list-style-type: none"> Ex CWA Inspector, Director of ALI & BRIGHT CO.LTD President of Parent teachers Association of Lycee Polytechnique Sir Guy Forget Flacq since 2011 till now
Mr. R. Dabeedyall	Member Rep. of the Ministry of Agro Industry and food Security, R. Seeneevassen Building, Port Louis
Mr. Dewan Quedou	<ul style="list-style-type: none"> Technical Cadre at WMA and Trade Unionist Board member of Employees Welfare Fund Member/Assessor of NPF Appeal Tribunal
Mr. D.A. Rughoobur* (Appointed on 27 th July 2011)	Rep. of the office of the Public Sector governance PMO
Mr. F.K. Juhoor	Ag. Secretary



1.3 The Current Financial Situation

The revenues of **RBSEB** have continuously decreased over the last few years. With the sharp decline in revenue from sugar proceeds and the high production cost due to over manning, the **Rose Belle Sugar Estate Board** rapidly found itself in a critical financial situation. For the year 2013, it made losses of about Rs 37 M and is expected to have an operational deficit of Rs 55.6 M on its core business for the current year 2014. The **RBSEB**, given its poor liquidity position, has stopped the reimbursement of its loans to the Government.

According to the **MOFED** an amount of Rs 122.8 M is still outstanding as loan given by the Government of Mauritius.

1.4 The current study

It is in this context that the **RBSEB** has called for the services of a Consulting firm so as to:

- i. Assess the current situation with respect to business performance, debt/equity changes and organizational structure.
- ii. Review and re-evaluate the business operations, including the impact of reduction of land under cane cultivation and make recommendations as to changes needed for business survival.
- iii. Propose a restructuration plan of the operations of the **Rose Belle Sugar Estate Board**.
- iv. Assess the potential of the land assets of the **Rose Belle Sugar Estate Board** (both for agricultural and non-organisational use) and to propose the most profitable way for its utilization.
- v. Make proposals for the improvement of the financial situation; including land development for purposes other than agriculture.
- vi. Explore new business opportunities in the agricultural sector or related fields including food security issues.
- vii. Identify and qualify capital needs and repayment plan with cash flow implications for the long term sustainability of the **Rose Belle Sugar Estate Board**.
- viii. Propose a time bound action plan for the implementation of the recommendation, including any change needed to relevant legislation to cater for the new business model and its mode of operation.



2. Our Approach to the Terms of Reference

2.1 Repositioning the Terms of Reference

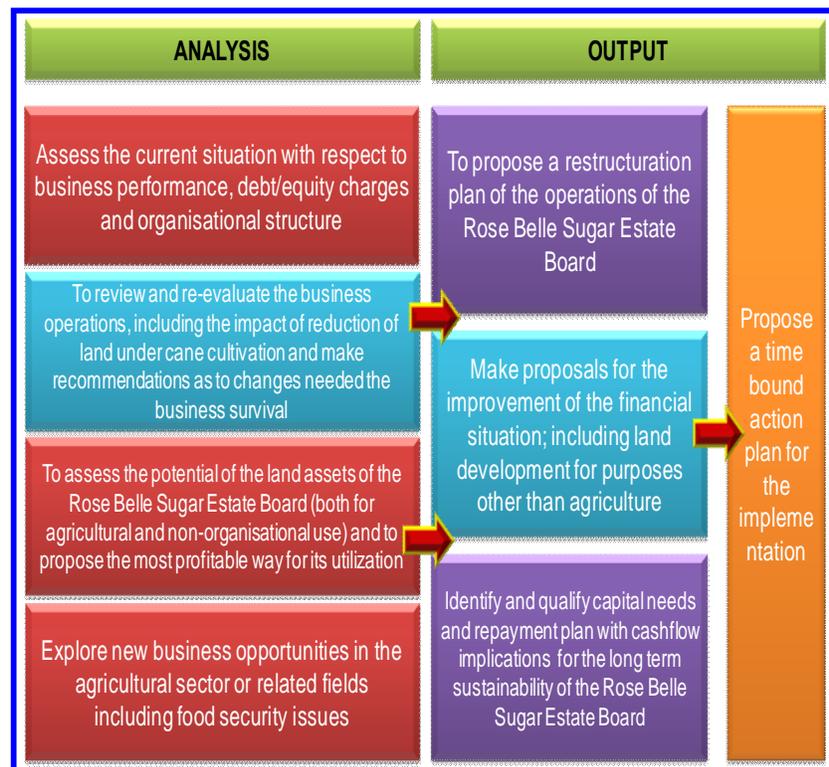
We are structuring our approach along the lines of our technical proposal. We are therefore templating so as to have a casual and co-relational relationship of the terms of reference and the expected output as shown in the diagram opposite.

This will allow synergy between the various components of the assignment whilst at the same time allowing the input from each phase of analysis to contribute to the overall terms of reference. The various outputs have been progressively shared with the Steering Committee. The first impression is that **RBSEB** is on a very non-performing path and needs to make a clear break with the past and past practices. The past strategies at **RBSEB** have destroyed Shareholder value. It is clear that, at all levels, **RBSEB** has not benefited from innovative processes, ideas, strategies and tactics that could allow it to make way for transformational change in operations so as to create Shareholder value.

Thus, this report has as objective to make a clear, holistic, overall situation analysis of **RBSEB** and to explore avenues for survival and subsequent growth. This will only happen if there are an unflinching will at all levels to embark on a new mindset, coupled with a new breed in terms of mindset, attitude, commitment, passion and willingness to embark on unchartered territories so as to bring transformational change with resulting substantial growth in shareholder Value.

If **RBSEB** is to be transformed, it is clear that it will not be with the current management and leadership team in place. **RBSEB** is in dire need of a new breed of entrepreneurial mind that can challenge the future and roadmap the organisation to reach new heights.

We hope that all parties concerned will look at this report as a final wake-up call and embark, in a momentum of togetherness, on a transformational change journey that will demand lots of bold decisions, efforts, sacrifices change management and untraditional work practices so as to secure a positive future for **RBSEB** and the intents of the shareholder.





3. Introduction

3.1 RBSEB – The Land Asset of RBSEB

The Estate is located in the South-East part of the island, extending from Le Val to Bananes and from Mare Tabac to Union Park.

3.1.1 Land Owned and Managed by the Estate

As at date, the Estate owns about **5,881 Arpents** of land, exclusive of the Estate roads which may account for about 5-10% of the actual cultivated area (i.e.250-500 arpents).

Today, **Rose Belle Sugar Estate** has out of its total acreage, a total of 5881A27P, which has been or is being used for different purposes.

3.2 The Land assets of RBSEB – a matter of high concern

The land records of **RBSEB** are in such a poor state that a list of land transactions from the Registrar could not be reconciled with the records of **RBSEB**. If we extrapolate on all the land transactions of **RBSEB** to date, the situation can be chaotic.

The boundaries of Forest Reserves are safeguarded by the Forestry Services and they are not under the control of **Rose Belle Sugar Estate Board**.

It is strategically very worrying that **RBSEB** has no domain book of its land assets. **RBSEB** has not also invested in a plotter for land management systems. Our site visits depended solely on the specific knowledge of the Deputy General Manager on the boundaries of the land assets of **RBSEB**. It is critically worrying that the Deputy General Manager and the two heads of the field sections are the only ones to know the spread and boundaries of the land assets of **RBSEB**. There are no cadastral records of the land assets and its boundaries. In certain cases, the boundaries depended on the knowledge of the department of Conservation of Forests of the **Ministry of Agro-Industry**. Once they could delineate their boundaries, it was then deducted that the land of **RBSEB** starts from there. This is a very critical and alarming weakness in the current operational framework of **RBSEB**. Land belonging to **RBSEB** can be easily occupied by third parties without the knowledge of the **RBSEB**.

3.3 Soil Type and Climatic Conditions

The soils of the **RBSEB** are very shallow, heavily leached, highly eroded and of low natural fertility. Presently, the Estate has about 3146.99A of land under cane cultivation. The remaining are pasture lands, river reserves, roads and drains.

The main soil types under cane cultivation are:

- Latosol Brown Forest (B1 and B2), 1672.57A
- HumicFerruginouslatosols (F1 and F2), 1434.42A
- Mountain Slope Complex (S2), 40A

The region experiences low temperatures and low solar radiation. These factors lead to low cane production potential.



The land is situated in the super humid zone, where agro climatic conditions are extreme.

3.3.1 Union Park Section

Union Park Section has a mix of free soil and gravelly to rocky. The landscape is undulating. Rainfall is in the range of 2500-3000 mm annually.

3.4 The mandate or the ambiguity, regarding Rose Belle Sugar Estate (RBSEB)

There is no legislation dealing specifically with **RBSEB**, such as for instance the **State Trading Corporation or the Mauritius Cane Industry Authority Act (MCIA)**. Nor has **RBSEB** developed any Articles of Association/ Constitution pursuant to the Companies Act 2001. In lieu thereof, there is the **Rose Belle Sugar Estate Board Act (RBSEBA)** of 1973, which refers specifically to a board.

Two sections of the Act are relevant to the first tier of our analysis. Section 4 of the Act refers to the objects of the Board and reads *“The Object of the Board shall be to manage the **Rose Belle Sugar Estate**”*. However, no indication is given as to how this management should take place. In contrast section 4(a) of the **MCIA Act** contains the words *“ensure a fair, efficient and effective administration and operation of,”* which do give a purpose. Similarly, Articles of Association of companies spell out a purpose and do not provide for what could be termed *“vague+intents* as does the **RBSEBA**. How **RBSEB** should be managed is not enforced in the formulation of the **RBSEB Act**.

Section 11 refers to *Directions of Minister* and it specifies that the Minister may *“give such directions to the Board as he considers necessary in the public interest, and the Board shall comply with these directions”*. Public interest is understood in the general sense ascribed to this concept, in this case, fulfilling the socio-economic and developmental objectives of Government.

4. Analysis of Business performance

4.1 The Structure

RBSEB has not performed efficiently at all on its core business over the last years. Our analysis reveals a very non-performing organisation, currently in a deep financial crisis.

Our analysis of business performance is structured under the following captions:

1. Financial Analysis.
2. Assets and Liabilities and Debt/ Equity evolution.
3. Sale/ Lease of land.
4. The organisational platform of **RBSEB**.
5. Debtor management.
6. The current Manpower.



7. Payments to the Government Valuer.
8. Diversification projects undertaken by RSBEB .
9. The Board of RBSEB .
10. Governance Issues.
11. Leadership and Management Practices.

4.2 Financial Analysis-Income (Revenues) and Expenditure

4.2.1 Revenues

The revenue axes of **RBSEB** are multi-streamed, but sugar predominates in the nomenclature. The core business of **RBSEB** is the cultivation of sugarcane and, as a result of this; it also derives revenues on Molasses and Alcohol. These revenues have been directly proportional to sugar tonnes harvested, yield and market selling prices. Along these revenues, **RBSEB** has also earned revenues from the lease of land, transport refunds, **SIFB Compensation**, diversification and Investment Income. However, these have been relatively very low compared to the revenues from the core business of sugar cane plantation.

1. Sugar, Molasses & Alcohol	2. Sugar Insurance Compensation
3. Gain arising from fair value of standing cane	4. Other operating Revenues

The revenues from Sugar, Molasses and Alcohol over the last few years have been as follows:

TOTAL REVENUES								
	2007	2008	2009	2010	2011	2012	2013	2014
	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Forecast
	Rs							
Revenue								
Sugar, Molasses and Alcohol	167,667,178	161,859,341	144,599,517	112,701,957	133,348,181	147,041,496	117,646,178	133,743,500

There is a clear reduction in the revenue of **RSBEB** on this item. Various reasons contribute to this reduction in revenues.

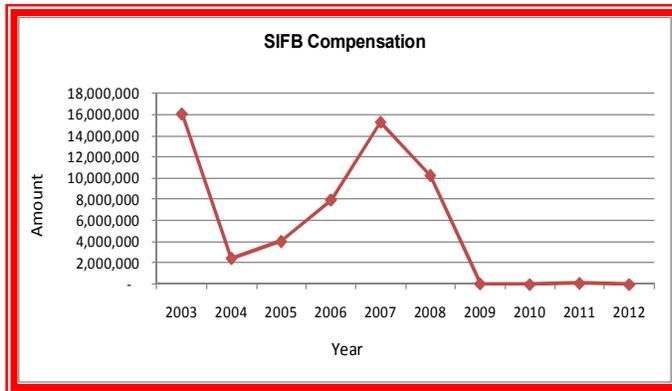
4.3 Revenues from SIFB

RBSEB has at times received income from the **SIFB**.

The **Sugar Insurance Fund Board (SIFB)**, set up under the **SIFB Act No. 4 of 1974**, operates under the *aegis* of the **Ministry of Finance and Economic Development**. Its mission is to provide financial support for a long term, viable and sustainable Sugar Industry.



Over the years, changes have taken place concerning the premium percentage payable. Currently the latter (varying from 8.8% of the value of the insurable sugar to 5.5%), the first lossborne by the insured (from 16.0 to 4.0%) and the value percentage shortfall (i.e. that part of the production shortfall which is compensated by the insurance fund) are all linked to the ranking of the producer (from the lowest set at 5 or less, to 15.0). Such ranking alters with the claims history of the producer depending upon the compensation/premium applicable each (previous) year.



As a producer moves down the ranking table (from say a ranking of 10 to that of 9), the premium percentage increases (from 7.7 to 8.0 as at July 1984 onwards)

and there is fall in claimable losses (from 65.0% to 62.0%, again as at July 1984 onwards). Up the ranking table, the premium percentage and the first loss decreases, while the value percentage increases. However, movements up and down the ranking table are not necessarily symmetrical.

4.4 Gain arising from changes in fair value of standing cane

The other element of income in the financial statement of **RBSEB** is gain arising from changes in the value of standing cane.

This is non-cash accounting entry under **IAS41**. This figure arises on the application out the **International Accounting Standards No 41** . Agriculture.

The objective of this **International Accounting Standard** is to prescribe the accounting treatment and disclosure related to agricultural activity.

4.5 Other Operating Revenues

Other operating revenue of **RBSEB** consists of:

- Diversification
- Lease rental in Investment Properties
- Other leases
- Sale of Property, Plant and Equipment
- Investment Income

4.6 Overall Revenue Trends

The recent overall trends in revenues for **RBSEB** have been as follows:



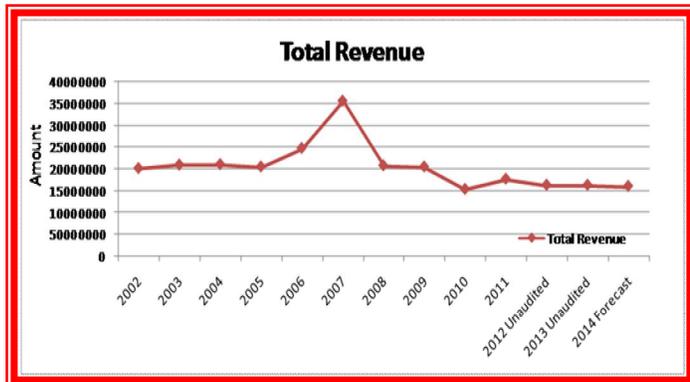
TOTAL REVENUES								
Year	2007	2008	2009	2010	2011	2012	2013	2014
	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Forecast
Rs								
Revenue								
Sugar, Molasses and Alcohol	167,667,178	161,859,341	144,599,517	112,701,957	133,348,181	147,041,496	117,646,178	133,743,500
Sugar Insurance Compensation	15,316,752	10,278,807	43,589	0	93,397	0	0	0
Investment Income	830,277	932,207	735,640	846,523	836,903	777,653	800,956	800,900
Gain arising from changes in fair value of Standing Cane	-6,900,000	-2,214,414	-13,824,630	8,839,523	3,234,344	-16,766,911	16,933,282	-6,756,200
Diversification	602,377	647,066	821,584	533,978	531,496	799,999	342,822	259,200
Other Operating Revenue	178,863,061	36,345,199	72,182,315	30,190,450	38,662,808	29,748,838	27,125,505	32,131,800
Total Revenue	356,379,645	207,848,206	204,558,015	153,112,431	176,707,129	161,601,075	162,848,743	160,179,200

Note: The forecasted budgeted revenues of 2014 are based on the sugar price of Rs 17 000/ton which in our opinion could be less.

Clearly, there has been a constant decline over the years in total revenues also.

The revenues forecasted in 2014 is less than 50% of the revenues earned in the year 2007.

Given that the year 2007 was an exceptional year that benefitted from land parceling, we need to analyse the performance of **RBSEB** on its core business and hence make abstraction of the exceptional item that was the land parceling of 2007. Although an increase in revenue is forecasted in 2014, it is due to the fact that **RBSEB** will again do some land sale which is an exceptional item.



4.7 Some of the reasons for the Decline in Sugar Revenues

One of the reasons for the decline in revenues is because the area of cane harvested and the amount of cane produced by **RBSEB** is continuously on the decrease.

From 2003 to 2006, the area harvested has been more or less stable. There were slight variations caused by difference in harvested area. However, after 2006, there has been a continuous decrease in area harvested because land has been released for different projects.

It has been either sold or leased to third parties. Some examples are as follows:

2006:	<ul style="list-style-type: none"> 500 arp scheme Marginal land was leased for rock quarry Land sold to SIT to recoup cost VRS 1 Land was leased for hydroponic project Land was leased for BIRLA INSTITUTE OF TECHNOLOGY
2007:	<ul style="list-style-type: none"> Part of land sold to EREIT was not replanted Land being prepared for mechanisation



2008:	<ul style="list-style-type: none"> • Land was leased to SKC DAIRY FRESH • Land was leased to VITA RICE LTD • Land being prepared for mechanisation
2009:	<ul style="list-style-type: none"> • Land was leased to VITA RICE LTD • Land being prepared for mechanisation
2010:	<ul style="list-style-type: none"> • Land was leased to VITA RICE LTD • Land being prepared for mechanisation

The above sale and leases of land partially explains the reduction in area harvested.

Decrease of sugar accruing to RBSEB.

Another reason for the reduction in sugar revenues is also due to the fact that the sugar accruing to **RBSEB** has shown a continuous decrease over the years. This is due to a continued effect of a steady decrease in the quantity of cane produced by **RBSEB** and a price fluctuation. The quantity of sugar accruing has gone down from 11,218 tonnes in 1999 to some 6,871 tonnes in 2013, which is almost half of what it was in 1999. The yield per Arpent has been more often subject to minor fluctuations.

4.8 Effect of Mechanical Harvest on Yield

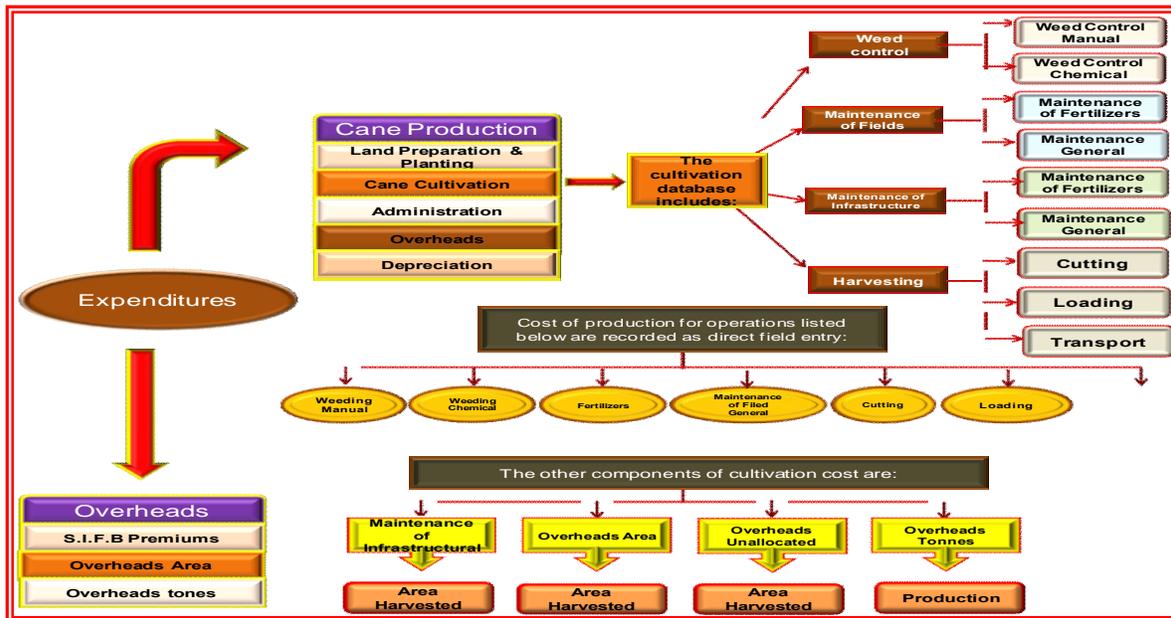
It has been shown that mechanical harvesting could lead to a reduction of yield during harvest and also effect adversely regrowth. This may result in a reduction of cane yield in the subsequent ratoons with possibly carry over adverse effects throughout the cycle.

