

Mara Conservancy

Chief Executive's report for the month of January 2008

General

There was widespread unrest after the elections at the end of December, started because of allegations of vote rigging in the Presidential election. The international community was very quick to speak out and try and resolve the issue – fearing that the situation could degenerate into Rwanda style ethnic violence focused against the Kikuyu, the President's tribe – they quickly appointed senior representatives to visit the country and finally Mr Koffi Annan, the recently retired Secretary General of the United Nations, was selected to assist in resolving the crisis. 250,000 people were displaced from the Rift Valley and several hundred people killed in the initial violence. For a few days in the middle of the month there seemed to be a glimmer of hope; things calmed down, Koffi Annan was going to mediate, and the situation started to return to normal. This was all shattered in the last week of the month, when violence returned – this time with a very strong ethnic bias that was only partly linked to the elections. This is a very dangerous situation because it breeds an increasing spiral of violence and retaliation. There is little doubt that that the initial trouble was, in part, fueled by politicians who felt that they had been cheated out of the Presidency. The problem is that they then lost control of the “genie” they had let out of the bottle. This brought to the fore long pent-up pressure on land and resources, as well as perceived injustices in the distribution of land before and after independence. Unless the security situation is very firmly dealt with, and the political impasse broken, we can expect a protracted period of civil unrest and ethnic clashes. This spells disaster for tourism, conservation, the economy – and of course for the country as a whole.

The exceptionally hot, clear weather persisted until the 15th. We then had widespread and intermittent thunderstorms for the remainder of the month. This is a marked contrast to late December 2006 and January 2007 – when we had El Niño type floods that flooded Mara Bridge, cut off the river road for five months and made many of our roads virtually impassable for weeks. The approach to Mara Bridge is still washed away a year later and the bridge can't take heavy loads.

Serena hosted 25 local and foreign journalists on the 9th, on a visit organized by the Kenya Tourist Board (KTB) and the Kenya Association of Tour Operators (KATO). This came about as a result of the insecurity experienced after the elections and the consequent, and instant, drop in tourist visitations to Kenya. The principal objective was to show journalists that protected areas were safe; to show the impact of negative reporting and the consequent travel advisories, and to make a plea for balanced reporting as the situation improves.

Mr Charles Phelps has pledged a donation of US\$ 1,000 towards the running costs of Cheetah 1, one of the anti-harassment vehicles. We most appreciate this gesture, which will enable us to run this vehicle for three months. Ms Anne Kent-Taylor has also pledged US\$ 5,000 in support for “Cheetahs II and III” and Care for the Wild have pledged approximately US\$ 1,000 towards fuel costs in February, with possible additional support to meet essential costs over the coming months. CMC Motors Corporation have offered free service and spare parts for their products. These are extremely generous offers and we thank the contributors.

The Board meeting was held on the 18th and focused on the current financial crisis facing the Conservancy and possible ways of raising the shortfall.

The Chief Executive met with members of Wildlife Direct on the 22nd and again on the 30th to discuss ways of using the Blog to raise funds. We crafted a Press Release and worked on some Blog postings that highlight the situation in the Mara. We have also arranged for Mr Will Deed to come and work in the Mara to maximize our Blog exposure.

Wildlife

We have had seven different rhino in the Triangle over the past two months, the latest were a mother and her two – two and a half year old calf that came over in late December and stayed for two weeks. On the 19th we received unsubstantiated reports of a planned attempt to kill the rhino from people in Kawai. We immediately deployed “Cheetah 1” at Oloololo Gate with instructions to monitor the rhino on a daily basis and provide a visible patrol presence in the area.

One elephant fell into a disused septic tank at Little Governors on the 13th and had to be rescued. This is the second time that an elephant has fallen into one of their pits.

One hippo was killed in a fight on the 15th, our initial concern was that the animal had been speared but closer investigation ruled it out.

Staff

We have laid-off the few remaining casuals and re-deployed staff to fill the positions. We are also working out a leave roster, so that we can take advantage of this period to send staff off.

Tourism

We witnessed a slight decline in paying tourists to the Mara Conservancy between 2006 and 2007, from 68,807 to 68,055; an average occupancy for all the camps contributing to the Mara Conservancy (252 beds) of 74%. The drop is surprising, given the hype about the Mara being one of the Seven Modern Wonders of the World in November 2006 and probably indicates that we have reached the maximum expected occupancy throughout the year for the beds we have in the Mara Triangle.

