



Ingwelala Share Block Limited

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Message from the Chairman

Dear Members of Ingwelala

Introduction

As we get closer to the Ingwelala AGM set down for Thursday 12 November 2015, various developments have been taking place that warrant an update from the Chair sooner in view of their seriousness and potential cost implications. We also believe in transparency and keeping our Members fully informed *which may not be the case with the other share blocks in the Umbabat.*

1. Deadlock in the funding of the Nkorho Private Nature Reserves Association

You may recall that I raised a red flag in my July 2015 Message to Members regarding the then disagreement between the members of the Nkorho Private Nature Reserves Association [NPNRA] over the funding principle of Nkorho for its financial year April 2015 to March 2016 (and subsequent financial years). Most disappointingly, the situation has deteriorated from a red flag to a possible red card, with the Board of Ingwelala now considering its options for the way forward.

Recap of the Umbabat Federal System

A year and a half has passed since the new Federal Constitution for the Umbabat Private Nature Reserve Association (UPNRA) was adopted at a Special General Meeting of the UPNRA held on 15 March 2014, with both the collective landowner representative associations (Nkorho Private Nature Reserves Association [NPNRA] and Umbabat Wilderness Conservation Association [UWCA]) managing their respective west and east parts of the Umbabat in addition to some non-member landowners who exist independently managing their own land. The working relationship between the NPNRA and the UWCA under the federal system has in the main been positive.

Funding Principle of the NPNRA

All of the founding members of the NPNRA (Ingwelala, N'tsiri, Ndlopfu, Mansimvula, Motswari) agreed to the adoption of the Nkorho Constitution and more specifically to its ongoing funding being based on the principle of levies established on a *per hectare basis* (since almost all of the costs are determined and expended on a per hectare basis). This principle becomes the basis for establishing the NPNRA Budget, the major cost element of which is Security – i.e. area based.

Impasse in establishing a 2015/16 Budget

Some of the Board members of N'tsiri and Ndlopfu are now not agreeable to the levies arising from the 2015/16 Nkorho budget being based on the sole constitutional funding principle of a *per hectare basis* (notwithstanding that they agreed to it in the Nkorho Constitution) and require the funding principle to be either on the number of units (i.e. bungalows/rooms) or a “hybrid formula” combining the hectares and the number of bungalows. The impact of this on Ingwelala is set out in the table below.

Ingwelala’s portion of the Nkorho annual levy contained in the three budget options currently subject to the impasse is as follows:

Nkorho 2015/16 Budget Funding Options	Ingwelala Portion	% of total Budget
A. Per Hectare of land holdings (as per the Nkorho Constitution)	R258,960	32%
B. “Hybrid Model” (combination formula of A and C)	R409,788	47%
C. Per Units (bungalows/rooms)	R540,414	62%

The consequence of their stance is that the 2015/16 NPNRA Budget has not been agreed to so Nkorho is currently operating on a month-to-month basis on the previous interim 2014/15 “hybrid model” budget. At the commencement of Nkorho’s new 2015/16 financial year, the Board of Ingwelala advised the NPNRA Executive Committee that Ingwelala would only pay its monthly levies to the NPNRA on the compromised “hybrid model” until 30 September 2015 (which has been reckoned into the 2015/2016 Ingwelala Levy recently advised to Members).

The Ingwelala Board decided during a Meeting held on 30 September 2015 to switch from 1 October 2015 until 30 November 2015 to the Per Hectare model plus a contribution towards costs (the total of these two elements being equivalent to the “hybrid model” amount). This payment method will be reviewed by the Board at its Meeting to be held just prior to the AGM on 12 November 2015. In the meantime, the Board is urgently seeking other professional advice in the hope of a smarter and more equitable funding model being derived and mutually agreed between all the Nkorho members.

