



Report 03.560
Date 22 September 2003
File Y/2/2/1

Committee Rural Services and Wairarapa
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Akura Conservation Centre Review for the Year to 30 June 2003

1. Purpose

To inform the Committee of the performance of the Akura business unit for the 2002/03 year.

2. Background

The Akura Conservation Centre grows and sells trees suitable for erosion control and shelter for the Land & River Operations Department and external customers. The business has two units. The Nursery unit grows poplar and willow poles for soil conservation purposes and river control. The Trading unit supplies various tree species (natives, radiata, acacias, eucalypti, macrocarpa) and sundry stock items (posts, protectors, chemicals, and animal repellents).

3. Operating Performance

Overall, Akura sold 517,105 trees for the year. This was 10% lower than the previous season due to a reduction in soil conservation Radiata planting. However, financial performance was ahead of budget because the Nursery produced an additional 10,736 poles and stakes. An irrigation system was installed during 2001/02 to increase long-term pole production by 20%. While it is too early to evaluate the impact of irrigation, it was encouraging that most of the \$21,000 debt associated with the irrigation investment has now been repaid. A summary of tree sales is shown below:

Poles	2003	2002	Seedlings	2003	2002
3.0 metre	18,524	15,825	P Radiata	315,900	416,500
Stakes	30,970	26,165	Open grown	59,380	41,550
2.5 metre	2,580	3,260	Natives	26,300	25,488
2.0 metre	12,512	8,600	Container grown	50,939	34,276
Total	64,586	53,850	Total	452,519	517,814

4. Financial Performance

The operating surplus for the year was \$53,000, an increase of 47% on the previous year's surplus of \$36,000. A dividend of \$35,000 was paid to Council (same as 2001/02). The business unit is in very good financial health with net assets exceeding \$800,000. The remaining long-term debt of \$15,000 will be paid off in 2 years time.

The 2002/03 financial statement for the Business Unit is attached.

5. Land Revaluation

The land and buildings valuation at 30 June 2003 was \$653,000, an increase in book value of \$385,000. The business unit has a 27 hectare block at Akura Road, valued at \$580,000 and a 15 hectare block at Mangapakeha, 28 km east of Masterton, valued at \$73,000.

6. Capital Expenditure

The business will incur short-term debt (reserve borrowing) during the next 3 years to partly fund the replacement of a nine year old tractor, which is coming to the end of its economic life. The office building is to be extended in 2004/05 to improve the customer service area and office space for staff. The total budgeted cost for both items is \$51,000.

7. Recommendation

That the report be received and the information noted.

Report prepared by:

Approved for submission by:

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