The elections and disastrous aftermath had an instant impact on tourism; with immediate cancellations. Most of the visitors who were in country remained, there were no new visitors and we can expect tourism to drop to 30% of our forecasts over the next few months. We know from the past that it will take considerable time for tourism to recover. In the meantime, we can probably expect a slight reorganisation in the industry, with some of the recent, opportunistic developers in the Mara failing.

Security

1,003 – the number of poachers arrested since the Conservancy started operations in 2001. This number of poachers arrested, together with the thousands of wire snares collected, represents literally thousands of animals saved. Well done to everyone in the Conservancy and to our neighbours in Tanzania.

One person was arrested on the 4th along the escarpment near Ngiro-are. There was a report of an attempted cattle theft near Kawai that morning and we suspected that the person was one of the cattle thieves; he was dressed much more smartly than any poacher. Initially he said that he was one of a gang of four people who had escaped arrest near Bologonja, two of his compatriots had been arrested. We had been operating in that area at the time and knew his story to be a fabrication and so pressed him to tell the truth. In the end he admitted he was indeed one of the cattle thieves and was able to detail exactly what had happened – this tallied with reports from the boma.

On the 8th we followed up on the poaching incident in the Triangle in late November, in which a number of warthog were killed, and arrested one of the people who had escaped.

A combined Serena and Ngiro-are operation arrested six wa Kuria poachers on the 14th along the ridge above “Maji ya Bett”, just on the Tanzanian side of the border. They had arrived the previous night and had not yet started hunting, 30 wire snares were recovered. The following day another patrol in the same area recovered another 17 snares.

We received a report that the tracks of possible cattle thieves were seen near Kawai on the 15th. That night there was an attempt at cattle theft but the cattle were recovered. As soon as we received the report that cattle had been stolen, at 2.00 am, the rangers were deployed in likely escape routes. The Ngiro-are team saw no cattle thieves but managed to arrest three wa Kuria poachers as they were returning home after a night of hunting. The poachers were in two groups of four each and had been hunting Thompson's gazelle with dogs, they had killed six gazelle.

Our anti-poaching teams combined rangers from Kokatende to arrest six poachers on the 19th. We had received a call from Kokatende in the morning to say that their community scouts had located two poacher's camps near Waga Kuria and asked for assistance. There were two camps, quite close to each other, and the rangers arrested four, of eight, poachers in the first camp. They had killed a giraffe and warthog; seven wire snares were recovered. The second camp obviously heard the commotion and had disappeared by the time the rangers arrived. They had killed at least six warthog. That evening the rangers set an ambush for any of the poachers who had escaped in the morning, and managed to arrest two people at 7.30. They were from the second group and had been hunting with at least ten dogs.

Four wa Kuria poachers were arrested along the Mara River on the 21st by a combined Serena and Ngiro-are operation. The poachers had been hunting near the Na Mailumbwa hills the previous day, heard about the anti-poaching operation and had decided to move out. All four people in the group were arrested, they again had meat from at least six warthog.

One wa Kuria poacher was arrested by the Ngiro-are team as he entered the Reserve between Ngiro-are and Kinyangaga on the 20th. On the same day five people were arrested for illegal grazing along the escarpment on the 20th by the Ngiro-are rangers. They were taken to Lolgorien and prosecuted.

Three wa Kuria poachers were arrested near Mlima Hotel, along the Mara River downstream from Saiyari camp by a combined Conservancy/Serengeti patrol on the 22nd. They were part of a group of eleven who were hunting warthog with spears and poisoned arrows. They had not killed anything.

The Oloololo and Ngiro-are teams arrested six people for illegal grazing in the Reserve on the 22nd, they were taken to Lolgorien Police Station and charged.

Two, of four, poachers were arrested in an area known as "Mama Kent", near Waga Kuria in the Serengeti by a combined Serena and Kokatende team on the morning of the 23rd. They had killed a zebra and two warthog; seven wire snares were recovered. That same evening the Ngiro-are team arrested an elderly, says he is 78 years old, poacher for the fourth time near the Mara River in Tanzania. The Mzee, after who we named an area "Daraja la Mzee" when we first arrested him in 2003, was arrested at 8.00 pm in the area that bears his name.