4.9 Expenditure

The expenditure of **Rose Belle Sugar Estate Board** as per its financial statements is mainly on six items, out of which three are cash items and three are non-cash items representing depreciation of Property Plant and Equipment and Amortisation, amortisation of VRS 2 costs and amortisation of bearer biological assets.

Cash Items	Non-Cash Items
Employee Remuneration	Depreciation
Suppliers & Services	Amortisation of VRS 2
Sugar Insurance Premiums	Amortisation of Bearer Biological Assets

Cane production constitutes the main item of expenditure as it is the core business of **RBSEB**.



4.10 Expenditure Trends

The recent trends in expenditure for **RBSEB** as per its financial statements have been as follows:

TOTAL EXPENDITURES								
Year	2007	2008	2009	2010	2011	2012	2013	2014
	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Forecast
Rs								
Expenditure								
Employees' Remuneration	114,097,171	109,570,714	117,116,105	128,336,397	118,174,509	122,847,598	117,218,798	118,650,200
Supplies and Services	44,769,079	58,872,087	45,289,840	43,294,649	48,839,328	45,818,215	42,474,442	57,113,000
Sugar Insurance Premiums	14,227,000	12,609,438	9,702,940	2,469,114	2,399,835	3,781,690	3,736,855	3,607,200
Depreciation	4,243,826	4,579,703	7,024,695	9,220,155	9,567,352	7,901,840	7,796,400	8,347,200
Amortisation of Bearer Biological Assets	13,238,643	13,447,838	13,546,453	17,880,691	15,043,279	11,458,677	11,733,680	11,707,200
Amortisation of VRS Costs	0	6,484,290	6,484,290	6,484,290	6,484,290	6,484,290	6,484,290	6,484,800
Total Operating Costs	190,575,719	205,564,070	199,164,323	207,685,296	200,508,593	198,292,310	189,444,465	205,909,600

The above exclude loan interest charges of some Rs 10 M per year.

From the expenditure side, as mentioned earlier, the three items of Depreciation, Amortisation of Biological Assets and Amortisation of VRS Costs are non-cash items. The remaining items of expenditure are all cash items.

In spite of two VRS implemented at **RBSEB**, Employers remuneration is a very substantial item of expenditure.



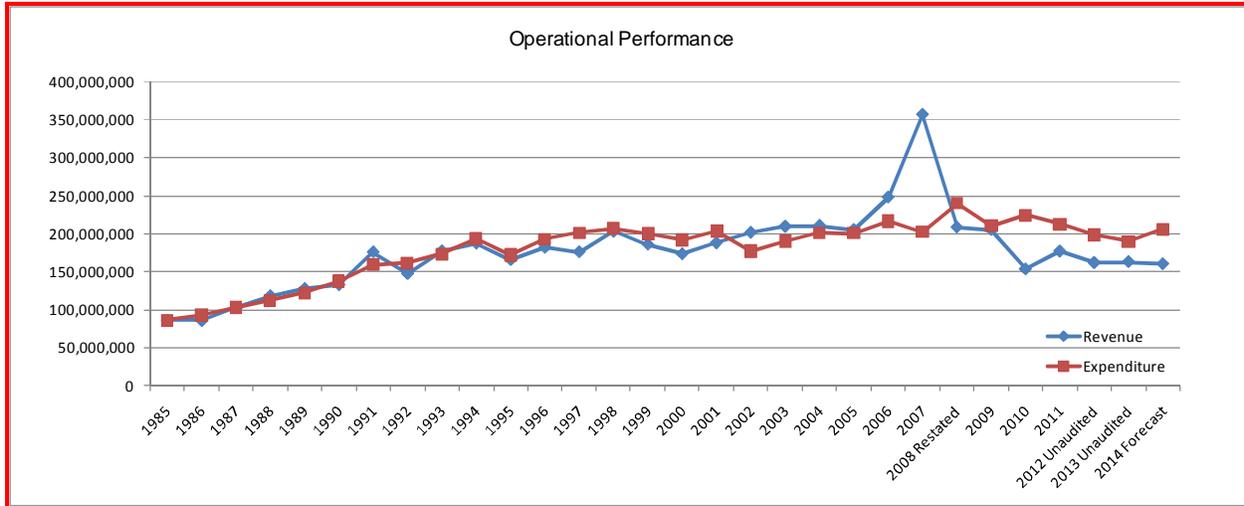
4.11 Comparative Comprehensive Income Statement of revenues and Expenditure over the last years

The comparative comprehensive income statement of **RBSEB** over the last years and the forecast for 2014 is as follows:-

COMPARATIVE COMPREHENSIVE INCOME STATEMENT FROM 2007 TO 2014								
Year	2007	2008	2009	2010	2011	2012	2013	2014
	Audited	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Forecast
Rs								
Revenue								
Sugar, Molasses and Alcohol	167,667,178	161,859,341	144,599,517	112,701,957	133,348,181	147,041,496	117,646,178	133,743,500
Sugar Insurance Compensation	15,316,752	10,278,807	43,589	0	93,397	0	0	0
Investment Income	830,277	932,207	735,640	846,523	836,903	777,653	800,956	800,900
Gain arising from changes in fair value of Standing Cane	-6,900,000	-2,214,414	-13,824,630	8,839,523	3,234,344	-16,766,911	16,933,282	-6,756,200
Diversification	602,377	647,066	821,584	533,978	531,496	799,999	342,822	259,200
Other Operating Revenue	178,863,061	36,345,199	72,182,315	30,190,450	38,662,808	29,748,838	27,125,505	32,131,800
TOTAL REVENUE	356,379,645	207,848,206	204,558,015	153,112,431	176,707,129	161,601,075	162,848,743	160,179,200
Expenditure								
Employees' Remuneration	114,097,171	109,570,714	117,116,105	128,336,397	118,174,509	122,847,598	117,218,798	118,650,200
Supplies and Services	44,769,079	58,872,087	45,289,840	43,294,649	48,839,328	45,818,215	42,474,442	57,113,000
Sugar Insurance Premiums	14,227,000	12,609,438	9,702,940	2,469,114	2,399,835	3,781,690	3,736,855	3,607,200
Depreciation	4,243,826	4,579,703	7,024,695	9,220,155	9,567,352	7,901,840	7,796,400	8,347,200
Amortisation of Bearer Biological Assets	13,238,643	13,447,838	13,546,453	17,880,691	15,043,279	11,458,677	11,733,680	11,707,200
Amortisation of VRS Costs	0	6,484,290	6,484,290	6,484,290	6,484,290	6,484,290	6,484,290	6,484,800
TOTAL OPERATING COSTS	190,575,719	205,564,070	199,164,323	207,685,296	200,508,593	198,292,310	189,444,465	205,909,600
Operating Profit/(Loss)	165,803,926	2,284,136	5,393,692	-54,572,865	-23,801,464	-36,691,235	-26,595,722	-45,730,400
Interest Payable	-11,784,588	-34,666,706	-10,926,304	-16,449,953	-11,893,396	-13,686,196	-10,838,370	-9,879,200
Share of Results of Associates	0	229,837	355,589	139,749	102,136	0	0	0
Profit/(Loss) before Exceptional Items	154,019,338	-32,152,733	-5,177,023	-70,883,069	-35,592,724	-50,377,431	-37,434,092	-55,609,600
Taxation	0	0	-220,240	0	0	0	0	0
Exceptional Item	0	0	0	0	0	0	27,580,805	39,716,400
NET PROFIT/(LOSS)	154,019,338	-32,152,733	-5,397,263	-70,883,069	-35,592,724	-50,377,431	-9,853,287	-15,893,200

The overall revenues of **RBSEB** in its core business have been continuously decreasing over the years on almost all fronts. The costs, on the other side, have not decreased proportionately so as to allow for some profit margins. In fact, the **RBSEB** is making increasing substantial losses from year to year. The budgeted profit of Rs 58, 021, 200 in 2014 is from two land parceling projects, the details of which are in Appendix 1.

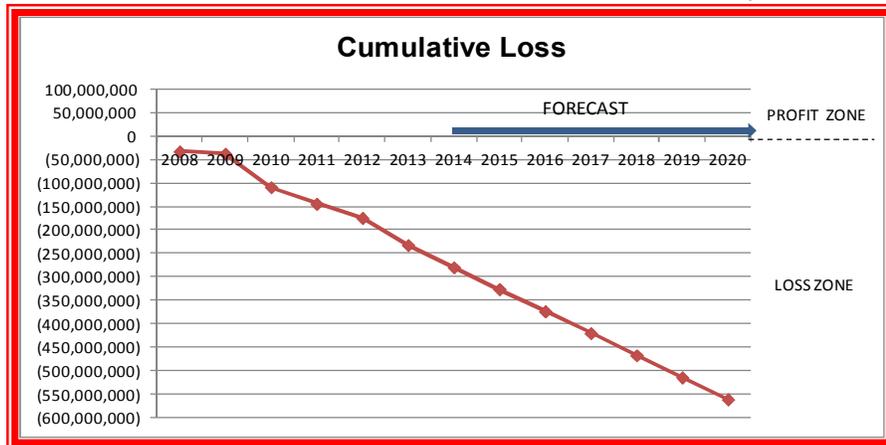
The chart below shows overall operational performance from 1965 to date:



Clearly, this is a total destruction of shareholder value and is not a sustainable trend for the **Rose Belle Sugar Estate Board**.

As long as there were accumulated reserves to offset annual deficits, the figure of general fund remained a constant. If government decides to inject fresh capital in the company, this might also keep the General Fund positive, but the government has clearly stated in the various meetings that it will not inject any funds in **RBSEB**.

RBSEB has thus made a cumulative loss of Rs 231,715,566 over the last 6 years. This cumulative loss on its core activities is expected to rise to Rs 278,968,966 in 2014. This is clearly a very alarming situation. The recent trends in revenue creation in **RBSEB** have not been favourable at all. Overall performance of **RBSEB** in terms of Revenue and Expenditure shows a growing loss situation



due to decreasing revenues and Increasing Costs. This situation is not a sustainable one. If allowed to continue as it is operating, and with the uncertainties of the future and the expected fall in sugar prices, we forecast the net loss on core activities for **RBSEB** could exceed Rs 600,000,000 in the year 2020.



4.12 The Assets of RBSEB

The last audited financial statements for **RBSEB** are for the year ended 31st December 2011.

The assets of **RBSEB**, as per the last audited accounts as at 31.12.2011, stand at Rs 420,589,195. It is made up of Fixed and Current Assets.

The Property, Plant and Equipment element comprises Agricultural land, Factory land and Commercial building, Residential Land and Building, Transport and Agricultural Equipment, Furniture, Fixtures and Fittings and Diversification assets.

Investment properties in the assets comprises mainly of land leased out.

The Intangible asset comprises computer software acquired and amortised over time.

The investment in associates represents shareholders as associate in **Le Val development Co Ltd**. They have been accounted for using the equity method as per **IAS28**.

The Investment in financial assets represents the fair value of investments of listed and DEM quoted available-for-sale financial assets and is based on the Stock Exchange and DEM quoted prices at the close of business on the reporting date.

The Bearer Biological assets represent the Capitalisation of cane replantations costs which needs to be amortised over time.

ASSETS	2011 Audited Rs
Non Current assets (Fixed Assets)	
Property, Plant and equipment	138,365,368
Investment Properties	59,316,206
Intangible Assets	1,611,499
Investment in Associate	5,285,331
Investment in financial Assets	32,716,366
Bearer biological assets	42,108,387
Deferred VRS costs	19,453,185
Sub Total – Fixed Assets	298,856,342
Current Assets	
Inventories	4,064,425
Consumable biological assets	13,576,485
Trade and other receivables	66,690,227
Term deposit	0
Cash in hand and at bank	37,402,448
Sub Total – Current Assets	121,733,585
Total assets	420,589,195

4.12.1 Property, Plant and Equipment

The amount of costs for Property, Plant and Equipment as at 31.12.2011 was Rs 194,865,319 and a net book value of Rs 138,365,368 . spread as shown:

FIXED ASSETS AS AT 31.12.2011											
		Cost		194,865,319							
		NBV		138,365,368							
Agricultural Land		Factory Land And Commercial Building		Residential Land And Building		Transport And Agricultural Equipment		Furniture, Fixtures And Fittings		Diversification	
Cost	109,843,982	Cost	10,996,047	Cost	2,285,781	Cost	62,862,006	Cost	7653,194	Cost	1,224,309
NBV	109,843,982	NBV	6,758,515	NBV	1,157,552	NBV	17,023,639	NBV	2,847,031	NBV	734,649



4.12.2 Investment in Associates

RBSEB has invested up to 30% in **Le Val Development Co. Ltd.**

Le Val Development Limited was incorporated on 13 September 1985 with **The State Investment Corporation Limited** (70%) and **Rose Belle Sugar Estate Board** (30%) as its shareholders. The principal business of the Company is the management of the Nature Park situated at Cluny and which was extended over a portion of land of around 100 Arpents (which was acquired from **RBSEB** in year 1987 at a price of Rs 6.2 M). The portion of land of 100 Arpents had been leased in year 1994.

The 30% investment of **RBSEB** as at 31.12.2011 has been valued at Rs 5,285,331 based on the following:

2011							
Name	Country of Incorporation	Class of Shares	Assets Rs	Liabilities Rs	Revenues Rs	Profit Rs	% Holding 2011
Le Val Development Co Ltd	Republic of Mauritius	Ordinary	18,034,037	416,270	775,122	340,453	30

4.12.3 Investment in financial Assets

RBSEB has invested in financial assets. The current valuation as at 31.12.2011 is Rs 32.716.364.70.

4.12.4 Investment in bearer biological assets

These have been valued at Rs 42,108,386 as at 31.12.2011.

4.13 The Current Assets

These comprise of inventories, consumable biological assets, trade and other receivables and cash in hand.

As at 31.12.2011, they stood at Rs 121,733,585, made up as follows:

Current Assets	
Inventories	4,064,425
Consumable biological assets	13,576,485
Trade and other receivables	66,690,227
Term deposit	0
Cash in hand and at bank	37,402,448
Sub Total – Current Assets	121,733,585
Total assets	420,589,195



4.14 The Liabilities of RBSEB

4.14.1 Liabilities side of the Balance Sheet

The last audited financial statements of **RBSEB** are for the year ended 31st December 2011. From these audited accounts, the liabilities side of **RBSEB** stands at Rs 420,589,927 spread as follows:

	2012	2011
EQUITY AND LIABILITIES		
Capital and reserves		
General Fund	98,844,217	98,844,217
Capital and other reserves	20,164,832	30,847,240
Revenue deficit	(116,510,802)	(86,163,362)
Total equity	2,498,247	43,528,195
LIABILITIES		
Non-current liabilities		
Borrowings	88,131,410	87,676,993
Retirement benefit obligations	67,006,595	63,567,247
Deferred Income	9,295	9,876
	155,147,300	151,254,116
Current Liabilities		
Trade and other payables	123,090,117	127,676,692
Borrowings	95,626,404	98,130,924
	218,716,521	225,807,616
Total equity and liabilities	376,362,068	420,589,927

4.14.2 The General Fund

The General Fund is made up of funds received progressively from the year 1973 to 1990 from the Government of Mauritius as follows:

Year	(Rs)	Cumulative (Rs)
1973	21,144,217	21,144,217
1986	7,500,000	28,644,217
1987	7,000,000	35,644,217
1989	8,200,000	43,844,217
1990	40,000,000	83,844,217
1990	15,000,000	98,844,217
Total	98,844,217	98,844,217

The last year in which government injected funds in **RBSEB** in 1990 and since then has not invested any more equity into the company. From our various meetings with the Ministry, we understand that the government will not inject any further equity in **RBSEB**.



If reclassified along similar captions, the above amounts to the following:

	2011 (Rs)
General Fund, Capital and other reserves	129,691,457
Borrowings	185,807,917
Retirement Benefit obligations	63,567,247
Creditors	127,676,692
Revenue deficit	(86,163,262)
	420,589,927

If netted off, this is further repositioned as follows:

Shareholder Funds, General and other reserves	43,528,195
Borrowing and Creditors	377,061,732
TOTAL	420,589,927

This is clearly financially very critical and a very alarming position. It shows high creditors to equity ratio. This is very critical and reflects the high debt portion of **RBSEB**, the more so as there is no sign of positive profits on the core activities in the near future. In the current operational chemistry, shareholder value is being destroyed rather than being created.

4.14.3 Capital and Other Reserves/Revenues Deficits

RBSEB is in a clear case of depletion of its reserves. The current business situation of **RBSEB** being loss-making from year to year is resulting in the continuous depletion of its reserves. As from 2013, it has negative shareholder equity and there are currently no sign of recovery for **RBSEB**. The forecasted reduction in shareholder value destruction in 2014 in terms of profits / reserves stems from land parceling (morcellement) project expected to generate some Rs 10 m of profits. This will very partially mitigate the budgeted operational loss of Rs 55,609,600. The movement in capital and reserves for **RBSEB** over the seven years has been constantly decreasing, so much so that it has resulted in a negative figure as from 2013, as shown below.

CAPITAL AND OTHER RESERVES							
Year	2008	2009	2010	2011	2012	2013	2014
	Audited	Audited	Audited	Audited	Unaudited	Unaudited	Forecast
Balance Brought Forward (01.01)	68,861,106	36,454,589	37,922,663	(24,422,771)	(55,316,022)	(116,375,816)	(126,229,103)
Profit/(Deficit) for the Year	(32,152,733)	(5,397,263)	(70,833,069)	(35,592,724)	(50,377,431)	(37,434,092)	(55,609,600)
Prior Year Adjustments	(253,784)	6,865,337	8,537,635	4,699,473	(10,682,363)	0	0
Exceptional Item	0	0	0	0	0	27,580,805	39,716,400
Closing Balance	36,454,589	37,922,663	(24,372,771)	(55,316,022)	(116,375,816)	(126,229,103)	(142,122,303)
General Fund	98,844,217	98,844,217	98,844,217	98,844,217	98,844,217	98,844,217	98,844,217
Net Balance (at 31.12)	135,298,806	136,766,880	74,471,446	43,528,195	(17,531,599)	(27,384,886)	(43,278,086)

4.14.4 Loans

RBSEB has been in a continuous process of taking loans.



