

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Waikato District Council is a territorial authority governed by the Local Government Act 2002 (LGA 2002) and is domiciled in New Zealand.

The Waikato District Council group (the Council) consists of the ultimate parent The Waikato District Council and its 100% owned subsidiary Tanlaw Corporation Limited (Tanlaw). Tanlaw has 100% ownership of Pemberton Construction Limited. Tanlaw is also a 50% party to a Joint Venture Agreement, Waikato Quarries Limited. All the companies in which Council has an interest, directly or through Tanlaw, are incorporated and domiciled in New Zealand.

The Council's primary objective is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis Of Preparation

Statement of compliance

Council's financial statements have been prepared in accordance with the requirements of LGA 2002 which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The financial statements incorporated in the Long-Term Council Community Plan have been prepared in compliance with Financial Reporting Standard No. 42 (FRS 42): Prospective Financial Statements.

Measurement base

The financial statement has been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment properties, and certain financial instruments (including derivative instruments).

The actual results for the 2007/2008 financial year, and the Annual Plan financial performance and cash flows for the 2008/2009 financial year, as modified by known changes, have been used to arrive at the opening balances for the LTCCP as at 1 July 2009.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's). The functional currency of the Council is New Zealand dollars.

Changes in accounting policies

These accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Long Service Leave, previously on actual basis, is now accounted for on the actuarial basis.

Significant Accounting Policies

Basis of consolidation

The Council has not consolidated the prospective financial statements to include its subsidiary Tanlaw and group, because Council believes the consolidation does not enhance the understanding of Council's core activities and services.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

- Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates are recognised when levied.
- Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, are accrued on an average usage basis.
- The Council receives government grants from Land Transport New Zealand, which subsidises part of the Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

- Revenue from the sale of goods is recognised when a product is sold to the customer. Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.
- Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease.
- Traffic and parking infringements are recognised when tickets are issued.
- Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in the Council are recognised as income when control over the asset is obtained.
- Development contributions and financial contributions are recognised as revenue when the council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development contributions and financial contributions are recognised as liabilities until such time as the council provides, or is able to provide, the service.
- Interest income is recognised using the effective interest method.
- Dividends receivable are recognised when the right to receive the payment has been established.

Construction contracts

Profits on contracts are recognised progressively over the period of each contract. The amount included in the statement of comprehensive income, and the value of the contract work in progress, are established by assessment of individual contracts taking into account the proportion of work completed, cost analysis and estimated final results.

Foreseeable losses on a contract are recognised immediately.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years and calculated using rates that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited to equity, in which case the tax is dealt with in equity.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value, and subsequently measured at amortised

cost using the effective interest method, less any provision for impairment.

Contract Payments and Contract Retentions due but not paid in respect of completed contract work are recognised as accounts receivable. Where the payment of retentions is uncertain, the estimated associated costs are provided for.

Inventories

Raw material stocks and trading stocks are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value. Work in progress and finished products are valued at the lower of standard or average cost.

Costs included a systematic allocation of appropriate production overheads that relate to putting the inventories in their present location and condition. The allocation of production overheads is based on the normal capacity of the production facilities.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of comprehensive income.

The Council classifies its financial assets into the following categories:

- loans and receivables
- fair value through equity
- fair value through profit or loss
- unquoted equity instruments with no active market at cost

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are

not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. The Council's loans and receivables comprise cash and cash equivalents, debtors and other receivables, and community loans.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income.

Loans to community organisations made by the Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of comprehensive income as a grant.

Financial assets at fair value through equity

Financial assets at fair value through equity are those that are designated as fair value through equity. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. The Council's financial asset at fair value through equity comprise its shares in NZ Government Insurance which is stated at net asset backing.

After initial recognition the investments are measured at their fair value, with gains and losses recognised directly in equity except for impairment losses, which are recognised in the statement of comprehensive income.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Council's derivatives are categorised as held for trading unless

they are designated as hedges. Assets in this category are classified as current assets.

Financial assets valued at cost

The Council's investments in the Waikato Regional Airport Limited and Local Authority Shared Services are classified as available-for-sale financial assets and are stated at cost.

The Council's investment in its subsidiary is also held at cost.

Impairment of financial assets

At each balance sheet date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of comprehensive income.

Loans and other receivables

Impairment of a loan or a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For community loans, impairment losses are recognised directly against the instruments' carrying amount.

Unquoted equity investments

For equity investments classified as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists for investments at fair value through equity, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive

income) is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity investments are not reversed through the statement of comprehensive income.

Derivative financial instruments

The Council uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. The Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. The associated gains or losses of derivatives are recognised in the statement of comprehensive income.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of comprehensive income.

Any increase in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of:

- Operational assets: these include land, buildings, landfill post closure, library books, plant and equipment, furniture, computers and motor vehicles.
- Restricted assets: these are parks and reserves owned by the Council which provide a benefit or service to the community, and can only be

disposed of after following a rigorous legal and public consultation process.

- Infrastructure assets: these are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and wastewater pump stations.