Current demographics of the Nkorho area

The current land holding demographics for the Nkorho area within the Umbabat are as follows:

Nkorho Member	Hectares	% of Total Hectares
Ingwelala	3,146	31.81
N’tsiri	3,651	36.91
Ndlopfu	2,564	25.92
Mansimvula	214	2.16
Motswari	316	3.2
Total Nkorho	9,892	100%

Note:

- 1 N’tsiri includes 1,200 hectares of Rietvley.
- 2 Ndlopfu includes 1,331 hectares of Rietvley

The current shareholder demographics for the Nkorho area within the Umbabat are as follows:

Nkorho Member	Number of Units	% of Shareholders
Ingwelala	207	62%
N’tsiri	65	20%
Ndlopfu	32	10%
Mansimvula	13	4%
Motswari	14	4%
Total Nkorho	331	100%

The current hectare per unit¹ for the Nkorho area within the Umbabat is as follows:

Nkorho Member	Number of Units	Hectares per Unit	% of Ave
Ingwelala	207	15,2	51%
N'tsiri	65	56,2	188%
Ndlopfu	32	80,1	268%
Mansimvula	13	16,5	55%
Motswari	14	22,6	76%
Total Nkorho	331	29,9 (Ave)	

Commentary: It is significant that certain shareholders of both N'tsiri and Ndlopfu have substantially increased the land holding hectares of their share blocks through their acquisition of a portion of the farm Rietvley, which has increased the land area to be patrolled by our security providers by 2,531 hectares (or 34%). Regrettably, these members of N'tsiri and Ndlopfu now expect all the Members of Ingwelala to pay an increased proportion for the security provision of their newly acquired land on a basis we believe is inequitable i.e. on the number of shareholder units. *This simply means Ingwelala Members must bear 62% of the cost of security services for only 32% of the land that we own – bearing in mind that the major determinant of the security cost is the area (hectares) of land that must be patrolled.* We should all consider the following aspects:

- More share block Members means more eyes on the land and therefore less patrolling requirement – so Ingwelala should have a lower security cost requirement.
- Ingwelala provides enormous logistical and managerial support to the Nkorho initiative that is often incapable of being costed exactly.
- One of the consequences of the funding options B (hybrid) or C (unit) is that Ingwelala subsidizes some of the other share blocks.
- More share block Members does not mean more affordability.
- There is a cost to more exclusive use and larger land holdings.
- Prior to the federal dispensation in the Umbabat, hunting revenues kept the Umbabat levies low (and the Umbabat levies were always determined on a per hectare basis). With no hunting currently taking place on Nkorho land, the landowners have to fully finance the provision of security. Some share blocks are now considering allowing hunting on their land in order to help finance their portion of the security cost.

Key Elements making up the NPNRA Budget

The Nkorho annual Budget that was established and approved for the 2014/15 financial year is relatively simple with the following Expenditure items:

	<u>RK</u>	<u>%</u>
Security	712	82
Warden	88	10
Conservation	40	5
Administration	28	3

Security – as can be seen from above, the cost of security services is the largest expenditure item in the NPNRA Budget. The current budget provides for 6 Rangers for the core patrolling service of the

¹ A "Unit" is an accommodation unit (Bungalow) of a Member of a Share Block, or the number of rooms of a commercial lodge (Motswari).

Nkorho land area. In addition to this, Ingwelala directly pays 60% of the cost of an additional 2 Rangers who spend 60% of their time patrolling the Ingwelala camp and land area (current cost to Ingwelala is R98 per annum and is in our budget) – the remaining 40% of their time is dedicated to Nkorho general land area.

Rangers Accommodation – prior to the commencement of the Ntomeni Rangers service to Ingwelala and latterly Nkorho as a whole, the Ingwelala owned accommodation currently made available to them (barracks of the Anti-poaching Unit) was used by Ingwelala as building contractor accommodation, for which Ingwelala used to earn R17,000 per month on average as rental income. Some modifications were made to these premises to suit their use as barracks, which was paid for by the previous Umbabat Private Nature Reserve Association (and for which in return, Ingwelala provided them to the Umbabat Private Nature Reserve Association rent free for 2 years, now ended, as compensation for the physical infrastructure improvements). In the interests of supporting the Nkorho initiative, Ingwelala made this accommodation available to Nkorho at an initial monthly rental of R2,000 per month, and in so doing, giving up on average R15,000 per month in contractor rental income and also consequentially increasing the Ingwelala Members' building costs (due to commuting travel costs and reduced building hours). I raised this extremely low rental as an issue at a meeting of share block chairmen in January 2015 and it was agreed that Ingwelala should charge a more realistic rental. Accordingly, Ingwelala has proposed to increase this rental amount to R10,000 per month for the 2015/16 budget. Regrettably, N'tsiri and Ndlopfu do not want to accept this still discounted monthly rental of R10,000 per month to house the Ntomemi Rangers and continually request detailed motivations on how this amount is derived. In view of this, the Board is now considering terminating the lease agreement with Nkorho and reinstating this accommodation for use by the building contractors. If this happens, it will mean that Nkorho will have to find alternative barracks for the Ntomemi Rangers.