Loans taken by **RBSEB** so far, together with the agreed terms of payments are as follows:

Domestic Loans Guaranteed by Government				
Date	Agency	Amount (Rs)	Objective	Terms of Payment
10/06/2011	GOM	3,600,000	To finance part funding of the Hypodronic Village at Cluny	Capital & Interest . Repayable in 30 equal semi-annual installments due on 30 th June and 29 th December, within a period of 15 years as from the issue of the loan with a moratorium of 2 Years on principal amount.
12/12/1991	GOM	41,902,150	To finance capital projects	Capital . Repayable in 20 years including a grace period of 6 years Interest Payable Half Yearly
02/08/1991	ADB	51,075,496	-	Capital . Repayable in 20 years including a grace period of 6 years at variable rate by virtue of Article III of loan Agreement. Interest Payable Half Yearly

Non-Guaranteed Domestic Loans				
Date	Agency	Amount (Rs)	Objective	Terms of Payment
31/10/2013	SBM	55,000,000		
31/10/2013	SBM	17,800,000		
31/10/2013	SBM LEASE	1,213,650		
31/10/2013	SBM LEASE	3,069,709		
31/10/2013	SBM LEASE	884,382		
31/10/2013	SBM LEASE	2,095,690		
31/10/2013	SBM LEASE	464,785		
31/10/2013	SBM LEASE	9,998,340		
31/10/2013	SBM LEASE	3,496,088		
31/10/2013	SBM LEASE	4,929,454		
31/10/2013	SBM LEASE	2,032,240		
31/10/2013	SBM LEASE	6,128,620		



18/10/2013	SBM LEASE	6,128,620		
17/05/2012	SBM	17,800,000		Disbursement of facility to be effected in tranches upon submission of invoice certified by the borrower to pay contractor, Best Construct Co Ltd.
21/12/2010	SBM LEASE	2,032,240	2 Hydraulic Tipping Trailers	Capital and Interest payable monthly
29/10/2010	SBM	55,000,000	To finance infrastructural costs for land parcelling under the Voluntary Retirement Scheme (II) Beneficiaries	Interest Payable monthly during drawdown period. In 60 Consecutive monthly installments in the aggregate of Rs1,124,437.21 on Rs55.0M & Rs363,480.87 on Rs17.8M each (in capital & interest)
14/06/2010	SBM LEASE	4,929,454	2 Massey Ferguson Model 5385	Capital and Interest payable monthly
19/05/2010	SBM LEASE	3,496,088	4 Trailers 15 Tons	Capital and Interest payable monthly
12/06/2009	SBM LEASE	9,998,340	4 Massey Ferguson Model 5495	Capital and Interest payable monthly
16/04/2009	SBM LEASE	464,785	Subsoiler Ripper Furrower	Capital and Interest payable monthly
10/04/2009	SBM LEASE	2,095,690	To finance the acquisition of Bell Bane Loader through the SBM LEASE LIMITED	Capital and Interest payable monthly
04/03/2009	SBM LEASE	884,382	Heavy Disc Duty Arrow	Capital and Interest payable monthly
04/03/2009	SBM LEASE	3,069,709	Massey Ferguson Model 6495	Capital and Interest payable monthly
26/11/2008	SBM LEASE	1,213,650	1 Mitsubishi Lorry	Capital and Interest payable monthly

The total amount outstanding as at 31.10.2013 is as follows:-

Domestic Loans Guaranteed by Government			
Agency	Amount Loaned (RS)	Amount Refunded (Rs)	Balance as at 31.10.2013
GOM	3,600,000	0	3,600,000
GOM	41,902,150	0	41,902,150
ADB	51,075,496	-1580454	52,655,950
Total			98,158,100



Non-Guaranteed Domestic Loans			
Agency	Amount (Rs)	Amount Refunded (Rs)	Balance as at 31.10.2013
SBM	55,000,000	9,253,260	45,746,740
SBM	17,800,000	3,022,018	14,777,982
SBM LEASE	1,213,650	1,176,235	37,415
SBM LEASE	3,069,709	2,782,309	287,400
SBM LEASE	884,382	801,582	82,800
SBM LEASE	2,095,690	1,862,696	232,994
SBM LEASE	464,785	400,818	63,967
SBM LEASE	9,998,340	8,484,016	1,514,324
SBM LEASE	3,496,088	2,134,882	1,361,206
SBM LEASE	4,929,454	3,095,488	1,833,966
SBM LEASE	2,032,240	1,027,443	1,004,797
SBM LEASE	6,128,620	0	6,128,620
SBM LEASE	6,128,620	0	6,128,620
SBM	17,800,000	3,022,018	14,777,982
SBM LEASE	2,032,240	1,027,443	1,004,797
SBM	55,000,000	9,253,260	45,746,740
SBM LEASE	4,929,454	3,095,488	1,833,966
SBM LEASE	3,496,088	2,134,882	1,361,206
SBM LEASE	9,998,340	8,484,016	1,514,324
SBM LEASE	464,785	400,818	63,967
SBM LEASE	2,095,690	1,771,696	323,994
SBM LEASE	884,382	801,582	82,800
SBM LEASE	3,069,709	2,782,309	287,400
SBM LEASE	1,213,650	1,176,235	37,415
TOTAL			146,235,422
(Guaranteed Domestic Loans + Non-Guaranteed Domestic Loans) GRAND TOTAL			244,393,522

4.3 Voluntary Retirement Scheme

4.3.1 Voluntary Retirement Scheme 1 - VRS (1)

The sugar industry was facing some serious difficulties and needed a major urgent rethinking. The creation of preferential access on our traditional export markets for Sugar and the challenges imposed by the trade liberalization process called for immediate action. Thus, the long-term viability of our sugar industry depends on its ability to cut down its cost of production.

In this context, **Rose Belle Sugar Estate Board** was no exception and was also facing serious financial difficulties and had to follow suit.

Consequently a first VRS was implemented in December 2001.

A summary of the total costs incurred for the implementation of the VRS 1 is detailed as follows:



PARTICULARS	RS
Cash Compensation	111,617,896.44
Cost of Infrastructure and associated costs	121,024,734.15
Loan Interest and Bank Charges	77,661,909.00
TOTAL COSTS	310,304,539.59

An additional sum of **Rs155,545,320.59 (MUR 310,304,539.59 less 154,759,219.00)** has been drawn from the working capital to finance the implementation of VRS 1.

This is a poor financial strategy. Instead of selling land to finance the VRS, **RBSEB** has used its own working capital to do so. The consequence is that this has worsened the financial position of **RBSEB**.

4.3.2 Voluntary Retirement Scheme 2 - VRS (2)

The **Sugar Industry Efficiency Act** was again amended in year 2007 to allow a second VRS to further reduce its cost of production.

In December 2007, VRS 2 was implemented and cash compensation of **Rs100,284,766.20** was paid to 252 Employees. To finance same, the Estate has received a **grant from the Government of Mauritius (European Union)** for a total of **Rs88,899,765.50** from the Sugar Reform Trust. To cater for the difference, a sum of **Rs7,690,020.00** and **Rs 3,694,980.70** has been respectively financed by **RBSEB** and the **State Bank of Mauritius Ltd**.

To finance the infrastructural works and other associated costs, the Estate raised a total loan of **Rs72,800,000 (MUR 55,000,000** on 29th October 2010 and **MUR 17,800,000** on 24th January 2012) from **State Bank of Mauritius Ltd** secured on the Estate's property. As at 31st October 2013, a **total Rs24,020,354.71** out of which a **principal amount of Rs12,275,277.73** and **interest plus bank charges** amounting to **Rs11,745,076.98** have been paid to the **State Bank of Mauritius Ltd**. The **outstanding principal loan amount** from **State Bank of Mauritius Ltd** at 31st October 2013 stood at **Rs60,524,722.27**.

4.4 Cabinet Decision to pay ADB Current Loan and Outstanding Loans

At its 7th Board meeting of **RBSEB** on 21st December 2010, the then Director Mrs. M. Nathoo informed the Board that the Parent Ministry has sent a formal request to the **Ministry of Finance & Economic Development** on the writing off of the **ADB** Loans and other Loans from Government. As at date, a reply was still being awaited from the **Ministry of Finance & Economic Development**. The representative of the **Ministry of Finance and Economic Development** has confirmed that these loans will not be written off by the Government.

Clearly, in the absence of any official letter, as at today, these loans are payable by **RBSEB**.

A summary of the outstanding debts as at 2014 is as follows:



**Executive Summary
of the Strategic Review
of the Rose Belle Sugar Estate Board**



SUMMARY STATUS OUTSTANDING DEBTS AS AT 28TH FEBRUARY 2014								
Payee	Contracted Date	Maturity Date	Contracted Amount(Rs)	Particulars	Outstanding Balance as at 01/03/2014			
					Capital Rs	Interest Rs	Bank Charge Rs	Total Rs
Ministry of Finance	02/08/1991	02/08/2011	51,075,496.00	ADB (Foreign Loan) - Ref LN380	39,743,773.72	40,448,825.46	0.00	80,192,599.18
			12,037,510.37		12,037,510.37	0.00	12,037,510.37	
			63,113,006.37		51,781,284.09	40,448,825.46	0.00	92,230,109.55
Ministry of Finance	30/06/2001	30/06/2022	41,902,150.00	Local Loans - Ref LN169/FL149	41,902,150.00	39,807,042.50		81,709,192.50
Ministry of Finance	At 06/09/1982	30/06/1986	14,500,000.00	To clear Overdraft with SBM	0.00	6,623,835.80		6,623,835.80
Ministry of Finance	12/08/2011	30/06/2028	3,600,000.00	Hydroponic Loan	3,480,000.00	0.00		3,480,000.00
TOTAL GOM/MOF			123,115,156.37		97,163,434.09	86,879,703.76	0.00	184,043,137.85
SBM LEASING	20/12/2006	09/03/2012	648,150.00	PM's Car	0.00	0.00	0.00	0.00
	04/06/2007	19/07/2012	4,970,300.80	Atlas Cane Loader	0.00	0.00	0.00	0.00
	26/11/2008	02/03/2009	45,362.69	Accidented Lorry 6929NV08	0.00	0.00	0.00	0.00
	26/11/2008	30/11/2013	1,213,650.00	Lorry 6567NV08	0.00	0.00	0.00	0.00
	04/03/2009	28/02/2014	3,069,709.00	MF6495 787FB09	30,697.09	0.00	0.00	30,697.09
	04/03/2009	28/02/2014	884,382.00	Heavy Disc Duty Arrow	8,843.82	0.00	0.00	8,843.82
	10/04/2009	30/03/2014	2,095,690.00	Funky Bell Cane Loader	54,210.61	0.00	0.00	54,210.61
	16/04/2009	30/04/2014	464,785.00	Furrower & Subsoiler	24,815.40	0.00	0.00	24,815.40
	12/06/2009	30/05/2014	9,998,340.00	MF5495 - (2025 - 2027/29)	677,718.28	0.00	0.00	677,718.28
	19/05/2010	30/05/2015	3,496,088.00	Trailers 15 Tons(2343,46,47 & 52)	1,102,442.64	0.00	0.00	1,102,442.64
	14/06/2010	30/05/2015	4,929,454.00	MF5385 -(2876/77JU10)	1,478,301.96	0.00	0.00	1,478,301.96
	21/12/2010	30/12/2015	2,032,240.00	Hydraulic Trailer - 3239/40JU10	865,078.24	0.00	0.00	865,078.24
	Oct 2013	Sept 2013	6,128,620.25	New Atlas TW150 Cane Loader	5,796,243.82	0.00	0.00	5,796,243.82
Total SBM LEASING			39,976,771.74		10,038,351.86	0.00	0.00	10,038,351.86
SBM	31/12/2001	31/12/2008	125,000,000.00	VRS (1) - Cash Compensation	0.00	0.00	0.00	0.00
	15/12/2005	30/09/2012	89,867,800.00	VRS (1) - Infrastructure Costs	0.00	0.00	0.00	0.00
			214,867,800.00	TOTAL VRS (1)	0.00	0.00	0.00	0.00
SBM	29/10/2010	31/10/2017	55,000,000.00	VRS (2) - Infrastructure Costs	42,461,318.44	0.00	0.00	42,461,318.44
	24/01/2012	31/07/2017	17,800,000.00	VRS (2) - Infrastructure Costs	13,622,276.56	0.00	0.00	13,622,276.56
			72,800,000.00	TOTAL VRS (2)	56,083,595.00	0.00	0.00	56,083,595.00
TOTAL SBM			327,644,571.74		66,121,946.86	0.00	0.00	66,121,946.86
Sugar Reform Trust	31/12/2007	31/12/2010	88,899,765.50	VRS (2) - Cash Compensation	0.00	0.00	0.00	0.00
TOTAL SRT			88,899,765.50	CAP repaid by Govt(European Union)	0.00	0.00	0.00	0.00
TOTAL			539,659,493.61		163,285,380.95	86,879,703.76	0.00	250,165,084.71



4.5 Balance Sheet Analysis

Shareholder Equity

The shareholder equity of **RBSEB** comprises three items, namely the General fund, Capital and other reserves and any accumulated non-distributed profits.

The total amount for **RBSEB** evolves as follows:

Clearly, shareholder equity is going down dangerously. This is a sign of non-sustainability of the organisation and if the situation continues as-is it is questionable whether **RBSEB** can still be considered as a going concern.



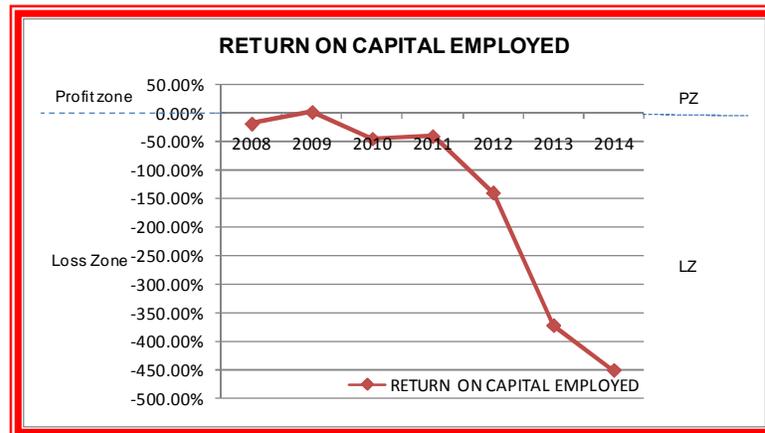
4.6 Return on Equity

It is impossible to assess business performance or profit growth properly without relating them to the amount of funds (the capital) employed in making the profits. An important profitability ratio is the Return on Capital Employed, which states the profit as a percentage of the amount of capital employed.

The Return on Capital Employed for **RBSEB** is a measure of the performance of the company compared to the amount of funds invested in the business. It contrasts what has been given to the company as funds compared to what the company is giving back as returns on these funds.

There is a clear case of a worsening negative return on Capital Employed. Although erratic in the earlier years, there is, since the last five years, a clear consistent negative trend of the Return on Capital Employed for **RBSEB**. This has very

substantially worsened in the year 2013 to reach a very alarming figure of -372.51% and forecasted, after profit on sale of the land parceling, to reach -450.96% in 2014 as illustrated below. This is clearly a situation where doing same is no more of an option for **RBSEB**.



RBSEB has seen a fall in its return on capital employed from years 2008 to 2013 and forecasted 2014. In 2008 a return on capital employed of -19.32% was achieved with a slight positive improvement to 1.09% in 2009 due to profit of Rs 1,468,074. Apart from the year 2009, the return on capital employed is negative since the year 2008. From 2010 onwards **RBSEB**

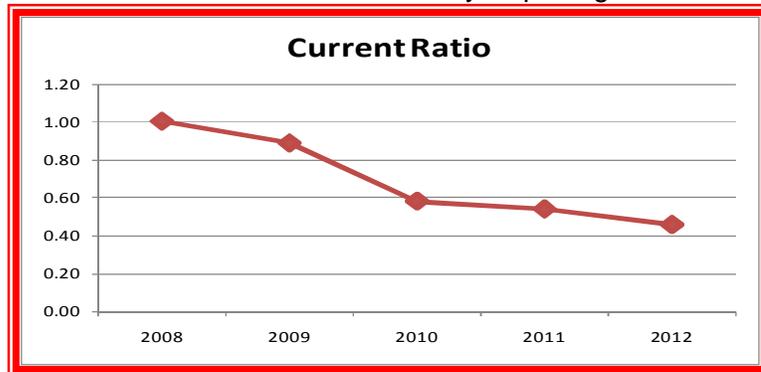


has produced more substantial negative returns on capital employed, including a drastic negative increase from 2012 to 2013. The declining ROCE year on year suggests that Shareholders' capital investments are not being used to achieve a reasonable level of profits and shareholder value is being consistently destroyed.

4.7 Current Ratio

The current ratio is a standard test of liquidity, and is obtained as the ratio of a company's total current assets to its current liabilities. A company should have enough current assets that gives a promise of cash to come to meet its commitments to pay its current liabilities. Hence, a ratio in excess of 1 is considered reasonable. Otherwise there would be the prospect that the company might not be able to pay its debt on time.

RBSE's current ratio was already weak in 2008 at a figure of 1.01 to 1, and this has worsened to 0.46 to 1 in the year 2012. The cash balance has been continuously depleting since 2008, when it amounted to Rs 140,329,500 to reach only Rs 11,152,153 as at 2012 and turns out to be negative in 2013. Out of the current liabilities, RBSE is not paying the current interest-bearing debt and interest accrued. They are cumulating as current liabilities but RBSE has no means to pay these.

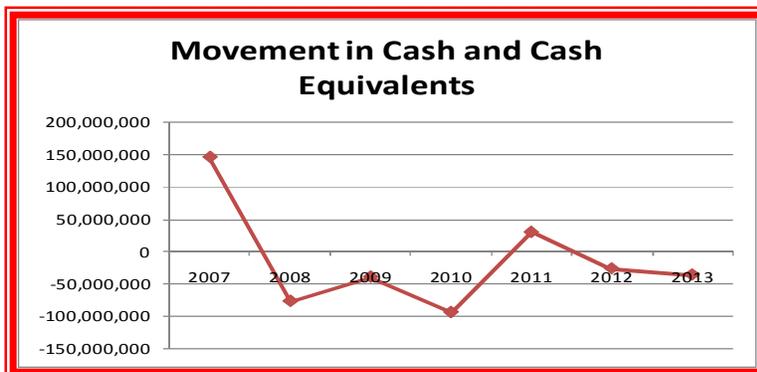


Clearly, RBSE has a continuously weakening current ratio and there is no strategy so far to make a turnaround of this situation. It has tried to get the government to write-off its debts and accrued interest thereon, but the government has refused.

As at today, there is no strategy on the part of RBSE to improve this current ratio.

4.8 Cash Flow Analysis

RBSE has realised a drastic decrease in its net cash and cash equivalents over the seven years to 2013, representing an accumulated net cash deficit of Rs (95,503,986). From a positive cash and cash equivalent of Rs 146,228,199 in 2007 when there was a substantial land parceling project in RBSE, the situation has shown a continuous worsening liquidity position for RBSE.

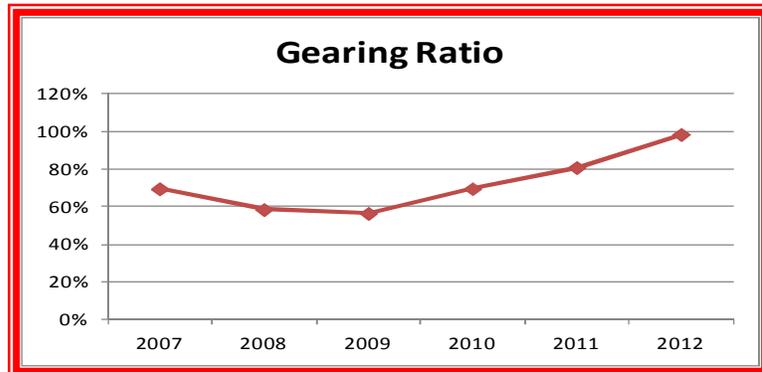


If nothing is done to feed RBSE with more cash, the liquidity situation will be catastrophic for RBSE. Already, it is facing severe obstacles to honour its monthly wage bill.



4.9 Gearing Ratio

The gearing ratio is the measure of the financial risk of a company's capital structure as it measures the equity investment in comparison to the loans and other long-term liabilities of the company. It is calculated as the percentage of Interest-bearing debt to the total Interest-bearing debt and equity. The greater is the percentage, the greater is the reliance of the company in loans. Gearing thus measures the relationships between shareholders' capital and reserves, and long-term borrowings and liabilities.



Over the last four, the gearing ratio has been worsening, reaching 98.66% in 2012 as a result of a rapid decline in equity and reserves of **RBSEB**. The total shareholders' equity and reserves stood at only Rs 2,498,247 in 2012, with resulting gearing ratio of 98.66%. A high gearing percentage indicates that **RBSEB** has a high level of loans compared to shareholders' funds.