Revenue and Accounts

We have witnessed a major decline in revenue, brought about by the election fiasco and its aftermath. We had originally anticipated a 50% decline in tourist numbers but in fact the decline has been closer to 80% in January. We have had to institute major cut-backs and cost cutting measures in order to survive the next few months. Some of the measures taken to reduce expenditure include:

- Stopping all capital purchases;
- Limiting all new development;
- Stopping the grader;
- Stopping one tractor;
- Stopping compensation for cattle killed;
- Reducing payments to community scouts;
- Stopping two of the three anti-harassment vehicles;
- Stopping all night ambushes,
- Laying-off all casuals;
- Severely restricting our patrol area;
- Restricting all out-of-park travel and reducing shopping trips to twice per month; and

- Limiting rations.

| MARA CONSERVANCY | | Schedule 6(c.) | | | | |
|---|--|--|---|--|--|--|
| PROJECTED CASH FLOW 2007- 2008(Revised in Jan'08)-Sensitivity Analysis next 5 months | | | | | | |
| Figures in Kes. | 30% REVENUE Jan'08 - May'08 | 40% REVENUE Jan'08 - May'08 | 50.00% REVENUE Jan'08 - May'08 | 60% REVENUE Jan'08 - May'08 | 70% REVENUE Jan'08 - May'08 | |
| INCOME | | | | | | |
| KICHWA TEMBO TKTS-\$10 | 0 | 0 | 0 | 0 | 0 | |
| BALLOON REVENUE | 352,501 | 396,564 | 440,626 | 484,689 | 528,751 | |
| DONATIONS & GIFTS | 0 | 0 | 0 | 0 | 0 | |
| GATE SALES- PROMOTIONAL ITEMS | 0 | 0 | 0 | 0 | 0 | |
| ENTRANCE & CAMPING REVENUE | 11,750,032 | 13,218,786 | 14,687,540 | 16,156,294 | 17,625,048 | |
| VEHICLE FIELD REVENUE | 433,720 | 487,935 | 542,150 | 596,365 | 650,580 | |
| INCOME | 12,536,253 | 14,103,285 | 15,670,317 | 17,237,348 | 18,804,380 | |
| DIRECT COSTS | | | | | | |
| CONSERVANCY PROMOTION & COMPENSATION | 0 | 0 | 0 | 0 | 0 | |
| SALES COMMSSSIONS | 1,880,005 | 2,115,006 | 2,350,006 | 2,585,007 | 2,820,008 | |
| DIRECT COSTS | 1,880,005 | 2,115,006 | 2,350,006 | 2,585,007 | 2,820,008 | |
| GROSS MARGIN | 10,656,248 | 11,988,279 | 13,320,310 | 14,652,341 | 15,984,372 | |
| EXPENSES | | | | | | |
| ADMINISTRATION COSTS | 487,100 | 487,100 | 487,100 | 487,100 | 487,100 | |
| AIRCRAFT RUNNING | 360,000 | 360,000 | 360,000 | 360,000 | 360,000 | |
| COMMUNICATION EXPENSES | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 | |
| EMPLOYMENT COSTS | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | |
| INSURANCE | 0 | 0 | 0 | 0 | 0 | |
| MACHINE REPAIRS | 858,503 | 858,503 | 858,503 | 858,503 | 858,503 | |
| MOTOR VEHICLE RUNNING | 1,250,000 | 1,250,000 | 1,250,000 | 1,250,000 | 1,250,000 | |
| OFFICE EXPENSES | 220,000 | 220,000 | 220,000 | 220,000 | 220,000 | |
| OTHER STAFF COSTS | 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 | |
| PROFESSIONAL & AUDIT FEES | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | |
| REPAIRS TO INFRASTRUCTURE | 550,000 | 550,000 | 550,000 | 550,000 | 550,000 | |
| SECURITY EXPENSES | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | |
| TRAVEL & ENTERTAINMENT | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | |
| OPERATING EXPENSES | 18,920,603 | 18,920,603 | 18,920,603 | 18,920,603 | 18,920,603 | |
| OPERATING SURPLUS/(DEFICIT) | (8,264,355) | (6,932,324) | (5,600,293) | (4,268,262) | (2,936,231) | |
| FINANCE CHARGES | 483,333 | 483,333 | 483,333 | 483,333 | 483,333 | |
| MONTHLY OPERATING CASH BALANCE | (8,747,688) | (7,415,657) | (6,083,626) | (4,751,595) | (3,419,564) | |
| CASH & CASH EQUIVALENT-START | 475,601 | 475,601 | 475,601 | 475,601 | 475,601 | |
| CAPEX | | | | | | |
| GRADER 140H-STANBIC | 0 | 0 | 0 | 0 | 0 | |
| SUZUKI GYPSY | 0 | 0 | 0 | 0 | 0 | |
| OFFICE BLOCK-MARA | 0 | 0 | 0 | 0 | 0 | |
| LANDROVER -CEO | 0 | 0 | 0 | 0 | 0 | |
| CEO'S HOUSE | 0 | 0 | 0 | 0 | 0 | |
| SERGEANTS HOUSES | 0 | 0 | 0 | 0 | 0 | |
| CAMERAS AND GPS | 0 | 0 | 0 | 0 | 0 | |
| RADIO UNIT- NAIROBI | 0 | 0 | 0 | 0 | 0 | |
| ACCOUNTING SOFTWARE-ACCPAC | 0 | 0 | 0 | 0 | 0 | |
| TELKOM WIRELESS HARDWARE | 0 | 0 | 0 | 0 | 0 | |
| 2 LANDROVERS | 0 | 0 | 0 | 0 | 0 | |
| SHOVEL TRACTOR & TRAILER | 0 | 0 | 0 | 0 | 0 | |
| STANBIC (GRADER 140H)-\$215,180 @\$6,805 | 1,375,000 | 1,375,000 | 1,375,000 | 1,375,000 | 1,375,000 | |
| SALE OF GRADER 140G | 0 | 0 | 0 | 0 | 0 | |
| CHEETAH 1-SUZUKI GYPSY | 0 | 0 | 0 | 0 | 0 | |
| CHEETAH 1-SUZUKI GYPSY-DONATIONS | 0 | 0 | 0 | 0 | 0 | |
| CAPEX-TOTALS | 1,375,000 | 1,375,000 | 1,375,000 | 1,375,000 | 1,375,000 | |
| CASH & CASH EQUIVALENT-END | (9,647,088) | (8,315,057) | (6,983,026) | (5,650,995) | (4,318,964) | |