Funding Task Team

On 28 April 2015 the NPNRA ExCo appointed a Task Team to investigate various funding models. The members are W. Fuller (Mansimvula) [Chairman], A. Rossaak (Ingwelala), D. MacRobert and J. Dowdle (Ntsiri), and C. Short (Ndlopfu). The Task Team was instructed to submit its findings and make a recommendation of the funding model going forward by 30 June 2015, which was subsequently extended to 30 September 2015. An interim report from the Task Team was requested by 11 September 2015, which was not forthcoming. By 30 September 2015, this Task Team had been unable to come forward with any recommendations to solve the funding deadlock and consequently, the Ingwelala Board decided in its meeting held on 30 September 2015 to withdraw Ingwelala from participation in the Task Team.

Ingwelala's support for the NPNRA initiative

Apart from Ingwelala paying its portion of the Nkorho levy that provides funding to cover Nkorho's expenditure, Ingwelala has provided the following additional support to the Nkorho initiative:

1. Provision of barrack accommodation for Ntomemi Rangers:
 - a. This is costing Ingwelala on average R15,000 per month in lost rental revenue.
 - b. Ingwelala has lost opportunities with no available accommodation for casual labour which previously assisted with alien plant control, erosion control, fire break preparation, planned burning, bush thinning, clearing encroaching vegetation, road maintenance and hire of casuals for domestics, housekeeping and laundry during busy times. These lost opportunities have also made the running of Ingwelala more complex and challenging.
 - c. Salvaged material and fittings from the Admin Complex rebuild (80:80 project) was used in the renovations of the Contractor Accommodation for use by the Ntomemi Rangers, saving the Umbabat Private Nature Reserve Association significant capital outlay.

2. Ongoing use of Ingwelala’s resources and valuable time of John Llewellyn and Mark Shaw (for example, both of them having to transport Rangers on a daily basis in Ingwelala vehicles, as well as engaging in security follow-up operations (hot pursuit) – the cost of this is significant.

Way forward for Ingwelala

The continually deteriorating security situation in the Umbabat and surrounding reserves requires a strong, strategic and cohesive response from a competent outfit such as Ntomeni Rangers. If we split up this current security service and require each share block to do their own security, we will find it very difficult to procure the services of a competent and experienced security company. This will also degrade the security effectiveness and increase the security costs for all of us. A cohesive Nkorho enables a securer environment – and we all have an interest in that.

The Board still maintains the view that we should all endeavour to prevent the Nkorho initiative from imploding despite this impasse in funding. A smarter and more equitable funding model is urgently needed where Ingwelala is not required to subsidize Ndlopfu and N’tsiri to the extent of paying 62% of the budget cost when it only owns 32% of the land area of Nkorho and this is being pursued. However, progress is dependent upon a fair and equitable approach being adopted by all parties concerned.

2. Failed Dams

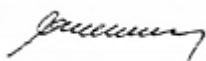
Regrettably, our Appeal to the MEC that we lodged in July last year against the section 24G condonation ruling in favour of Wilkens’ failed dams has been dismissed.

To recap, our notifying the Green Scorpions Unit and our early legal actions after the attempted reconstruction of the failed dam walls in 2012 led to the Authorities acting against Wilkens by issuing him with a pre-compliance notice and a directive and administrative fine. He then had to undertake a costly and time-consuming process to retrospectively receive authorization for the dredging activities that he had already unlawfully commenced with (referred to as the section 24G condonation). His 24G application for condonation was approved and we appealed against that decision, which appeal has now been dismissed. This means that at this stage, his only activities on that river that have been authorised are the dredging activities in the riverbed.

Most importantly, during the abovementioned processes, we managed to extract with the help of our legal team, two very valuable admissions from the Water Authorities, namely that the failed dams cannot be replaced on a “like-for-like” basis and that a new water use license is required in order to rebuild the dams. We cannot prevent a person from attempting to secure authorization, but we can oppose every step of the way and the consequence of these two admissions is a long road ahead for Wilkens.

Should Wilkens decide to ignore all of the steps that he is now required to take and commence rebuilding his failed dams, we will immediately rely on the two admissions mentioned above (least costly), failing which we could proceed to interdict him. Lets continue to enjoy the open river system that we have been benefiting from since 2012.

Sincerely



Kevin Alborough
Chairman