The evolution of equity and long-term liabilities for **RBSEB** is as follows over the last years:

Year	2007	2008	2009	2010	2011	2012
	Audited	Audited	Audited	Audited	Audited	Unaudited
Obligation Under Finance Lease	911,694	3,099,349	4,318,831	6,715,456	6,389,584	6,361,300
Loan from Sugar Industry Pension Fund	-	-	-	-	-	-
Loan from African Development	34,496,003	46,756,137	50,097,979	57,166,960	56,035,161	55,524,801
Loan from State Bank of Mauritius Ltd.	95,558,940	22,466,950	22,466,950	22,466,948	16,850,212	12,680,208
Loan from Ministry of Finance - Local Loans	10,475,537	12,570,645	14,665,753	16,760,860	18,855,967	20,951,075
Loan from Ministry of Finance - Hydroponic Loan	-	-	-	-	-	109,020
Loan from Sugar Reform Trust	-43,031,102	-	-	-	-	-
Bank Overdraft	96,487,113	-	-	-	-	-
Total Current Interest-Bearing Debt	194,898,185	84,893,081	91,549,513	103,110,224	98,130,924	95,626,404
Non-Current Interest-bearing Debt	189,304,097	106,851,143	86,934,527	68,591,678	87,676,993	88,131,410
Total Interest-Bearing Debt	384,202,282	191,744,224	178,484,040	171,701,902	185,807,917	183,757,814
Shareholders' Equity	167,705,323	135,298,806	136,766,880	74,421,446	43,528,195	2,498,247
Total Debt and Equity	551,907,605	327,043,030	315,250,920	246,123,348	229,336,112	186,256,061
Gearing	69.61%	58.63%	56.62%	69.76%	81.02%	98.66%

Clearly today **RBSEB** is not in a position to repay its long-term liabilities within the current set-up.

The accumulated non-paid interests on loans has reached Rs 82,196,742 as at 31.12.2012 and is increasing at the rate of some six million rupees annually.



5. Lack of good management practices

5.1 Accounts Payable

Long outstanding payables

Payable	Amount(Rs)
subscription	233,342
Accruals payable RBSM	15,000
Surveyor fees	60,000
Business Park of Mauritius	1,077,192
Blue print	2,908,622
TOTAL	4,294,156

While scrutinizing other payables, we noted that an amount of Rs4, 294,156 as listed above are still payable since previous years and are yet to be settled.

The amount of Rs 2,908,622.08 therein, represents amounts received for Blueprint Compensation and not disbursed by **RBSEB**.

5.2 Sale of land – Year 2003 to date

RBSEB has, at different times in the last decade, sold land to third parties at very preferential rates:

The Estate has sold, from the year 2003 to-date, the following lands at the following amounts:

Company	Status	Sales Proceeds (Rs)	Areas in Arpents	Region
S.I.T	Under VRS 1	79,251,818	57.20	Rose Belle
M.O.H & Lands	Compulsory Acquisition	677,600	1.210	Union Park
EREIT	Cabinet Decision	37,000,000	200	Rose Belle
M.O.H & Lands	Under VRS 1	39,094,400	12.860	Rose Belle
C.W.A	Sale of Land	4,000,000	0.6034	Rose Belle
M.O. Agriculture	Compulsory Acquisition	1,395,000	5.570	Le Val
Indian Consortium	Under VRS 1	36,413,000	28.010	Rose Belle
B.P.M.L	Cabinet Decision	60.62	60.62	Gros Billot
Total		197,831,878.62	306.0734	

The above sales have not been done at Market Values.

5.3 Revenue Foregone on Disposal of Land to accommodate Government policies from Year 1984 to 2007

From year 1984 to 2007, the Government had acquired lands as detailed below from **RBSEB** without adequate compensation.



Year	Acquisition	Average Market Value	Amount Received	Total Loss Suffered
		Rs	Rs	Rs
1984 - 2001	Government - 162A37P	182,946,692	56,000,000	(126,946,692)
May 2002	BPML - 60A32P	217,152,000	60.32	(217,151,940)
Feb 2007	EREIT - 200A	720,000,000	37,000,000	(683,000,000)
	Total	1,120,098,692	93,000,060.32	(1,027,098,632)

The total loss (manque a gagner) suffered by **RBSEB** is Rs 1,027,098.632 which is very substantial and critical in the current critique financial set-up of **RSBEB**.

5.4 Sale of Land on request

Most of the sale of land by **RBSEB** has been done on the basis of requests. In fact, apart from the sale of land to **SIT**, the rest have all been made through requests rather than open tenders.

5.5 Mismanagement of land sold

We have also noted acute mismanagement on the sale of land by **RBSEB** to third parties.

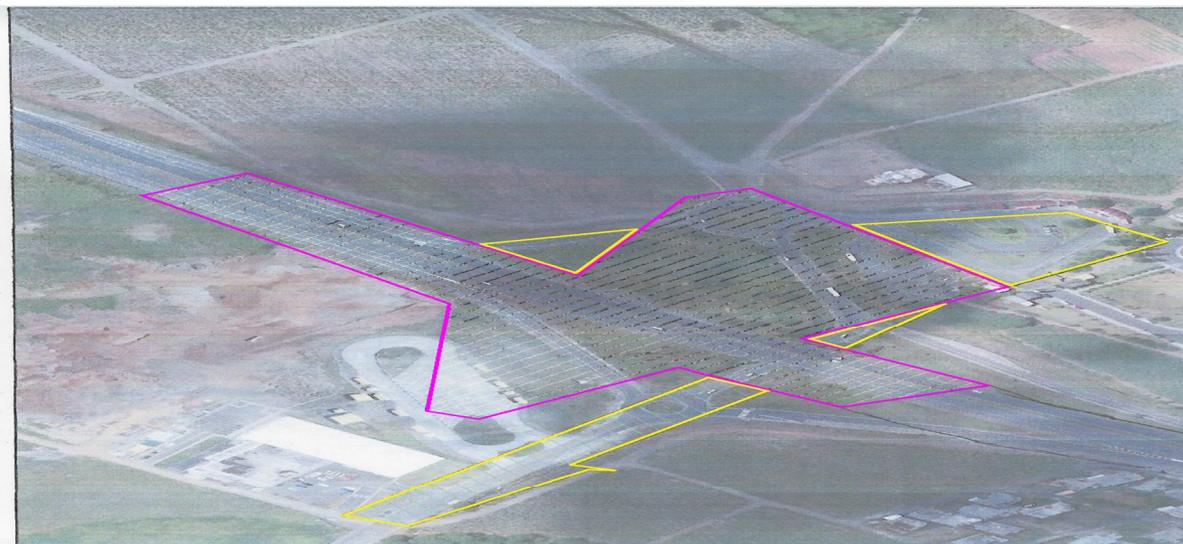
5.5.1 Sale of land to the Indian Consortium

There has been a sale of land that has been extremely mismanaged.

5.5.2 Land sold but not monitored

At times land has been sold for a specific area but the new owner has occupied an area which is larger than the plot acquired by him.

One example is the plot of land where the new owner is occupying a large area then sold to him as shown in the map:





5.6 Lease of Land

RBSEB has been continuously leasing land and buildings to third parties quite regularly.

RBSEB has been in this process of leasing its land to third parties since a few years back. However, the process of these transactions has mostly been done through requests rather than open tenders. Many of the lease contracts are for periods of 15 years and there are no contractual provisions for increases in rent.

5.7 Poor Management of debtors and dues to RBSEB

RBSEB has not managed its debtors properly. Debtors Management is an issue of great concern at **RBSEB**.

5.7.1 Debtors

RBSEB is in a very critical cash flow critique situation and the timing of each rupee due to it is of critical importance as it is accumulating high daily interest rates on its loans and overdrafts.

Some debtors to whom land has been sold at preferential prices are still not paying their dues to **RBSEB** on a timely basis.

There is currently no detailed comprehensive report on the debtors. Some of these debtors may even not appear in the books of **RBSEB**. We doubt the completeness of the amounts due to **RBSEB** as they appear in the records.

The job description of the Payroll Co-coordinator according to the review of pay structure of **RBSEB** as per the commissioner Dirkiissoon Domun in his last report is as follows:

1. Prepare monthly staff payroll as well as agricultural and non agricultural workers;
2. Check monthly deductions that have been made on the monthly salaries of employees in respect of direct payment to financial situations such as Banks, Mauritius Housing Corporation and Unions and process the payments to the respective bodies;
- 3. In charge of the debtors module and follow up of debtors;**
4. Prepare and submit monthly statutory return such as the VAT, the PAYE and NPS returns;
5. Preparation of various Lead Schedules . office management;
6. Retrieving of info for Financial Controller , for statutory bodies;
7. In charge of all the purchases of the Estate.
8. Any other cognate duties as may be assigned by the Management.

Clearly, the payroll coordinator is expected to follow up **all** debtors.

The current situation is that there is a very poor follow-up and chasing of debtors. This in turn has affected the Cash Inflows of **RBSEB** and directly accentuated the negative cash flow of **RBSEB**.

There is a clear case of poor management of debtors at **RBSEB**.



5.8 Revaluation of assets surplus as at 31.12.2006

The last revaluation of land and buildings was performed in 1985 by Mr. Raj Ramlakhan, Chartered Valuer. However **IAS 16** stipulates the following, '*Land and buildings, held for use in the production or supply of goods or for administrative purposes, are stated at their fair value, based on periodic, but at least triennial valuations, by external independent valuers*', for the sake of the financial statements. The auditors have considered that deemed cost was adopted since inception of **IFRS** and they have therefore released the revaluation surplus to revenue reserve as prior years adjustment.

The Value of the land asset of **RBSEB** in the balance sheet does not represent its fair value.

We recommend that the Board undertakes steps to carry out a revaluation of its land and buildings in line with **IFRS** and that the revalued amount be reflected in the financial statements so as to enhance the net assets and balance sheet of **RBSEB**.

However, although this will increase the revaluation and the value of assets in the balance sheet, it does not reflect a surplus arising out of efficiency of **RBSEB** on its core business.

So, our recommendation is that, though the land assets could be revalued, the responsibility of the shareholders, the Board and Management to roadmap a transformational strategy for **RBSEB** is not at all absolved through this revaluation.

5.9 Diversification Projects undertaken by RBSEB

Failure of RBSEB's diversification strategy

RBSEB has failed in most of its agricultural diversification projects.

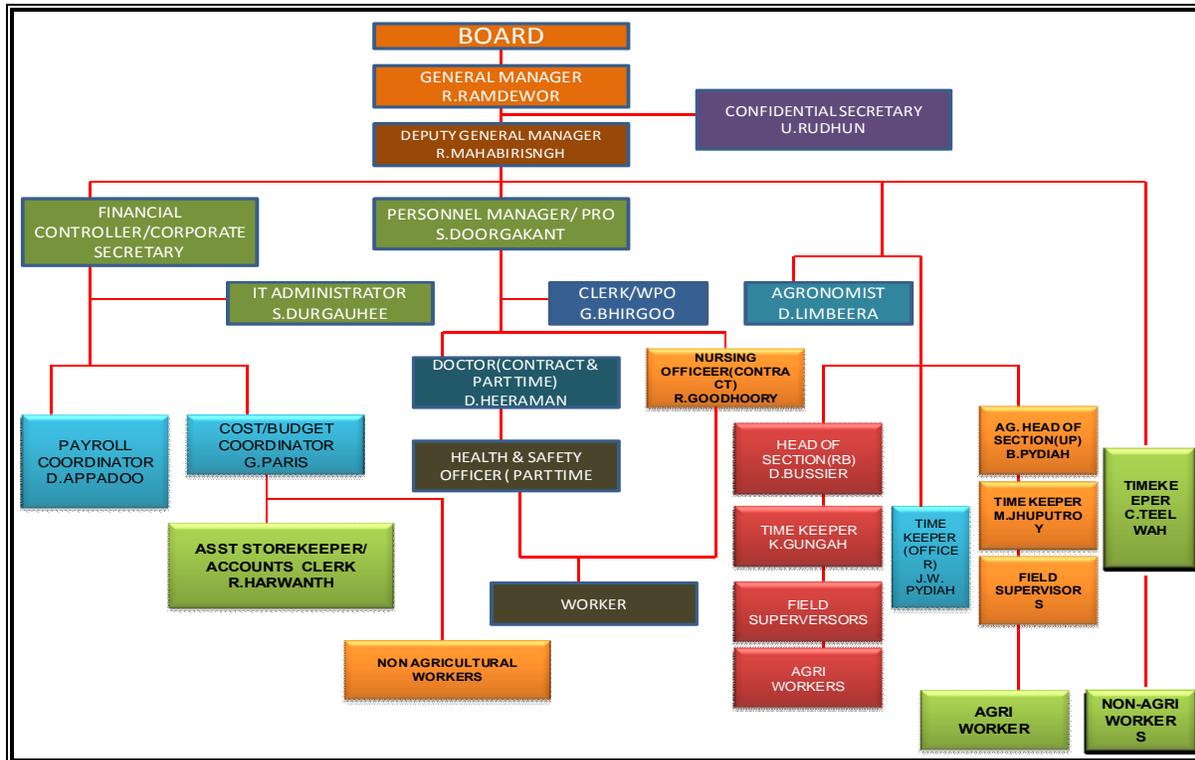
6. Organisational Structure

6.1 The current organisational structure

An organisational structure defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organisational aims. It can also be considered as the viewing glass or perspective through which individuals see their organisation and its environment.

RBSEB suffers from an organisational structure that is not at all conducive for it to face the challenges ahead.

The current Organisation Chart of the **RBSEB**, as given to us, is as follows:



There are several flaws in the organisational structure.

The meetings, the working group sessions and our analysis helped to identify the causal factors that underpinned the **RBSEB's** low efficiency and underachievement over the past few years. These factors cut across all departments and directly impact on the organisation. An overview of the causal factors and their impact in the organisation is presented.

6.2 Wrong hierarchical set-up

In the current organisational chart, the support services have overtaken priority in the organization. The core business units have been subordinated to the support functions in the hierarchical set-up. It seems that the support functions have hijacked the organisational set-up.

Clearly, this is a very flawed organisational structure and it is not at all conducive for a dynamic and fast-moving, efficient organisation.

The weaknesses in the organisation structure highlighted trickle down on the people, the processes and the services offered, and does not lead to efficient outcomes.

Not all outcomes are due to structural issues. The employee culture of **RBSEB** has yet to be aligned to a private environment conditioned by competition, operational and financial performance, and operational excellence. The heaviness and slowness in executing processes, the dispersed knowledge, authority and power, the inadequacy of the internal services delivery, the internal conflicts and permanent backbiting have reduced the overall organisational performance.



Performance is characterised by high bureaucratic procedures coupled with a lack of coordination and absence of an integrated approach to meet desired needs. The fragmented hierarchical structure and dispersed power and actions have in turn resulted in slow response and processing time due to diluted authority and limited decision-making power at the lower levels.

6.3 SILO layout

RBSEB has a silo based structure and the Managers are supposed to report directly to the General Manager. The linkages between the departments are weak, and a central cause of this weakness is the fragmented decision-making, action-planning and resource allocation and the reporting lines arising from a Silo arrangement. The prevailing corporate culture of **RBSEB** enforces this silo attitude and creates disconnected entities and groups within a single organisation.

6.4 Coordination challenges

In theory, a Silo structure can work if there is perfect information and work flow, as well as flawless cooperation between decision making points across the different silos. In practice this is seldom the case, and **RBSEB** is no exception.

6.5 Lack of skills integration

The objective of **RBSEB** should be to become an operationally efficient and financially strong and sustainable organisation. This objective is to be achieved in a business model of growing complexity as the Product Portfolio of **RBSEB** has necessarily to evolve to new heights.

6.6 A Review of the organisational structure of RBSEB

The most seductive image of the organisation of **RBSEB** is the self-managed network. It conjures up visions of many highly motivated departments, each with a focused expertise, interacting in a creative, bureaucracy-free and cohesive manner. Hierarchy and internal politics are at a minimum. The organisation operates like a market, but is more effective than a market due to a set of relationships, ties, commitments, and shared intent that make it a purposeful entity.

The successful organization of the future will have two organizational structures: a Hierarchy, and a more teaming, egalitarian, and adaptive Network. Both are designed and purposive. While the Hierarchy is as important as it has always been for optimizing work, the Network is where big change happens. It allows an organisation to more easily spot big opportunities and then change itself to grab them.

Network forms of organisation, with reciprocal patterns of communication and exchange, are alternatives to hierarchically or product based governance structures; they are more suited to describing players involved in an intricate latticework of collaborative ventures with other institutions and playmates over an extended period of time.

The ideal situation for **RBSEB** is to move towards this network, intelligent, performing organization which is best practice, where there is a seamless fluidity of performance that



encompasses several independent but complementarily-positioned nodal players in the value chain of the industries in which **RBSEB** would be active.

The challenge is also to bring within the same fluid process flow different units with different sizes, different forms and status, some private, some public, some profit driven and other motive driven. This approach not only implements the best practices in organisational reviews and provides the tools for rigorous decision performance outcomes, but also helps to create the network-like organization that is so much desired. Such organisations balance self management with structure.

6.7 Organisational Architecture and Culture

Strategies can only be executed in a suitable organisational architecture and cultural context. The relationship between strategy and organisational architecture has been fully emphasized by leading renowned experts. **RBSEB** should adopt a clear and comprehensive business strategy and fashion a customized organisational architecture to support its new endeavours.

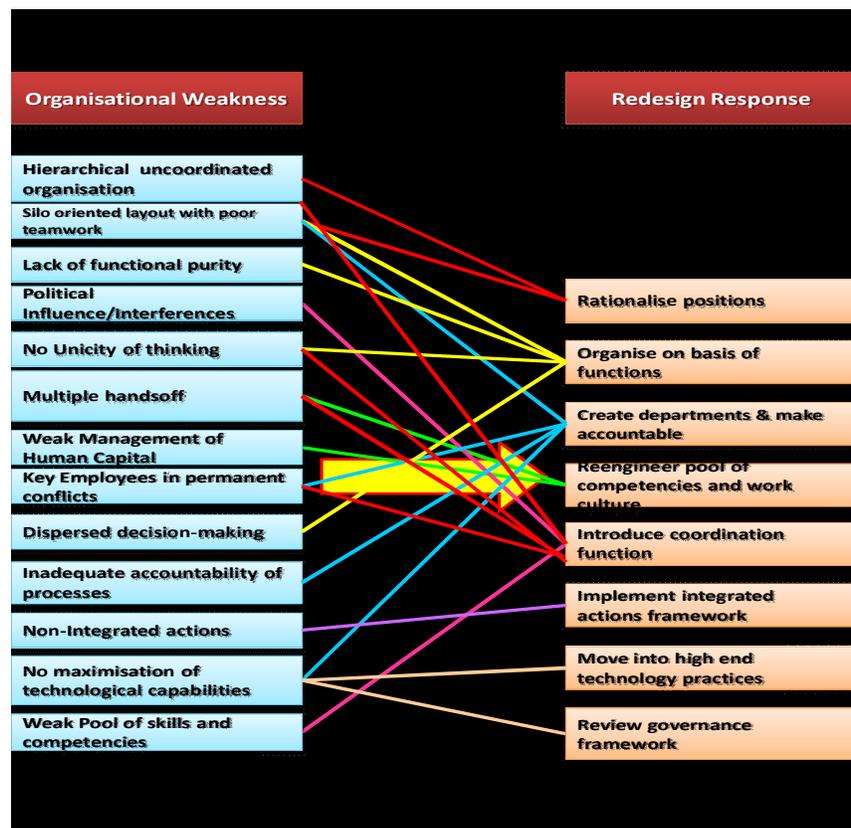
Strategy drives structure. But for achieving its strategy, **RBSEB** should view two key components of structure . the organization's architecture and its culture . as vital foundations to be created, built, nurtured, and certainly not taken for granted. **RBSEB** should create the organisational architecture and culture out of the whole cloth because it initially has so little of either.

We recommend that the following redesign responses be used to address and mitigate the organisation weaknesses of **RBSEB**.

This will require extra work, but, it will also liberate **RBSEB** in many cases from the burden of legacy structures, whether in personal practices or in the company pyramid. **RBSEB** has to invent its own new structure to work with fresh ways of creating value.

6.8 Manpower

The Human Capital Management of **RBSEB** is very poor and is operating in a SILO mentality and is in a very defensive state of mind. **RBSEB** has never ever had



any strategy of building a high performing team capable of developing innovative strategies to



address the challenges facing **RBSEB**. The current pool of talent is very weak on the overall. The public sector attitude is predominant and the overall result is a poor organisational work culture and performance.