We anticipate that the above measures will give us savings of approximately Ksh 11 million (US\$ 172,000), but we will still be short by about Ksh 9.6 million (US\$ 150,000). At present we are

hoping that the situation will stabilise and we can revert to normal in the next season, starting June. However, any continued unrest and violence will surely affect tourist numbers in the longer term. Our adjusted cash flow forecast for the next five months is shown in the Table above and our most realistic projection is indicated in the left hand column; showing 30% of our budgeted tourist revenue.

The recent problems have already had a huge impact in Kenya's economy, with the laying-off of thousands of workers in the tourism sector, declines in virtually every other sector of the economy and a significant devaluation (18%) in the Kenya Shilling, from Ksh 61 to Ksh 72 to the Dollar in less than a month. The devaluation will make Kenya a cheaper destination for tourists and slightly improve our cash-flow forecasts, but it will also fuel inflation and make imports significantly more expensive.

Revenue collected and distributed for the month of December 2007

| Collected | Gate Revenue | | Balloon Revenue | |
|---------------------------------|-------------------|---------------------|-----------------|-----|
| | US\$ | Ksh | US\$ | KSH |
| Ticket sales | 141,959.00 | 1,212,041.00 | - | - |
| Non-ticket sales | 1,480.00 | 100,800.00 | | |
| Balance for Distribution | 143,439.00 | 1,312,841.00 | - | - |
| Distributed | | | | |
| Trans Mara County Council | 51,919.24 | 491,774.76 | - | - |
| Group Ranches | 26,972.21 | 230,287.79 | | |
| Sub-total | 78,891.45 | 722,062.55 | - | - |
| Mara Conservancy | 64,547.55 | 590,778.45 | - | - |

Development.

We completed the shelter over the fuel pump and put in a new armoured electricity cable.

We continued work on the river road, until the rains stopped us towards the end of the month

We completed work on an office for Earthview near our offices

We completed work on the uni-hut at Mara Bridge by putting in a floor and windows.

Report on focus for January

| | |
|---|------------------------------------|
| We will erect two new uni-huts for the GSU at Oloololo Gate | Deferred |
| Construct shelter over the fuel pump | Done |
| Work on river road, weather permitting | Some work done, remainder deferred |
| Hold Board meeting and AGM on the 18 th | Done |
| Work on two flooded sections of the river road | First flooded section repaired |
| Collect Cheetah 2 after repairs | Done |
| | |

Focus for February

- Raise funding to meet our projected shortfall;
- Implement all our cost-cutting measures;
- Apply for Work permit for William Deed and provide accommodation;
- Hire out grader to work on Ol Choro Oroua; and
- Transfer staff in routine transfer.