6.8.1 Very Poor/ Inexistent Human Resource Management

RBSEB is characterised by a climate of gossiping, back-biting and non-performance accelerated by the absence of any credible Human Resource Development Strategy. This has resulted in an unbelievable work environment characterised by the lack of team work, and lack of controls, resulting in a total lack of accountabilities. Efficient work culture is totally non-existent and some of the staff is still in the lordship+mood of the old Sugar Industry. Training of the personnel in relation to the challenges faced by **RBSEB** is inexistent. The resulting pool of competencies is very weak and when this is coupled with heavy bureaucracy, lack of communication and accountabilities, the end result is explosive.

6.8.2 The qualification's profile of the staff

Out of the 16 full-time members of staff, only three hold a degree, another four holds a diploma and the rest are either certificate holders or part . secondary school educated.

6.8.3 Inadequate Human Capital management

As stated earlier, we noted that there is an absence of an integrated approach to a genuine Human Capital Development scheme that is dynamic, up-to-date, competitive and performance based. The current HR department is headed by a Personnel Manager with limited means and totally taken up with day-to-day basic HR transaction processing. The department is strictly involved in transactional processing. It is very weak and talking of a world-class strategy for Human capital development seems very utopic in the current chemistry. There is currently no strategy for either talent development or management or for Human Capital Development. Talent development has never been on the agenda. There is clearly no strategy of Human Capital development within **RBSEB**.

6.9 Training and Development

Over the last years, only very basic training has been provided to the personnel as follows:

- Balanced Scorecard
- eAgriculture Action Plan
- Data centre Transformation
- Roadmaps to Enterprise Cloud Computing
- CEMIS

Details of the training and the attendees are in Appendix 11.

This is clearly too little, too basic and too negligible. There has clearly been a total failure of Human Capital development. **RBSEB** is still operating in a mindset of the past. Everyone is on the defensive line and the resulting fact is that most of the current talents at **RBSEB** are obsolete with regards to the challenges ahead facing the company.



6.10 Performance appraisal

There is no proper appraisal system for the employees in place. There has never been a PMS in place at **RBSEB**.

Leadership and vision

RBSEB is characterised and paralyzed because of a lack of leadership and vision.

It is evident that the current situation of **RBSEB** is the result of lack of vision and leadership. Everyone, from the Board to the employees, is busy trying to manage present issues, and not enough thoughts and actions have been devoted to the future vision of **RBSEB**.

It does not even have a basic shared vision statement to which every party and every stakeholder would adhere to.

In a competitive business environment, effective leadership is an essential requirement in order to achieve organizational goals. To do this, leaders must be able to provide inspiration, motivation and clear direction to their teams. Setting a clear vision and communicating it effectively provides employees with an understanding of the organizational direction and allows them to clearly understand their roles and responsibilities. The leaders of **RBSEB** have failed to articulate and share a compelling vision of the organization. Sugar cane is no more a fruitful revenue on a stand alone basis. Thus **RBSEB** should have developed a shared vision of where the company should have been moving to and what strategies should have been implemented for that purpose.

6.11 Management Convergence

There is no management convergence. The Sugar industry is going through tough and difficult times because of the crisis and the elimination of the guaranteed price on the **EU** market.

6.12 Management

The current management is one which is obsolete for any organisation. There are no proper management practices, lack of controls, different conflicting gangs within the same management structure.

There is a dire need for a new management breed in terms of mindset, attitude, commitment, and above all, a management culture that is performance-focused and passionate about world-class performance in whichever role they play.

6.13 Lack of Communication

Poor and inadequate communication seems to have been the hallmark. Interaction and communication within **RBSEB** has not been up to expectations. The absence of a formal stable, consistent and permanent communication strategy is felt by all the key staffs. There is a need for a more professional address to this issue.

6.14 Inexistent Teamwork

There are many managers in a management position at **RBSEB** but there is no management team.



Team work helps to produce incredible results. It enhances a common vision and has a level of interdependence that requires both verbal and physical interaction to harmonise contributions and work towards a common goal. However, this value is not a shared one within **RBSEB**. It can be noted that the team spirit is not a widespread one in **RBSEB**, thus not leading to cooperation among the managers, resulting in inefficiencies and conflicts in the different tasks as well as in the workplace. There is no leader as such with **RBSEB** who takes the responsibility of uplifting this value.

6.15 Attitudes

The issues that emerged on attitudes are just shocking. This attitude factor, as it is in **RBSEB**, is one of the critical issues that have contributed to the downfall of the company. They emerged as follows in our strategic thinking session and are self-explanatory.

6.16 Financial Management

The concept of financial management and financial efficiency has been non-existent at **RBSEB**.

6.17 Backbiting – the hallmark of RBSEB

Backbiting means to speak badly about another person without that person's knowledge. By insulting the opposing person, the backbiter diminishes them and, by doing so, restores their own self-esteem. Shockingly, such gossip is common on almost a daily basis in **RBSEB** as people seek to divert blame and establish their place in the power structure.

Another reason for backbiting is to get into the inner circle of the higher level management and leadership structure because many of them encourage it to establish an intelligence network within the organization. **RBSEB** seems to be a case where this practice is highly cultivated. But this is a short-sighted strategy. Others who are whispered about behind their backs sense it and try to avoid any interaction with the backbiters. They also lose respect for the persons who encourage it.

If this continues unchecked, the greatest sufferer and loser is **RBSEB**, the organization. The atmosphere is vitiated and gives rise to negative vibes; trust amongst peers and across various levels is seriously hampered. The solution is simple but requires discipline, sustained efforts and perseverance. The personnel should separate gossip from genuine grievance and also give a clear message that speaking about another in either case without his knowledge is not acceptable.

As more and more instances of such questioning happen in **RBSEB**, it starts building a structure which progressively reduces the freedom and immunity with which the actors of this backbiting can operate, because all are interconnected one way or the other. Slowly but surely it becomes part of the organizational culture. Once that happens, it has a powerful effect not only on the existing employees but even on the new ones who joins **RBSEB**.



Lack of business development skills

Heads of sections do not form a management team. Although there are individuals in management positions, there is no management team with a unicity of thinking and a common line of command.

A well structured, networked and fully fledged and well performing business development department which is essential to make of **RBSEB** an intelligent organization is lacking as at today. This business development department would have been a vital source for strategic information and the organizational and business development of **RBSEB**. It would have been drawing on an impressive array of outstanding resources and market intelligence. It would have been responsible for creating the necessary intelligence that would have allowed **RBSEB** to take innovative and rewarding measures to penetrate new business segments and diversify to become financially sound and sustainable as an organization.

It is clear from this nomenclature that **RBSEB** is in dire need of a very performing quality business development Manager that can research, process and convert into business intelligence the necessary information to consolidate and grow further the activities of **RBSEB**. It should aim to make **RBSEB** an intelligent organization.

An undermined General Manager

The role, responsibilities of the General Manager has often been undermined. The following are a few instances of this:

- It appears that, in the process of handing over of the title deeds to VRS beneficiaries, the whole organization required expenses in relation to tent rentals, snacks, etc. and these expenses were incurred without the knowledge and approval of the General Manager.
- It also appears that cane loader was purchased from **SCOMAT Ltd** under a tendering exercise. The GM was not involved in subsequent negotiations which were held between the Deputy General Manager and **SCOMAT**.
- It appears that the recruitment of casual workers is effected without the participation and contribution of the General Manager.

These practices do not help to create trust and teamwork. It rather creates room for suspicion and division.

If **RBSEB** is to survive, all heads and employees should align to one line of Command under the General Manager whose status and powers are clearly spelt out in the **Rose Belle Sugar Estate Board Act**.

6.18 Bureaucracy

RBSEB, given its statutory stand as a government-owned company, and created by an Act of Parliament, has been prone to heavy bureaucracies, to a lack of agility and heavy time consuming procedural flaws. The work culture, given the long and cumbersome procedures and the involvement of several units and organs overloads the work processes and flows. There is a need for a more flexible agile and speed **RBSEB**.



The extent of the current bureaucratic heaviness is not conducive for an agile and speed organization.

6.19 Political

It is perceived that political interferences, favoritism, poor Board composition and performance and lack of independence are quite present in **RBSEB**. Political interventions are perceived as strong roadblocks to a performing **RBSEB**. The political interventions and interferences are perceived as a major issue of concern by both the board and the employees.

6.20 Partnering

Strategic partnering, to make **RBSEB** a networked and performing organization, has not been a reality. **RBSEB** has not at all been able to rope on board, in its strategic and operational framework, Key Partners that could help diversify and generate new sources of revenues. This issue of partnering is a matter of concern. There is a need to ensure that diverse and performing strategic partners, with proven experience and track record are roped in by **RBSEB** in its various activities and positioning.

6.21 Structure

Structural issues such as lack of drive, competencies, and complacency, lack of KPIs etc are quite relevant at **RBSEB**. They are strong weaknesses. The current structure and set of competencies are not to the standard. Bureaucracy and the level of performance of some key staff do not add value to the structural performance. There is a need for a more performing structure.

6.22 Leadership

Leadership is strongly perceived as a weakness. Current leadership can be rated from weak to poor. The General Manager seems to be caught up in a performance framework that does not allow for any leadership space to be present. The Institutional framework, coupled with the absence of a compelling shared motivating vision, and set of objectives, further impacts on the leadership performance. There is a need for a stronger and more compelling leadership of at **RBSEB**.

6.23 Planning

Planning is a major weakness at **RBSEB**. Current planning is perceived to be poor and short of international standards. The lack of planning is very much felt by the stakeholders who have a feel of always doing things at the last minute. This is further aggravated by the quality of people, processes and overall performance. There is a need for sharper planning at the **RBSEB**

6.24 RBSEB as the depository of knowledge

It is extremely and critically worrying to know that the whole knowledge spread of the land assets of **RBSEB** lies in the head of the Deputy General Manager and two field officers.

As the knowledge of the boundaries of the various plots of the land of **RBSEB** lies in the heads of the Deputy General Manager and these two field officers, in their absence, no other officer has knowledge about this.



It is a matter of extreme concern that there is no domaine book supported by a register of the land assets of **RBSEB**. There are no precise cadastral records of all the land belongings of **RBSEB**.

RBSEB is not the depository of knowledge that it should be.

6.25 Court cases

RBSEB has a regular set of ongoing court cases. Over the years, these have costed money to **RBSEB**.

RBSEB does not have a good history of winning cases in courts.

6.26 The I.T plan

6.26.1 The Basics

The previous Hardware and Software backbone of **RBSEB** dated back since the year 1995. They were beyond economic repairs and too obsolete to accommodate the recent I.T upgrades. The Computer system needed to be replaced urgently in view of its limited life, taking into consideration the unavailability of spare parts on the market and the unrecoverable data likely to arise through disk damages.

Management needs accurate and immediate information to make strategic decisions and to exercise greater control of the use, cost and maintenance of assets. Thus, it was decided to implement a totally integrated system solution with a view to improve the overall efficiency of the day-to-day operations of the Estate while increasing productivity.

The scope was also to meet the requirements of the Estate, considering the ever-changing and inevitable dynamic heaps of progress that the I.T industry has undergone in the recent past.

6.26.2 I.T

The I.T system provides for several modules which are detailed and comprehensive. They provide relevant and reliable data for planning controlling and decision-making.

For example, the fleet and workshop management module covers:

- **Vehicle Basic Date:** Static information for each vehicle is maintained, including various technical data submitted by the manufacturers.
- **Work in Progress:** The various works are precisely defined and monitored on a day-to-day basis using the following documents.
 - Job Description Card: supports all the jobs that have to be carried out on a vehicle admitted to the Workshop.
 - Working instructions Slip: supports the jobs of a specific worker and his helper, for a vehicle. This job is identified on the Job Description Card of the vehicle.



- **Breakdown Analysis:** The main objective of this module is to reduce the time during which vehicles are immobilized in the workshop, by analyzing the types of breakdown and the time taken to fix the vehicles.
- **Lost Time Analysis:** Monitoring the time lost while waiting for spare parts or for labour.
- **Worker efficiency Analysis:** Comparisons between the standard times allocated to jobs and the actual time spent, will give the efficiency of a worker, a group of workers or the work-force as a whole.
- **Vehicle History:** Repairs can be historised so as to have readily available the main jobs carried out on vehicles, their cost and the spares used.
- **Follow-up of Tyres:** Comparisons among makes and types of tyres helps decision making as regards buying policy.
- **Payroll Data:** The workshop module automatically transfers payroll data to the payroll module every day.

Unfortunately, this module is not being implemented in practice.

In the absence of a reliable system, and from our observations of the garage, we fear that much inefficiency is inherent in the current set-up and framework and that these could have been eliminated through an optimal use of the IT system.

We are of the opinion that the uses of the whole IT potential is not being maximised by the personel of **RBSEB**.

All the facilities and potential of the above IT system are not being explored and used by the personnel of **RBSEB**.

6.27 Institutional issues

Other Key issues regarding sustainability challenges for **RBSEB** include:

- A clear long-term plan with strategies that vigorously addresses the sustainability challenges that **RBSEB** now faces;
- Ensuring that **RBSEB** maintains a distinct identity in the face of increased competition.
- Potential expansion of the role and activities of **RBSEB** and its budget, coupled with additional sources of funding;
- Careful analysis of current and potential originating opportunities to ensure maximum benefit for investment spend;
- Mechanisms to address internal deficiencies.

6.28 Lack of vision, Mission and Core Values

The current organisational chart is not conducive for a dynamic and fast-moving, efficient organisation. In the future, in its wake for survival, **RBSEB** will have to open new unprecedented corridors of development. It needs a bold new vision to sustain the organization.

The unethical behaviours reported by the brainstorming session are due to an absence of shared vision, mission and values, and poor leadership and management of the organisation.



The lack of shared vision, mission and core values to which each and every employee of **RBSEB** could attend and live by are critically absent. **RBSEB** has never developed any shared vision or mission statements which would have allowed all the employees to converge and anchor into the future.

Vision Statements and Mission Statements are the inspiring words chosen by successful organisations to clearly and concisely convey the direction of the organization. By crafting a clear vision statement and mission statement, **RBSEB** can powerfully communicate its intentions and motivate the organization to realise an attractive and inspiring common journey and destination into the future.

Given that such an exercise has never been carried out, each employee had their own image of what it could be.

6.29 Governance issues

6.29.1 Internal Control

One of the key aspects necessary to protect the assets of the organisation is a proper control environment and a well functioning system of internal controls.

The board is responsible for the system of internal control and must set appropriate policies to provide reasonable assurance that the control objectives are attained.

The board must satisfy itself that the system of internal control is functioning effectively and that the system manages risk in the manner approved by the board.

Management is responsible for the design, implementation and monitoring of the internal control system.

The board should also ensure that, as part of its internal control procedure, the company has an effective mechanism in place which facilitates and encourages the reporting of any lack of, or breach of internal controls and any unethical or irregular behavior concerning the company.

The current internal Control System is weak at **RBSEB**.

It is clear and evident that, if ever **RBSEB** is no more within framework of the current long and straining bureaucratic procedures, there should be very strong internal controls to safeguard the assets and resources of the organisation.

6.29.2 Internal Audit

RBSEB, surprisingly, does not have an internal audit function.

RBSEB should have an effective internal audit function that has the respect, confidence and co-operation of the board, the management and the stakeholders.

The board may delegate the responsibility for managing the internal audit function and for receiving internal audit reports to the audit committee.

The internal audit function is responsible for providing assurance to the board regarding the implementation, operation and effectiveness of internal controls and risk management. It is not



responsible for the implementation of controls or the management and mitigation of risk, which responsibilities remain with the board and operational management.

6.30 Good Governance Practices

Another of our recommendations to improve the strategic and operational framework of **RBSEB** is the implementation of a good governance structure.

The significance of corporate governance is now widely recognized, both for national development and as part of international architecture, as a lever to address the interests of corporate citizenship, and social and environmental responsibility. It is an effective mechanism for encouraging efficiency and combating abuse and corruption. International guidelines have been developed by the **Organisation for Economic Co-operation and Development (OECD)**, the **International Corporate Governance Network**, and the **Commonwealth Association for Corporate Governance**. The four primary pillars of fairness, accountability, responsibility and transparency are fundamental to all the international guidelines of corporate governance.

We emphasize the critical need to implement strong good governance practices within the **RBSEB** so as to prevent any potential abuse. The performance of **RBSEB** can only be optimized if there are strong governance principles and practices implemented within the organization so as to prevent undue abuse of the system. The current governance structure and practices of **RBSEB** has to be realigned to best practices.

6.31 Accountability

Accountability is a major weakness at **RBSEB**. There is no accountability and commitment to organizational objectives. This goes to the extent of a perception of waste of Funds. Both the personnel and the organization should be more accountable.

The absence of legitimacy, competence, transparency and accountability gives room to bad governance which hinders the development of any organization. Good governance and accountability is the essential framework within which **RBSEB** should operate. A good corporate governance and accountability image will enhance the reputation of the **RBSEB** and make it more attractive to stakeholders as the perception of good corporate governance is also an important ingredient of the image of an organization, whether public, private, or nonprofit.

6.32 Board Composition

6.32.1 Entrepreneurial versus a compliance Board

The two approaches to governance were nicely delineated by Thomas Perkins, founder of the Silicon Valley venture capital firm Kleiner Perkins Caufield Byers. Perkins drew a distinction between what he termed a compliance board and entrepreneurial board. The latter should, characterize how boards actually operates. Directors serving on the first primarily saw their role as enforcing regulatory rules and strictly monitoring management. Directors serving on the second primarily viewed their role as a partnership with management to create new businesses and grow the company.

Nonexecutive directors in entrepreneurial boardrooms take up more of a strategic partnership role with company executives, akin to the role of working with management to create and market new businesses and comparatively less of shareholder-monitoring or rules-based role.



Instead of functioning solely as the eyes, ears, and enforces for absent shareholders, the directors should take on the additional role of working with **RBSEB** executives to set the right directions and strategies for the sustainability of the company.

The board should have independent members who can support the company and the objective leadership of a chairperson to ensure a continuously successful performance within a framework of good governance so as to serve the interests of all the stakeholders of **RBSEB**, whilst at the same time sustaining the organization into the future.

The current realities of **RBSEB** in the context of an unprecedented new world economic order dictate the need to review the current board composition so as to be more pro active and innovative and entrepreneurial. There is a need of a board which is in equilibrium with the nomenclature of the **RBSEB**, its current operational deficiencies and its operational and sustainability challenges.

6.32.2 Recruiting independent nonexecutive Directors

The need to strengthen the oversight role of independent nonexecutive directors by increasing their quality and numbers on the board, expanding their influence over audit and compensation, and making their role more transparent should be envisaged. The reality is that the board members should be recruited for more of their entrepreneurial mindset rather than their monitoring potential. With the emphasis on entrepreneurship and collaborating with management, experience and expertise should rank high up on the list in the nomination process.

A survey done by Peter Capelli, Harbir Singh, Jitendra Singh and Michael Useem, in India on the criteria used by the most successful companies in choosing non-executives directors, reveals the following:

Question: What are the two most important criteria you have used in selecting non-executive directors?+

The nonexecutive component of Mahindra & Mahindra's board provides an example of how these survey results play themselves out of practice. Of the twelve directors, of this company, eight are independent, and they bring extensive background in banking and finance (Depak Parekh, chairman of **HDFC Ltd.**, and Narayanan Vaghul, chairman of the board of **ICICI Bank Ltd**); manufacturing (Nadir Godrej, developer of the animal feed, agricultural inputs, and chemical business of **Godrej Soaps** and other associated companies); technology and research (m.m. murugappan, a **Murugappa Group of companies**, responsible for technology and research); consumer products (A.S Ganguly, chairman of **Hindustan Unilever Ltd.** From 1980 to 1990 and a member of **Unilever's** main

Criteria for selecting nonexecutive director	Percentage
Professional experience, diversity of experience	38
Reputation, credibility, track record, stature	26
Domain or functional expertise	15
Independence of thought	10
Integrity and character	5
Commitment to serving on the board	6



board from 1990 to 1997); law R.K kulkarni, senior partner of **Khaitan & Company**, one of the India's leading law firms); strategy consulting (Anupam Purin, Thirty years with **Mckinsay & Company**; and insurance Thomas Mathew, managing director of **Life insurance Corporation of India**.

None of these nonexecutive board members brought to the post special experience or expertise in monitoring management for shareholder value. What they added, instead, was broad and substantive knowledge of the business world generally and of special niches in particular.

RBSEB could inspire itself from this set of criteria in the choice of its Board directors.

The **RBSEB** should have a board comprising of members who have an appropriate mix of competencies, experience, skills and independence that commensurate with the current realities, challenges and need for venturing into hitherto unexplored chartered territories.

It is critically important that all members of the board be individuals of integrity who have a good knowledge and who can bring a blend of skills, objectivity, experience and commitment to the board, with the skills to create new strategies hitherto not considered by **RBSEB** but whose end result is the sustainability of **RBSEB**.

There should be no distinction between directors and alternate directors in terms of their duties and responsibilities.

The Board and Management should connect on strategy.

6.32.3 Other Governance issues - Role and functions of the Board

We strongly recommend that the Board limits itself to Board matters

The board is the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of **RBSEB**. It follows that it should be the board's responsibility to provide effective corporate governance within **RBSEB**.

6.32.4 Role and Functions of the Chairperson

We feel that it is equally important to delineate the role and functions of the Chairperson of **RBSEB**'s board.

RBSEB should be subject to the firm and objective leadership of a chairperson who brings out the best in each director. The Chairperson should bring independence of mind and intellectual honesty to his/her role.

The chairperson's primary function is to preside over meetings of the Board and to ensure its smooth functioning in the interests of good governance.

6.32.5 Role and Functions of the General Manager

The title, functions and role of the General Manager must be separate from that of the Chairperson.

The General Manager should maintain a positive and ethical work climate conducive to attracting, retaining and motivating a diverse group of top-quality employees at all levels of



RBSEB. In addition, it is incumbent on the General Manager to foster a corporate culture that promotes ethical practices, rejects corrupt practices, offers equal opportunities, encourages individual integrity, and meets social responsibility objectives and imperatives.

6.32.6 Board Committees

The board is the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of **RBSEB**. Delegating authority to board committees or management does not in any way discharge the board from its duties and responsibilities. Board committees are a mechanism to assist the board and its members in discharging their duties through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the board.

In establishing board committees, the board must determine their terms of reference, life span, role and function. The terms of reference for each committee should cover:

- objectives, purpose and activities
- composition
- delegated authorities including extent of power to make decisions and/or recommendations (if any)
- tenure
- reporting mechanism to the board
- agreed procedure for seeking independent outside professional advice when necessary.

7. The good side of RBSEB

The good and positive element **RBSEB** is its land assets and its prime location.

Geographically located, Robe Belle Village is positioned in a key strategic area, with a well-developed centre and Plaisance Airport being nearby. Road facilities, land surrounding high way are available all around the village connecting people in the southern growth pole. The soil of Rose Belle is very fertile and the region also acts as a catchment area. Rose Belle constitutes of a prime agricultural land, whereby the possibility of various diversification projects on a large scale could potentially be envisaged. Since it is located near to the airport, one prospectus would be to revisit Le Val for eco-tourism projects or Leisure Park. The idea of making Rose Belle a hub like Ebene has also been envisaged, but how far this idea is feasible is still questionable. Since land is available, high value residential projects together with high commercial complexes could be taken into consideration in the very longer term. The lands of Rose Belle have high market value; the consideration of developing these lands into profitable business should be of key concern to **RBSEB**.

Strengths of the potential of **RBSEB** that emerged during our strategic thinking session are as follows:

- Le Val revisited for eco-tourism projects
- Strategic geographical position
- Location geographical
- Lands well located
- southern growth pole



- land in prime area
- strategic location of the estate
- Road facilities
- Good land to develop into flower business no need to irrigate soil
- High value residential projects
- Availability of land
- Land
- Our prime land-surrounding highway, old route
- Large sugar estate
- Land/asset in strategic places
- Nature view
- 3000 hectares of land
- prime agriculture land
- Rose Belle has a large catchment area
- catchment area in the south
- A good village
- Good environment
- Near airport
- Prime land
- High market value land

8. New Business focus

8.1 Finding new Avenues for RBSEB

The multiple-constituency ideology of **RBSEB** should appear as a driving commitment in a range of other business practices, from competitive strategy to company culture, and from talent management to personal leadership.

Finding new avenues for **RBSEB** is not an easy task. We need to point at that there is, as at today, no such project that can be implemented that will generate millions of rupees of profits overnight. **RBSEB** has reached too far down the abyss in terms of poor structure, lack of vision and strategy, human capital deficiencies and operational inefficiency. This has resulted in a stressful and chaotic financial situation. Turning around such a situation is quite a mammoth task. We are proposing alternatives that range from a ~~no-nothing~~ strategy on the one extreme to a series of potential untraditional projects for **RBSEB** that would eventually make a difference in the longer term in terms of profitability and sustainability.

After careful analysis, and taking into account the specifics of the **RBSEB**, we have come up with alternatives that would help get **RBSEB** back, in the longer term, on a profit and sustainability momentum.

Each and every potential alternative or project has its own cycle and time profile. They impact differently on the time horizon, profits and cash flow. They are presented independently on a stand alone basis in our report so that the decision-makers can choose any combination or mix.



8.2 The options

As at today, based on our findings, the shareholders of **RSBEB** have 6 main alternatives as regards the future of the company. The recent statement of the **Honourable Prime Minister**, in the margin of the EU - Africa Summit, to the effect that the EU would wish that Mauritius undertakes a study to explain the importance of sugar in Mauritius is of particular importance for the study. This study would be used to secure grant money for the country's Budget to cope with the forthcoming wave of reform in the EU sugar market.

This element adds a new dimension to the choice of the alternatives. Firstly, it would be incongruous, to say the least, that **RBSEB**, as a Government owned company, opts out of sugar production; and secondly, it now becomes even more imperative to field the best corporate structure with the best action plan to revamp the sugar activity.

The various alternatives which were worked out prior to this statement are nonetheless examined but as can be seen the one recommended by **BDO** fits well with the consideration of Government and the European Union.

FUTURE ALTERNATIVES FOR RBSEB
1. Continue As-Is, i.e. a do-nothing strategy which means continuing current as-is sugar and sale of sugar reform land, collection of rent and termed later on as scenario A.
2. Lease the Estate to a more efficient sugar operator
3. Implement a full VRS and rent the land of RBSEB
4. Merge RBSEB with another more efficient government institution
5. Rent to another operator who would remove all cane plantations and replace it by say, Arundo Donax or other gramineae
6. Morphing into something new, i.e. move into a transformational expansive strategy and develop a new focus for RBSEB for its long-term sustainability. That means re-engineered sugar, sale of sugar reform land, collection of rent, VR3 at end of 2014, diversification in non-sugar agriculture and non-sugar projects.

8.3 Alternative 1: A do-nothing strategy

The first, easiest and most careless solution to today's hurdles and chaotic state of affairs of **RBSEB** as described in our findings for this company is a do-nothing strategy.

This would mean that the organizational continuous non-performance and annual loss of some Rs 50M will continue in the future. Cash flow will be as chaotic and as strangling as ever, if not more. Everyone at **RBSEB** will remain as-is and the current organisational dislocation and dysfunctioning will continue to perpetuate.

Such a do-nothing strategy will take **RBSEB** further down into shareholder value destruction and deep down in a financial abyss from where it will not be able to come back again.



We estimate the loss of **RBSEB**, if nothing is done now, to be more than Rs 600 m in its core business by the year 2020 if performance continues %as-is+. **RBSEB** would be totally illiquid and it might not also be solvent by that time, unless there is a massive disposal of its land assets. **RBSEB** will eventually end up in liquidation under this alternative.

So, we strongly recommend that this alternative should not at all be envisaged nor chosen by the shareholders.

8.4 Alternative 2: Lease the estate to another more efficient Sugar Operator

The shareholders could, as an alternative to a %do-nothing+strategy, opt to lease the estate to another more efficient Sugar Operator. **RBSEB** could thus choose to lease the whole of its land assets to a more efficient sugar operator who would continue the sugar cane plantation and agricultural diversification activities.

There are effectively other sugar cane operators who are making profits out of the sugar cane plantation. Some of those we have met work under tight operational targets and operate in a different mindset and work culture, both financially and operationally.

This alternative would mean that **RBSEB** should implement a VRS for its entire staff and then rent the whole estate of **RBSEB** to another more efficient Sugar Operator to produce cane for milling; the basic activities would be the same as today. The only difference would be that the Operator would be no more the **RBSEB**. The company would simply be a rent seeker.

However, **RBSEB** does not only have an economic dimension but it also has a social, political and probably an emotional and national one. For these reasons the Shareholders of **RBSEB** should be very careful if ever this alternative is chosen.

8.5 Alternative 3: Implement a full VRS and rent the land of RBSEB

An alternative to the above 2 options is to convert **RBSEB** into a full land rent seeker for all its land assets. This would mean that **RBSEB** would cease all its current operations and convert into a new source of revenue generation from land lease business.

This implies that **RBSEB** will have to implement a full VRS and recruit a small performing team to manage the rental of the land assets of **RBSEB**. This rental could be to different parties for different purposes.

We believe that, though this is another alternative, it does not create challenge and does not take good value out of the land assets of **RBSEB**, over and above the fact that Rose Belle is geographically well-positioned and can be, in association with key strategic partners, a more profitable company in the longer term. Moreover, nothing guarantees that the rented land will be put to fruitful use.

8.6 Alternative 4: Merge with another institution

There exists other government owned institutions which are today making profits out of their sugar cane plantations whilst at the same time developing their non-sugar land with property development projects. **RBSEB** could be absorbed by such institutions.



For example, **RBSEB** could merge with another government institution such as the **State Land Development Company Ltd.** It could thus be possible to merge **RBSEB** with this government owned institution that is making profits in cane cultivation and property development. However, if the current leadership and Management team of **RBSEB** is maintained in the deal, then such a merger might not allow for financial performance and sustainability. The end consequence would be that the whole inefficiency and non-performance of **RBSEB** would be shifted to that new institution.

We therefore recommend that **RBSEB** be cleared up with a VRS before if such an alternative is implemented.

8.7 Alternative 5: Rental to another operator for alternative use

A further alternative is the rental of the whole land assets **RBSEB** to another operator who would remove all cane plantations and replace it by something else. In this alternative, **RBSEB** would cease all its agricultural activities and lease its land to another operator for the production of something else.

Again, **RBSEB** becomes a rent receiver and receives rent on land leased as opposed to the loss it incurs in respect of the cane activity and it also escapes the forthcoming threats on the sugar sector as from 2017. The land to be leased would amount to the actual area under cane, some 1400 ha, less land to be used by **RBSEB** to recoup the cost of sugar reform past and forthcoming. Some 125 ha may be concerned and some 1275 ha of land would be available for lease. In this case all the projects to be undertaken under what would be described hereunder as Scenario B would not be undertaken.

8.8 Political dimension

It has to be reckoned that **RBSEB** is perceived, right or wrong, to have much more than an economic dimension by many members of the current board and other stakeholders. It is

thus considered to have, over and above an economic dimension, an emotional and political dimension.

At some point in time a balance must be struck between economic interests and emotional/political ones and the financial implications thereof and a decision taken.

8.9 Alternative 6: Morphing into something new

8.9.1 The Need

RBSEB is the only state owned sugar planter on such a scale. It has a social, regional and national dimension. In this perspective, **RBSEB** can only ambition to become profitable, have a strong capital structure and be at the helm of a flourishing economic development pole. It would create substance and diversion for the inhabitants of the southern part of the Island.

For these reasons, we believe that **RBSEB** should rather move on a transformational strategy. **RBSEB** needs to be morphed into a new and different incarnation in the wake of a new roadmap.



So far, in the current board and management set-up, there is no firm idea for any business of substance on the horizon, which could be turned into a going concern for **RBSEB** overnight in the true sense of the world.

If **RBSEB** is to survive, it needs to change its business model fast. **RBSEB** will not survive in the long term by relying exclusively on cane growing. The company will accumulate losses and deplete its only meaningful asset, i.e. land. Diversifying into other lines is imperative. **RBSEB's** chance of survival depends on its ability to exploit its resources and the absence of financial burdens.

Bureaucracy is too endemic in **RBSEB's** life. The story of **RBSEB's** dramatic economic shift from the slow-going loss making past to a fast moving profit making future is a complex and multifaceted one.

This is the alternative that can help **RBSEB** embark into a transformational strategy and morph itself into something new.

8.9.2 Creative value propositions

In the context of this transformational strategy, **RBSEB** would need creative value propositions.

Given the large and immensely competitive market with discerning and value-conscious customers, **RBSEB** has to learn to be highly creative in developing its value propositions. Though stepped in an ancient culture, **RBSEB** should invent entirely new product and service concepts to satisfy the needs of demanding consumers and to do so with extreme efficiency.

8.9.3 Fresh ideas, Long – Haul Thinking

RBSEB should emphasize a broader vision, mission and purpose that enhance both the corporate agenda and sustainability.

But, when it comes to competitive advantage, **RBSEB** should give birth, through a more entrepreneurial board and a more efficient management team, to fresh ideas that combine a transcendent company vision, fresh value propositions, innovative value chains and a strong emphasis on building architectural and cultural capabilities for the long haul.

A transformation process is therefore necessary to guarantee **RBSEB's** future viability.

8.10 RBSEB: An urgent need for Expansive thinking from the Board to morph it into something new

RBSEB can thus roadmap to become successful, but if it is still locked in the same restrictive thinking and actions that got it where it is, then there is no future. To live up to new dreams and become the best it needs to be in practice, it has to sharpen its expansive thinking consistently and considerably. There is a need for Expansive Thinking with a new breed of mindset, attitude, talents and commitment.



9. Why Working Wider?

9.1 Value Creation

Value creation has moved from the centre of the company to its edge and beyond. Today people are working and collaborating beyond home base to create value, including outside their organisation and traditional core businesses. This phenomenon is known as **Working Wider**. It dramatically changes the world of work, what defines leadership, and how to compete and win.

RBSEB's way out is to seek strategic partners for the development of business and projects where extensive land area is a pre-requisite. As the company is facing cash flow problems, the land could go in as the equity participation, while potential strategic partners could participate in terms of financial injection. However, before entering into any negotiations, the land of **RBSEB** has to be revalued so as to make its assets reflect a fair market value.

In order to improve the situation of **RBSEB** and embark on this transformational strategy expansive strategy, **RBSEB** has to devise a set of twin-fold strategies that will on the one hand increase revenues and on the other hand reduce costs.

Projects identified under each of these two avenues are as follows:

	Increasing revenues	Reducing costs
AGRICULTURAL	Value addition on sugar	Implement a VRS 3 and shifting to job contractors
	Diversification in non-sugar agricultural activities	Close the Hospital
		Close the Garage
NON - AGRICULTURAL	Camp Bouvet	
	Commercial Centre	
	Le Val Ecotourism	
	Morcellements	
	Rental of Land	
	Large Investments of High Tech Agriculture	

9.2 Time lines for financial fluxes

The issue of timelines of the cash inflows and outflows for these projects is critical. There is no project that can generate millions of profits overnight for **RBSEB**. **RBSEB** is not in a liquidity position to-day and the nature of the projects identified is long-haul for the sustainability of **RBSEB**.

There is a need to conceptualise these projects, carry out feasibility studies for some, and comply with lengthy government procedures for others.

For example, land parceling project can only be started in around 18 months if the morcellement permit is applied for here and now. The nature of the lengthy process for a Morcellement Permit is given in Appendix 16.



Consequently, there will be a timeline difference of cash inflows and outflows for these projects.

9.3 Increasing Revenues

One of the several avenues for increasing revenues, the first one, is about value addition in sugar plantation.

9.4 Sugar, by-product prices and SIFB data

9.4.1 The Project rationale

Sugar will still be a major player in our economy for some time. We are therefore proposing that **RBSEB** remains in sugar activities under two scenarios A and B. In both cases, the current cultivation practices are maintained but A & B are different in quite a few aspects as shown in the table above. The main objective of scenario B is to optimise to the maximum the sugar cane activity:

- (a) At cost reduction level by undertaking a VRS 3 at the end of 2014 with the maximum possible retrenchment , 67%, this is expected to impact on cost reduction as from 2015; an early harvest .
- (b) Yield gains by using the best varieties from the **MSIRI** but also by importing Reunion varieties would give better performance.
- (c) Shortening the cane crop cycle in Union Park would mean better yield.
- (d) Enhancing revenue by moving away from the **MSS/Südzucker** lower value addition approach to a higher value addition approach, as currently envisaged by **Medine Ltd** and **Omnican Ltd**.

9.5 Scenarios

As can be seen, the scenarios chosen revolve around the sugar cane activity. In the first case, **RBSEB** stays in a business as usual mode coupled with the sale of land that accrue to **RBSEB** pursuant to the provisions of the **Sugar Industry Efficiency Act** relating to the recouping of costs incurred in the context of the successive sugar reform plans . In the second case, **RBSEB** makes major structural changes to its cane activity and undertakes a series of projects, including the sale of land to recoup sugar reform costs, destined to fully valorise its strategic location and land assets. In the third and fourth cases, opts out of cane and undertakes the non . cane activities of the first and second scenarios respectively.

9.5.1 The Concept

The concept is to keep some cane cultivation on the land of **RBSEB** but under a different nomenclature. The cultural practices, cane varieties and institutional and operational frameworks have to be revamped and the costs have to be reduced.

9.6 Sugar Insurance matters

9.6.1 The amendments of 2012 and the quasi-impossibility to receive compensation

Formerly, **Sugar Insurance Fund compensation** received and premium paid netted off over a long time period and these elements were not taken into account in economic factor analysis.



Following an actuarial review, the **Sugar Insurance Fund Act** has been amended in 2012 with new rules applicable to premium and compensation. Thus premium has been reduced to 50% of what it would have been previously. Compensation is now payable only if the island production percentage (sugar production/ total insurable sugar) is below a certain threshold, now fixed at 75 %. This means a loss of more than 25%. This percentage may be brought to 80% subject to an actuarial review.

In 2013, the sugar accruing /total insurable sugar ratio amounts to 92% and there are no chances that the **Sugar Insurance Fund** declares 2013 as a year having suffered from drought, cyclone or excessive rainfall. This means that any computation pointing out to the receipt of compensation by **RBSEB** for 2013 is incorrect and in contradiction with existing legislation.

9.7 Other Income

The audited and unaudited accounts of 2011 and 2012 show significant amounts under the item **Other Income**, namely Rs 40 M and 31.5 M respectively. This item includes rent of land , former cane land, and buildings, the former premises of Rose Belle sugar factory ; the bagasse transfer price; the sale of cane setts; and the refund of transport costs by **Omnican**, an agreement signed in 2001 at the time of the closure of the sugar factory by the then Executive Chairman.

The amounts involved are for 2012 which have a relation to sugar production, land lease and lease of the premises of the ex-sugar factory of Rose Belle and which have to be included in the analysis are:

- (a) Rent: Rs 23.2 M;
- (b) Bagasse transfer price : Rs 0.8 M;
- (c) Sale of cane setts : Rs 0.3 M;
- (d) Refund of transport: Rs 5.9 M;
- (e) Services to SUDS now **Omnican** Milling: 0.2 M.

Interest received, once an important item on account of mainly the refund by **MOFED** for land taken by Government and the good financial post VRS 1 performance , Rs 10.1 and 15.4 M in 2007 and 2008 respectively, is no longer in the income sheet.

Items (b), (c), (d) and (e) amounting to Rs 7.2 M are assumed to vary with production over 2013 to 2020. The main component of rent arises from the rice project whose rent will move as follows:

- (a) First six years : Rs 20 000/ha;
- (b) Second six years : Rs 25 000/ha;
- (c) Thereafter: Rs 44 000/ha (the value computed by the Chief Government Valuer as the initial rent value).

The rent for the rice project will increase by 20% as from 2017, the same rate and timing is assumed for the rent item. Under the rice project, it was earmarked that the private profit making operator would lease 500 ha, he has so far rented only 350 arpents.

The private operator is trying to rent land in other areas where he expects to obtain better yields than in **RBSEB** and consequently, it is assumed that he would not increase the extent of land leased, which would remain at 350 ha.



9.8 Further value addition

Agronomic alternatives for RBSEB

There are two such alternatives. The **five year cane crop cycle** and a closer **field monitoring** system.

The category yield profile of Union Park can allow a shift in the first instance to a 5 year crop cycle. The complete shift will take 6 years as from now and is expected, provided the proper varieties are available, to increase yields by some 1 tonnes per year over the six years or 1.4 % yearly gain compared to current yields.

The situation at Rose Belle is more complicated as the depression in ratoon yield is due to a varietal mismatch and addressing it may take longer than expected and consequently gains are not taken into account in this analysis.

Over the 2011 to 2013 period, Union Park accounted for some 46 % of the cane weight produced by **RBSEB**, on this basis; the adjusted yearly gains for **RBSEB** will be 0.6% yearly.

The shift implies that the rate of cane replantation would increase from the current 12.5% to 20%. The putting in place of the logistics and cane setts is expected to take one year and the new system will be operational as from 2015, the six years leading to 2020.

A closer field monitoring whereby inputs, in particular, will be closely monitored is also expected to bring about gains. The net yearly productivity gain of the two agronomic alternatives is assumed to be of 1% yearly.

The canes of **RBSEB** are milled by the sugar factory of **Omnicanne** which is part of the sugar cluster which comprises a sugar refinery. In preparation of the future shocks in the **EU** market and with a view to optimise value addition, **Omnicanne** has entered into a partnership with Real Good Food of the UK which is a company engaged in the premium UK market and in the retail segment of this market. All these activities are more remunerative than the outright sale of sugar to Südzucker and thereon to industrial users in the low premium market of Southern Europe. There is merit in **RBSEB** engaging in discussions with **Omnicanne** for an eventual strategic alliance as from 2018 onwards.

This would imply that **RBSEB** leaves the MSS and gives notice thereof at latest by September 2014. **RBSEB** can still quash its notice if negotiations with **Omnicanne** are not conclusive. Pour mémoire, **Omnicanne** has since 30 September 2013 given notice to the MSS of its intent of leaving the Syndicate as from 1 October 2016.

9.9 Sugar, by-product prices and SIFB data

9.9.1 Project rationale

RBSEB remains in sugar activities under two scenarios A and B. In both cases, the current cultivation practices are maintained but A & B are different in quite a few aspects as shown in Table 1. The main objective of scenario B is to optimise to the maximum the sugar cane activity in terms of productivity gains and cost reductions

Table 1: Comparison between scenarios A and B



**Executive Summary
of the Strategic Review
of the Rose Belle Sugar Estate Board**



Item	Scenario A	Scenario B
VRS 3	End of 2016	End of 2014
Extent of VRS	67% of employees	80% of employees
Yield gains by using best varieties from the MSIRI but also by importing from Reunion	No	Yes
Shortening the crop cycle in the Union Park section	No	Yes
Productivity gain approach	No	Yes
Different supplies procurement and different store policy	No	Yes
Closing down of garage	No	Yes
Light and effective mechanisation	No	Yes
Marketing strategy	MSS approach	Omnican Ltd approach is possible as from 2015

Scenario is the cultivation of sugar cane only.

SCENARIO A- Cash Flow (Sugar)								
		2014	2015	2016	2017	2018	2019	2020
		MUR						
EXPENDITURE								
<u>Expenditure Sugar</u>								
Remuneration		128,992,500	132,316,538	135,650,498	111,189,650	116,749,132	122,586,589	128,715,918
Supplies		52,650,000	51,435,000	50,220,000	49,005,000	49,005,000	49,005,000	49,005,000
SIFB Premium		-	4,927,283	4,810,890	4,694,498	4,694,498	4,694,498	4,694,498
		181,642,500	188,678,820	190,681,388	164,889,147	170,448,630	176,286,086	182,415,416
INCOME								
<u>Revenue Sugar</u>								
Revenue received	70% Current Yea	93,638,591	91,477,700	89,316,809	81,527,604	81,527,604	81,527,604	81,527,604
	30% Next Year	34,985,847	40,130,825	39,204,729	38,278,633	34,940,402	34,940,402	34,940,402
		128,624,438	131,608,524	128,521,538	119,806,236	116,468,006	116,468,006	116,468,006
SIFB Compensation		-	4,927,283	4,810,890	4,694,498	4,694,498	4,694,498	4,694,498
Receipt from Omnican		5,900,000	5,763,846	5,627,692	5,491,538	5,491,538	5,491,538	5,491,538
		134,524,438	142,299,653	138,960,120	129,992,272	126,654,042	126,654,042	126,654,042
Net Cash Flow		(47,118,063)	(46,379,167)	(51,721,267)	(34,896,875)	(43,794,588)	(49,632,045)	(55,761,374)



SCENARIO B- Cash Flow (Sugar)								
	2014	2015	2016	2017	2018	2019	2020	
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
EXPENDITURE								
Expenditure Sugar								
Remuneration	126,535,500	75,792,818	74,968,721	74,026,965	76,247,774	78,535,208	80,891,264	
Supplies	52,650,000	50,264,550	48,269,925	46,275,300	46,275,300	46,275,300	46,275,300	
SIFB Premium	-	4,888,485	4,694,498	4,500,510	4,500,510	4,500,510	4,500,510	
	179,185,500	130,945,853	127,933,144	124,802,776	127,023,584	129,311,018	131,667,074	
INCOME								
Revenue Sugar								
Revenue received 70% Current Year	93,638,591	94,991,003	91,221,519	85,369,255	85,369,255	85,369,255	85,369,255	
30% Next Year	34,985,847	40,130,825	40,710,430	39,094,937	36,586,823	36,586,823	36,586,823	
	128,624,438	135,121,828	131,931,949	124,464,191	121,956,078	121,956,078	121,956,078	
SIFB Compensation	-	4,888,485	4,694,498	4,500,510	4,500,510	4,500,510	4,500,510	
Receipt from Omnicane	5,900,000	5,718,462	5,491,538	5,264,615	5,264,615	5,264,615	5,264,615	
	134,524,438	145,728,774	142,117,985	134,229,317	131,721,203	131,721,203	131,721,203	
Net Cash Flow	(44,661,063)	14,782,921	14,184,841	9,426,541	4,697,619	2,410,186	54,130	

9.10 Summary of findings for sugar

The most salient findings are as follows:

- (a) The net equity of **RBSEB** in 2014 would be negative and once again net assets will be lesser than net liabilities;
- (b) The **RBSEB Act** is not conducive to compliance with fiduciary responsibility requirements;
- (c) The Board and management has not acted in the best interests of **RBSEB** in dealings leading to the sale or lease of land and in fact has in many important cases transferred value, which **RBSEB** could have otherwise secured, to Government owned or sponsored profit making entities and to private operators;
- (d) **RBSEB** is marginal in terms of cane production and is subject to the vagaries of the climate;
Whilst its cane plantations are well maintained and its replantation schedule conform to industry norms, it is beset by the lack of appropriate mid-maturing varieties and the lengthening of the sugar harvest have a natural consequence of the essential sugar reform;
- (e) Varieties and the lengthening of the sugar harvest have a natural consequence of the essential sugar reform;
- (f) On the one hand, the recourse to traditional forms of mechanisation has several constraints and on the other hand, labour will become scarce in the future; the use of small machines may offer a useful alternative;
- (g) A shift to a 5 year crop cycle is possible at Union Park but will take some 6 years to be fully implemented;
- (h) Based on reasonable sugar price reduction, Rs/” exchange rates, an as is situation in terms of business set up, the losses per tonne of cane are significant as from 2014 and increase as from 2018 in any scenario: minima, average and maxima;
- (i) Adequate value addition implies leaving the **MSS** as from 2016 and teaming up with **Omnicane**; this option is expected to generate surpluses as opposed to heavy losses in a beet producer based business as usual scenario;



- (j) Leasing of land to small planters has been a dismal failure and the cultivation of should be done more efficiently for **RBSEB**;
- (k) The non-sugar activities of **RBSEB** should be explored.
- (l) The track record of the Board of **RBSEB** is at the very opposite of the principles laid down in section 143 of the Companies Act;
- (m) **RBSEB** should in the case of residential Morcellements undertake the task itself and reap the full benefits instead of going the Rose Garden or SIT routes where **RBSEB** was not even able to recoup the full value of its land conversion rights , let alone the value of the land;
- (n) Such sales would allow **RBSEB** to recoup its VRS costs not matched by funds from the Sugar Reform Trust;
- (o) Rental opportunities from land should be explored.
- (p) The recourse to value addition, diversification and the large investment project is expected to improve the situation as from 2017;
- (q) Cash flow support would be needed for 2014 to 2015.

10. Implementing a third VRS

10.1 The Concept

The **Voluntary Retirement Scheme (VRS)** is one of the main components the sugar Sector Strategic Plan 2001-2002, and aims at reducing the operating cost of production of sugar in Mauritius, for which labour represents a high percentage. One of its main objectives is to right size the labour of **RBSEB**.

The implementation of a partial/full VRS is evident for **RBSEB** today. It represents the only way to reduce the excessively high percentage of labour costs in the total annual expenditure of **RBSEB**.

10.2 Project rationale

A third VRS would allow **RBSEB** to reduce costs to the minimum and have recourse to job contractors and light mechanisation so as to have a lower net operating cost.

The VRS for all employees is expected to be Rs 216 M if undertaken end of 2014, Rs 248 M, if undertaken at the end of 2015 and Rs 282 M, if implemented at the end of 2016.

11. Diversification in non-sugar agricultural activities

11.1 The Potential

The potential for non-sugar agricultural activities in Mauritius is high, especially under the Food Security Scheme set-up by the government of Mauritius.

300A Scheme and the Food Security Programme

The Rationale is the need to integrate **RBSEB** in the National Food Security Programme of the Ministry through the 300 A scheme.



11.2 Revenue in Cash Flow

Given the uncertainty on crops, it is considered more prudent to use net revenue in cash flow computations as opposed to the traditional cost and revenue approach.

On this score, it is estimated that Rs 40 000 would be generated per arpent.

300 A Scheme							
	2014	2015	2016	2017	2018	2019	2020
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Cash Revenue							
Net Revenue	-	2,400,000	4,400,000	6,400,000	8,400,000	10,400,000	12,000,000
Loan for equipment	40,000,000	-	-	-	-	-	-
	40,000,000	2,400,000	4,400,000	6,400,000	8,400,000	10,400,000	12,000,000
Costs							
Investment Expenditure to prepare land	-	2,500,000	2,500,000	2,500,000	3,000,000	2,400,000	-
Investment in equipment	40,000,000	-	-	-	-	-	-
Repayment of loan	-	-	-	2,666,667	2,666,667	2,666,667	2,666,667
Interest on loan for equipment	-	-	-	2,986,667	2,773,333	2,560,000	2,346,667
	40,000,000	2,500,000	2,500,000	8,153,333	8,440,000	7,626,667	5,013,333
Net Cash Flow	-	(100,000)	1,900,000	(1,753,333)	(40,000)	2,773,333	6,986,667

12. Non-agricultural potential

On the basis of the analysis of the sugar sector, it appears that the salvation of **RBSEB** would come from its non-agricultural potential.

12.1 Transforming Camp Bouvet

12.1.1 The Event Venue

An event venue is used for many different types of functions including wedding receptions, anniversaries, retirement parties, birthdays and corporate events. For events venue which have the right set ups and quality of services, they are often booked months in advance, and is a very profitable business. One example is the **Sir Abdooll Razack Mohamed Hall** in Phoenix. People all over the Island book this venue for weddings and other events.

12.1.2 The Idea

Whether the event being a high end fashion show, corporate party, fundraiser, sporting event, trade show, wedding, product launch, block party or something similar, the venue should be able to host and quality service the events.

The southern part of the island lacks a conducive venue for major life remembering events. The rational is that there is no events centre as such in the South and the facilities at Camp Bouvet are used by the public which has to undertake substantial expenditure and bear all the hassle. The existing house and yard at Camp Bouvet, belonging to **RBSEB**, are thus rented by the public. Lessees have to erect “*marquises*” or “*salles vertes*” at their own cost and bear all the



hassle. It would therefore be opportune for **RBSEB** to establish an events centre similar to the **Abdool Razack Mohammed Centre** in Phoenix. Camp Bouvet is currently being rented out for weddings though the state of the building is far from desired and has clearly lacked proper maintenance. **BDO** is now proposing that Camp Bouvet be converted into a high quality Events Centre.

The operational costs are being kept at a very minimum and the venue could outsource some services to optimize its costs of operations.

Camp Bouvet Cash Flow							
	2014	2015	2016	2017	2018	2019	2020
MUR							
Revenue							
Net Revenue	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Loan	6,000,000	-	-	-	-	-	-
	6,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Costs							
Initial Investment	6,000,000	-	-	-	-	-	-
Loan Repayment	-	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	-
Interest	600,000	600,000	480,000	360,000	240,000	120,000	-
	6,600,000	1,800,000	1,680,000	1,560,000	1,440,000	1,320,000	-
Net Cash Flow	(600,000)	3,200,000	3,320,000	3,440,000	3,560,000	3,680,000	5,000,000

13. Potential for a Commercial Centre on the frontage land of RBSEB

13.1 The Benchmarks

The **Espitalier Noël Group (ENL)** has been quite successful in optimising its land resources and generating income and profit; **Omnican Ltd** has launched an airport city; and **Medine Ltd** has been quite successful in property development.

13.2 RBSEB

Can RBSEB go along these lines? Location has been a key parameter in the success of these companies, the motorway for **ENL** at Bagatelle, the airport for **Omnican Ltd** and a growth pole at Flic en Flac for **Medine Ltd**. How about **RBSEB**?

- (a) It is situated next to the South motorway leading to the airport and the Port Louis . Mahébourg road, that is a better situation than Bagatelle;
- (b) It is only a few kilometres away from the airport and is very well connected thereto, the future development of the port of Mahébourg would also be a plus point;
- (c) It is ideally situated as a conurbation between Curepipe and the airport/Mahébourg cluster.

13.3 The Main Concept

The **Rose Belle Sugar Estate Board** should thus envisage creating a leading shopping and retail destination on the main corridor of Rose Belle. It should have a dominant presence and comprehensive retail and leisure options that would attract diverse shoppers from all over the



island. It should merge the world's most desirable brands with shopping convenience and entertainment with everyday leisure, all in a majestic and very attractive setting so as to make the current **Centre Commercial Du Vieux Moulin** obsolete.

The mall should be clearly visible being in the main corridor, and should have an easy and convenient access directly from the highway. It should favour shops offering the most comprehensive and compelling lifestyle shopping experience, including the widest selection of specialty shops in Mauritius. It should comprise of food courts with restaurants, cafés and coffee shops that should serve a wide range of delicacies. The Food Court could be very spacious only to accommodate a variety of stores but also to become a popular venue for a range of promotional activities.

13.4 Strategic concept of this new commercial complex

RBSEB has to vision a place where pleasure meets the practical: a place to indulge in one's favorite workout, relax in trendy shops or enjoy a lunch break, meet with friends to watch the latest movie, do groceries or go treasure hunting in one of the several outlets of the shopping mall while also attending to bank transactions.

Exceptional design, this real estate development should harbour several activity surfaces over a large surface area: residential, offices, shopping mall, movie theatre and sports centre. Leisure activities should take a good share of the development. This commercial centre should poise to become the place to be in Mauritius.

Whether it's a fashion show, a competition of sports, entertainment for children, a dance show, and visitors should want to take time to enjoy great performances. The events should reflect the Mauritian culture, hyphen between the holiday tradition of the calendar and the latest trends. The ambition is to stay in tune with the times with a program for all ages and all tastes.

This commercial centre could also uniquely combine pleasure of island living with a modern international lifestyle. The high standard of the residential apartments reflects this bold combination where quality and comfort rub shoulders with the convenience of being located next door to numerous shops and services.

The venue should offer a lively and vibrant open-air setting, with airy patios, for relaxation and recreation, stunning views, in a lush environment. It should contribute in uplifting the bland agricultural landscape of Riche Terre and in bringing a whole new shopping experience to communities within its catchment area and beyond.

The complex should skillfully combine a fresh and contemporary architectural design with functional convenience, vitality, accessibility and an appealing tenant mix. It should revolutionise shopping behavior in the South.

The need for a competitive and reputed strategic partner with good industry, knowhow & experience is critical for the success of such a project. **RBSEB** will not be able to do this alone.

13.5 Financing

RBSEB has a critical liquidity problem and the idea is for it to partner who is Cash-rich. The land frontage of **RBSEB** should be revalued to reflect its current market value in an equation of optimal use. The land will be offered as equity in the venture. All capital expenditures for



building & landscaping the complex will be from the contribution of the strategic partner. This will ease the situation for **RBSEB** and ensure a more regular Cash Flow Income for the company.

We recommend that a high Profile architect be contacted to design the project and that Expressions of Interest be launched to identify potential Strategic Partners.

13.6 Release of Prime Land

The portions of land have a prime commercial value and **RBSEB** can after evaluating their commercial value by renowned professionals leverage this asset as equity for the establishment of a major commercial centre with valued and reputed partners. This would mean that **RBSEB** would not have to undertake any investment funding.

The Prime Land for the development of this high-value commercial complex in the South is available. The **RBSEB** has some 26 A of prime land extremely well suited for commercial development that could be released.

Roughly, investments would be effected in 2014 and 2015 and be completed in that year and there would be a net revenue stream of Rs25 M yearly from 2016 onwards for **RBSEB**. Funding would be from a 10 year loan at 10% interest.

A very tentative cash flow/forecast would be as follows:

New Commercial Centre							
	2014	2015	2016	2017	2018	2019	2020
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Revenue							
Overall Inflow	-	-	-	25,000,000	25,000,000	37,500,000	37,500,000

14. An Ecotourism Village at Le Val

14.1 The Region

The region of Le Val comprises pristine areas for up market property development or an ecotourism or health care centred development.

Ecotourism is being given more and more importance worldwide and across the country. Ecotourism is responsible travel to natural areas that conserves the environment and improves the welfare of local people. It is a nature-based tourism that involves education and interpretation of the natural environment and is managed to be ecologically sustainable.





14.2 The Main Concept

With the most popular concept of ecotourism being ecotourism is tourism and recreation that is both nature-based and sustainable, **BDO** is coming with an innovative idea of placing chalets in the green region of Le Val, ensuring a prospect for ecotourism.

The Le Val region of **RBSEB** offers significant opportunities for a different approach to upmarket property development. The concept being proposed harmoniously marries sustainable development with the pristine environment of Le Val.

14.3 The Idea

14.3.1 The Proposal



BDO proposes that **RBSEB** implements a Chalet Residential Area to accommodate tourists and ecotourists, who would love the green and fresh environment of Le Val. Along with the Villas, will be proposed many other green activities such as hiking, biking, quad cycling, etc. It shall be possible for the ecotourism to relax and enjoy Le Val's beauty while being surrounded by a great virgin Fauna and Flora of the Mauritian Island.

14.3.2 Chalets

The optimisation of the touristic potential of Le Val for 20 chalets each with all infrastructure costing Rs 6 M. Loans would be Rs 120 M for 12 years at 12 % interest. Revenue, net of costs would be Rs 8000/ chalet/day for 250 days a year i.e. Rs 2M /chalet. Exclude processing fee from computations. Loan same as for large investment.

Commencement in 2015 and undertaken over two years with costs equally spread and revenue stream as from 2017 onwards.

Chalet Cash Flow							
	2014	2015	2016	2017	2018	2019	2020
	MUR						
REVENUE							
Loan	-	-	70,000,000	70,000,000	-	-	-
Annual Revenue	-	-	-	-	40,000,000	40,000,000	40,000,000
	-	-	70,000,000	70,000,000	40,000,000	40,000,000	40,000,000
EXPENDITURE							
Investment Cost	-	-	70,000,000	70,000,000	-	-	-
Loan Repayment of 2015	-	-	-	-	-	7,000,000	7,000,000
Loan Repayment of 2016	-	-	-	-	-	-	7,000,000
Interest 2015	-	-	8,400,000	8,400,000	8,400,000	7,560,000	6,720,000
Interest 2016	-	-	-	8,400,000	8,400,000	8,400,000	7,560,000
	-	-	78,400,000	86,800,000	16,800,000	22,960,000	28,280,000
Net Cash Flow	-	-	(8,400,000)	(16,800,000)	23,200,000	17,040,000	11,720,000



It could include:

- 14.3.2.1 Quad & Buggy
- 14.3.2.2 Ziplines
- 14.3.2.3 Segway
- 14.3.2.4 Kids & Teens at Le Val Nature Park
- 14.3.2.5 Restaurant

15. Land Parcelling (Morcellement)

It is estimated that the land of commercial value along the above mentioned road corridor amounts to some 650 arpents of this:

- (a) 57 arpents have been sold to the **SIT**;
- (b) 28 arpents have been sold to Rose Garden;
- (c) 60 arpents have been sold to **BPML**;
- (d) 200 arpents have been sold to **EREIT**;
- (e) 60 arpents have been used to grant land to employees of VRS 1, VRS 2 and the Blue Print.

The sanction of section 18E (1) of the Investment Promotion Act conferring the status of *large investment project in the economic interest of Mauritius* is expected to be an asset in terms of financial packaging of the project.

Morcellement cash flow							
	2014	2015	2016	2017	2018	2019	2020
	MUR						
Revenue							
Revenue for start 2015	-	157,500,000	157,500,000	131,250,000	52,500,000	26,250,000	-
Revenue for start 2016	-	-	157,500,000	157,500,000	131,250,000	52,500,000	26,250,000
Revenue for start 2017	-	-	-	157,500,000	157,500,000	131,250,000	52,500,000
	-	157,500,000	315,000,000	446,250,000	341,250,000	210,000,000	78,750,000
Costs							
Cost for start 2015	-	157,500,000	157,500,000	-	-	-	-
Cost for start 2016	-	-	157,500,000	157,500,000	-	-	-
Cost for start 2017	-	-	-	157,500,000	157,500,000	-	-
	-	157,500,000	315,000,000	315,000,000	157,500,000	-	-
Net Cash Flow	-	-	-	131,250,000	183,750,000	210,000,000	78,750,000

It is assumed that the current rental income of **RBSEB** will continue into the future.



CURRENT RENT							
	2014	2015	2016	2017	2018	2019	2020
	MUR						
Ongoing rent	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000

16. Large Investments

16.1 The Landscape

The Economic and Financial Measures (Miscellaneous Provisions) Act 2013 introduced fast track procedures for what is termed in the law as “a large investment project in the economic interest of Mauritius”.

The land holdings of **RBSEB**, its location in between two major road corridors and its proximity to the airport are such that **RBSEB** can contemplate the launching of a project that would fall in the definition of the term “large investment”.

Some 125 arpents would be devoted to this project spread over two years and commencing in 2016 and 2017 with revenue starting to accrue as from 2018 and 2019 over 62.5 arpents in 2018 and 125 arpents as from 2019. Two installments.

Revenue would be some Rs 2.0 M of basic initial payment disbursed upfront in the first two years on taking a plot of land in two installments or Rs 62.5 M in 2018 and, Rs 125 M in 2019. Rent would be Rs 750 000 per arpents paid yearly on 62.5 arpents as from 2018 and on 125 arpents as from 2019.

Loans would be Rs 5 M per arpent, for a term of 12 years at 12 % interest rate. Equity would represent 60% of loan value as by that time **RBSEB** would have generated sufficient cash from the sale of its sugar reform land entitlements. Two years moratorium on capital repayment if GoM guaranteed secured.

Large Investments- Cash Flow							
	2014	2015	2016	2017	2018	2019	2020
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Revenue							
Rent	-	-	-	-	46,875,000	93,750,000	93,750,000
Loan	-	-	-	187,500,000	187,500,000	-	-
Own funding	-	-	-	125,000,000	125,000,000	-	-
Basic deposit	-	-	-	-	62,500,000	125,000,000	62,500,000
	-	-	-	-	-	-	-
	-	-	-	312,500,000	421,875,000	218,750,000	156,250,000
Costs							
Investment from loan	-	-	-	187,500,000	187,500,000	-	-
Investment from own funds	-	-	-	125,000,000	125,000,000	-	-
Loan repayment for 2017	-	-	-	-	-	-	-
Loan repayment	-	-	-	-	-	18,750,000	37,500,000
Interest on loan	-	-	-	22,500,000	45,000,000	45,000,000	42,750,000
	-	-	-	335,000,000	357,500,000	63,750,000	80,250,000
Net Cash Flow	-	-	-	22,500,000	64,375,000	155,000,000	76,000,000



16.2 Land Master Plan

We highly recommend that **RBSEB** develops a land master plan for all the land assets owned by it.

The Land Master Plan will be the land use plan that will take into account the concepts of spatial economics and will guide **RBSEB's** development in the medium term over the next 10 to 15 years. It should be reviewed every five years and should translate the broad long term strategies of **RBSEB** into detailed plans to guide the development of land and property.

This Master Plan will show the permissible land use and density for developments in the region.

This plan will also provide a comprehensive forward-looking and integrated planning framework for sustainable development, given the constraints of **RBSEB**, this Land Master Plan will play a vital role in helping **RBSEB** balance its many land use needs, such as real estate developments, industry, commerce, parks, recreation and community facilities.

Though engaging its stakeholders, **RBSEB** can better address their concerns and aspiration as it plan for the future.

This Master Plan should evolve from being a plan which simply reflects preceding land use amendments to one which focuses on planning ahead for future developments. In particular, it should be transformed into a very bold and forward looking planning document. The regular review and amendments to the Master Plan will factor in changes in local, regional and global trends, and ensure that the plan remains relevant to address future challenges and meet the needs of **RBSEB**, the region and the stakeholders.

Some elements that could be considered in the plan include:

- The possibility of a second airport hotel in the region.
- Real state development
- The creation of a Freeport zone

17. Cost Reduction Strategies

17.1 The cost reduction strategies which **RBSEB** should implement are as follows:

17.1.1 Implementation of VRS 3 and shifting to job contractors

- One of the major cost components of the operations of the **Rose Belle Sugar Estate Board** is the cost of labour. This is an ever increasing cost and more so the cost of permanent labour in the Sugar Industry is highly regulated with several benefits attached, amounting to nearly 60% of the basic wage. As from 2014, more important increases are expected based on requests from the Unions.
- In order to reduce labour cost, one of the most effective measures is to replace permanent labour by either job contractors or mechanization where possible.



17.2 Shifting to Job Contractors

17.2.1 Casual and permanent labour

Permanent labour emoluments are governed by the Remuneration Order for sugar industry workers while casual labour emoluments are governed by the Protocol de Accord. There is thus a potential of reducing cost of production through the gradual replacement of permanent by casual labour. The availability of casual labour is a vital factor to consider in determining the number of permanent labour that may be replaced labour by job contractors.

Based on the above, the cost of implementing a VRS 3 will be different in 2014, 2015 and 2016. The cheapest option for **RBSEB** is in year 2014 as shown hereunder:

COST OF VRS 3		
2014	2015	2016
Rs 216.2 m	Rs 248.7 m	Rs 292.5 m

SCENARIO A-67%							
	2014	2015	2016	2017	2018	2019	2020
VRS	MUR						
INCOME							
Loan	-	-	141,705,000	18,894,000	28,341,000	-	-
EXPENDITURE							
Cash Compensation	-	-	141,705,000	-	-	-	-
Infrastructure costs	-	-	-	18,894,000	28,341,000	-	-
Loan Repayment	-	-	-	-	-	37,788,000	37,788,000
Interest Payable on VRS	-	-	11,336,400	12,847,920	15,115,200	12,092,160	9,069,120
	-	-	153,041,400	31,741,920	43,456,200	49,880,160	46,857,120
Net Cash Flow	-	-	(11,336,400)	(12,847,920)	(15,115,200)	(49,880,160)	(46,857,120)

SCENARIO B-80%							
	2014	2015	2016	2017	2018	2019	2020
VRS	MUR						
INCOME							
Loan	129,600,000	17,280,000	25,920,000	-	-	-	-
EXPENDITURE							
Cash Compensation	129,600,000	-	-	-	-	-	-
Infrastructure cost	-	17,280,000	25,920,000	-	-	-	-
Loan Repayment	-	-	-	34,560,000	34,560,000	34,560,000	34,560,000
Interest Payable on VRS	10,368,000	11,750,400	13,824,000	11,059,200	8,294,400	5,529,600	2,764,800
	139,968,000	29,030,400	39,744,000	45,619,200	42,854,400	40,089,600	37,324,800
Net Cash Flow	(10,368,000)	(11,750,400)	(13,824,000)	(45,619,200)	(42,854,400)	(40,089,600)	(37,324,800)

More details about these figures are contained in Appendix 12.



18. The Hospital of Rose Belle Sugar Estate

18.1 The Introduction

Rose Belle Sugar Estate Board runs an Estate hospital that caters for the medical needs of the personnel.

The concept of providing medical assistance dates back to long-term agreements and remuneration orders. However, there were signed in a context where medical assistance was very poor in the vicinity of the Sugar Estates in Mauritius.

18.2 The Details

Clearly, the contextual Framework in which the original intent to provide medical assistance to the personnel has changed drastically. Much more advanced and structured free medical services are available at the Jawarhalal Nehru Hospital which is next door to **Rose Belle Sugar Estate Board**.

Hospital- Cash Flow							
	2014	2015	2016	2017	2018	2019	2020
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Closing down of hospital	500,000	-	-	-	-	-	-

We therefore recommend that, in a spirit of corporal survival, all the parties agree to the closure of the Estate hospital.

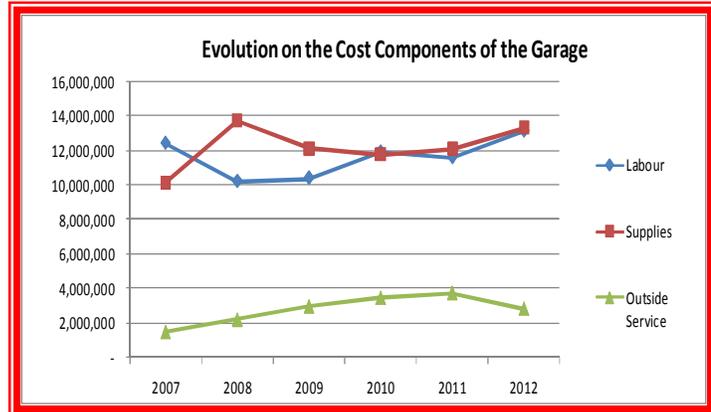


19. The garage of RBSEB

19.1 The garage

RBSEB has been operating a garage so as to carry out its repairs and maintenance works. This is not a full-year-round activity, as in the intercrop season, not all vehicles and equipments are utilised.

The cost of operating the garage has been increasing over the years, in spite of the two successive programmes of VRS and the blueprint.



19.2 Our recommendations

We therefore recommend that there be a very essential smaller team of employees in the garage and the rest be given the option of a VRS. This would mean a partial VRS in the garage. For example, the drivers who would leave under the VRS scheme could be contractually recruited as casual drivers during the crop season only. This type of strategy would help to reduce the costs of the garage.

Many Sugar Estates have closed their garages. For example, **Mon Desert Mon Trésor Ltd** has closed its garage and is today outsourcing its garage activities.

We therefore recommend that the garage be re-engineered through a VRS and that the costs be reduced thereby through some outsourcing.



20. Action Plan

Action Planning dictates the need for simultaneous actions on several fronts so as to secure a positive momentum and a sustainable arch for **RBSEB**.

Action Plan for RBSEB

Corporate	2014	2015	2016	2017	2018	2019	2020
1. Repeat RBSEB Act	█						
2. Form a new state-owned company under the Companies Act 2001	█						
3. Clearly spell out the objectives of the company.	█						
4. Set up a more entrepreneurial Board.	█						
5. Recruit a performing management team with the right skills, competencies, mindset, attitude and commitment.		█					
6. Set-up the right process and technology for the company. This one should go throughout the 7 year term.		█					
Sugar Cane Sector							
7. Implement a VRS 3 starts in early 2014 and cash compensation made end 2014 but provision of land ends in 2016.	██████████						
8. Sale of land for VRS 3 comes much later, in fact, accruals from VRS 3 are not being used as past land entitlements are sufficient.	██████████████████						
9. Recruit job contractors		█					
10. Review cultural practices throughout.		█					



11. Introduction of adapted mechanisation till 2016.								
12. Introducing of a 5 year cane Crop cycle which can allow for diversification in 2015 rather than in 2014.								
13. Field by field revenue/costs analysis								
14. Review of varietal imports from Reunion by Government.								
15. Giving notice to leave the MSS by September 2014 and engaging in negotiations with Omnicane for a deal where the sugar of RBSEB as from 2016 would be sent to a more remunerative market than offered by Sudzucker, Ministry of agro industry to facilitate matters								
Non-sugar Agriculture Diversification								
16. Select list of foodcrops, area, region etc to be planted								
17. Rehabilitation of 300 arpents of land now abandoned after failure of 2006 scheme by using Food Security Fund								
18. Land preparation								
19. Plantation and maintenance								
20. Crop and sale re cash flow analysis, sales as from 2015								
21. High tech agriculture								
Non Sugar Activities								
Transforming Camp Bovet								
22. Invest in structure, equipment and landscaping								
23. Recruit specialized hospitality sector personnel								
24. Market the venue								
25. Rent and collect Revenues								
New Commercial Centre								
26. Identify and negotiate with Key Strategic Partners								
27. Develop master plan								
28. Revalue the land assets of RBSEB								



29. Conceptualise and design the project								
30. Obtain permits and start construction								
31. Market the venue								
32. Manage the venue and collect Rent and Management fees								
Le Val Ecotourism								
33. Identify and negotiate with Key Strategic Partners								
34. Develop master plan								
35. Revalue the land assets of RBSEB								
36. Conceptualise and design the project								
37. Obtain permits and start construction								
38. Build the complex								
39. Market the venue								
40. Manage the venue and reap projects								
Morcellement								
41. Identify the land for parceling								
42. Obtain necessary permits								
43. Market and sell								
44. Manage deposits and debtors efficiently								
Rental of Land								
45. Identify land and master plan it								
46. Engage in infrastructure works								
47. Advertise and market the rental options								
48. Rent								
49. Manage rentals								
Large Investments								
50. Feasibility study								
51. Design and implementation								
52. Management thereof								



21. Concluding Remarks

21.1 Transformational Leadership

The melding together of the new talent pool, exceptional stress on improvisation, adaptability, mission and purpose should yield a leadership style that resembles what is sometimes captured in the concept of transformational leadership . an approach different in tenor from what is often reference as transactional leadership. **RBSEB** needs a new leadership supported by an entrepreneurial board and a performing management structure in place.

RBSEB should make a positive change for its future. It must attack the problems head-on. If it keeps the current track, the situation will be more tense, and the change more distant. It has to confront the weaknesses and force radical changes; otherwise the situation will explode in its own face.

21.2 Strategic Partners

Strategic business partnerships will allow **RBSEB** the opportunity to improve its business. It is a necessity for **RBSEB** given its poor performance to date.

The main objective of the strategic partnership for **RBSEB** is the true synergy of one plus equals five instead of two.

The partnerships will strengthen the weak aspects of the business of **RBSEB** and bring new thinking, strategies and operational efficiency in a performance driven culture.

21.3 Flexibility and Resilience

RBSEB should be able to build more flexibility and resilience. The current bureaucratic and structural problems should be replaced by a more efficient work culture driven by performance and results.

It needs a management team that has a much greater ability to cope with uncertainty that does not get disturbed by uncertain events, and can keep an even keel, and is more balanced as it keeps its pathway through. It also needs a team that tends to be more creative as a result because they have to face all sorts of untraditional situations almost on a daily basis, and therefore they have to really stretch into creativity across the whole business model. They need to continuously creatively think about the whole business model and all the levers of success.

21.4 New Confidence

The confidence with which **RBSEB's** new management should set sail should be all the more reinforced by events that symbolise success in other realms- in achieving what had not been done before and achieving it by global, not just domestic standards.

It has to move into a new phase of people management, executive leadership, competitive strategy, company governance, and social responsibility.



21.5 Holistic engagement with employees

RBSEB has to see itself as an organic enterprise where sustaining employee morale and building company culture are treated as critical obligations and foundations of success. Talented personnel should be recruited and viewed as assets to be developed, not costs to be reduced; as source of creative ideas and pragmatic solutions; and as bringing leadership at their own level to the company. Creating ever-stronger capacities through a new pool of talents should be a driving objective for **RBSEB**.

Human Capital

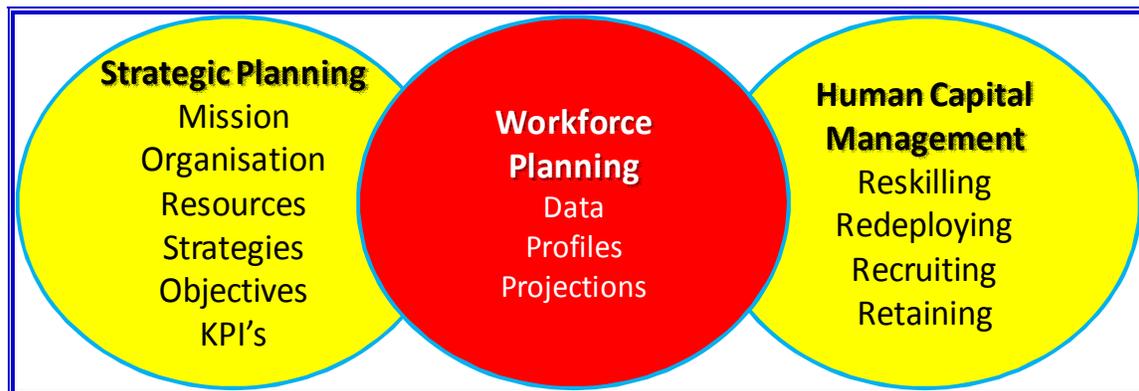
The key for the future of **RBSEB** lies in the talent, skills and capabilities of its people. With talent shortages detected in **RBSEB**, it will be imperative to turn the attention to how these shortages can be met in the short term and prevented in the long term. Investing in human capital is critical; even more so in the context of shifting dynamics, limited resources and constant challenges.

The collective attitudes, skills and abilities of the Human Capital of **RBSEB** will contribute to organizational performance and productivity.

A central pillar in the management for **RBSEB** is the alignment of human capital strategies with the organization's goals, mission and objectives through the analysis, planning investment and management of its human capital.

There should be a common awakening in **RBSEB** to the fact that people are its greatest asset, recognizing their worth and integrating its management into organizational strategy.

Strategic Workforce Planning is the Key to Managing Human Capital and organisational performance. It evolves on the following axes:-



Strategic workforce planning in **RBSEB** should evolve the systematic assessment of future workforce needs and the determination of the actions and strategies required to meet those needs. Put more simply, it is getting the right people with the right skills into the right jobs at the right time.

A high performance **RBSEB** demands a dynamic, results-oriented workforce with the talents, multi-disciplinary knowledge, and up-to-date skills to meet its mission.



21.6 Culture

Creating **RBSEB** afresh requires work culture of an extraordinary dimension. Not only must the Board have the foresight to see the big picture before anyone else does, but it must also possess the ability to systematically break it down and zero in on its components. **RBSEB** is in need of an entrepreneurial Board that has the exceptional capacity of visualizing and inventing the future . an uncanny intuitiveness for what lies ahead. It must have the ability to see in a way that compels others to sit up and take notice.

21.7 Conclusion

Once the principles of people human capital excellence and executive leadership and management are in place, and the workforce and top team are prepared and engaged, **RBSEB** should point toward building organisational architecture, a new company culture, and fresh approaches to reaching into creative value propositions.

The source of comparative advantage should come from deep inside the company, from new and better ideas, superior execution, and the process of a mindset that get things done. The source of the distinctiveness of the new **RBSEB** and the ability to focus the business on solving hard problems rests heavily on the management of people, on the holistic engagement with employees.

The strength of the new **RBSEB** should really be in the depth of the new pool of talents that it must create.

It is time now to be bold, as has been the case for the successive sugar reforms of 2001 and 2007. Otherwise, **RBSEB** will slowly and surely die a natural death and its value will continue to be cannibalised by private operators to the detriment of the nation and tax payers, who keep on footing the bill of the man-made misfortunes of **RBSEB**.