Council's pensioner housing, which are held for service delivery objectives, are accounted for as property, plant and equipment.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Assets under construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the statement of comprehensive income. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Useful Life (Years)	Depreciation Rate
Audio-Visual Materials and Electronic Games – Libraries	5	20%
Buildings	20 – 100	1% - 5%
Vehicles	6.6	15%
Library Books	8	12.5%
Computers (including intangible assets)	4 – 7	14% - 25%
Office Equipment	3 – 10	10% - 33%
Furniture and Fixtures	10	10%
Water Treatment	10 – 100	1% - 10%
Water Reticulation	10 – 80	1.25% - 10%
Wastewater	8 – 100	1% - 12.5%
Drainage	35 – 100	1% - 2.8%
Urban Stormwater	35 – 100	1% - 2.8%
Roading		
Pavement – sealed	65 – 100	1% - 1.5%
Pavement (basecourse)		
- sealed	65 – 100	1% - 1.5%
- unsealed metal	20	5%
Surface Water Channel	20 – 80	1.25% - 5%
Culverts	80	1.25%
Guardrails/Barriers	40 – 80	1.25% - 2.5%
Footpaths	15 – 80	1.25% - 6.7%
Street Lighting	20	5%
Bridges	60 – 100	1% - 1.67%
Signs	20	5%

The residual value, depreciation method and useful life of an asset are reviewed, and adjusted if applicable, at each balance sheet date.

Revaluation

Land and buildings (operational and restricted), and infrastructural assets (except land under roads) are revalued on a regular basis to ensure that their carrying amount does not differ materially from fair value, and at least every three years. All other asset classes are stated at depreciated historical cost.

The Council assesses the carrying values of its revalued assets at each balance sheet date to ensure that they do not differ materially from the assets' fair value. If there is a material difference, the off-cycle asset classes are revalued.

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Operational and restricted land and operational buildings valuation was performed by Geoff Guyett of Valuation and Management Services Limited, and the valuation is effective as at 1 July 2007. The valuation of properties valued by their components was performed by R G McFarlane of Quotable Value New Zealand Limited, and the valuation is effective as at 1 July 2007. Infrastructural asset classes water, wastewater, stormwater and refuse transfer stations, were valued by Graeme Hughson of Maunsell Limited, and the valuation is effective as at 1 July 2007. Infrastructural asset classes roading and bridges, were valued by Wayne E Hatcher of Opus International Limited, and the valuation is effective as at 1 July 2007. Land under roads was valued by Simon Badham of Beca Ltd, effective 1 July 2000. On transition to NZ IFRS, the Council elected to use the fair value of land under roads as at 1 July 2000 as deemed cost. Land under roads are no longer revalued.

Opening asset value at 1 July 2009 was calculated using 30 June 2008 actual assets re-valued at 30 June 2009, using appropriate BERL factors. In addition, new assets per the 2008/09 annual Plan were added at cost.

Intangible assets

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an indefinite intangible asset because the life of the new combined entity cannot be readily assessed. Goodwill is not amortised but tested for impairment annually and whenever there is an

indication that the goodwill may be impaired. To the extent that the balance of goodwill is no longer probable of being recovered from the expected future economic benefits, it is recognised immediately as an expense. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill applies. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised. An impairment of goodwill is not subsequently reversed.

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. This asset class, which is amortised on a straight-line basis, has a useful life of 3 to 7 years and the amortisation rates are between 14% to 33%. Staff training costs are recognised as an expense when incurred.

Consents

Consent costs for capital works are recognised at cost, and amortised over the life of the consents.

The amortisation charge for each period is recognised in the statement of comprehensive income.

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. Where there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows

and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income.

For assets not carried at revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the statement of comprehensive income.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. After initial recognition, the Council measures all investment properties at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

*Employee entitlements***Short-term employee entitlements**

Employee benefits that the Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rate of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Council anticipates it will be used by staff to cover those future absences. A provision has been recognised for the unused entitlement.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave, have been calculated on an actuarial basis. The calculation is based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information;
- the present value of the estimated future cash flows

The discount rate is based on the relevant interest rate for government stock. The inflation factor is based on the expected long-term increase in remuneration for employees.

The Council's retirement gratuities are provided for on an actual basis.

A provision has been recognised for the long service leave and retirement gratuities.

*Superannuation schemes***Defined contribution schemes**

Obligations for contribution to defined contribution superannuation schemes are recognised as an expense in the statement of comprehensive income as incurred.

Provisions

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present legal or constructive obligation as a result of a past event, and it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

They are included in current or non-current assets based on whether or not they mature within 12 months of the balance date.

Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Asset revaluation reserves
- Restricted reserves
- Council created reserves
- Targeted rates reserves
- Capital replacement fund
- Development contribution reserves
- Fair value through equity reserves

Restricted Reserves and Council Created Reserves are components of equity generally representing a particular use to which various parts of equity have been assigned.

Restricted reserves

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Council-created reserves

Council-created reserves are reserves established by Council decisions. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST except for Debtors and Other Receivables and Creditors and Other Payables, which are presented on a GST inclusive basis. When GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Cost allocation policy

The Council has derived the cost of service for each significant activity of the Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using cost drivers such as actual usage, staff numbers and floor area.

Cautionary Note for Prospective Financial Statements

The purpose for the preparation of the prospective financial statements is to enable ratepayers, residents and any other interested parties to obtain information about the expected future financial performance, position and cash flows of the Council for the ten years from 2009/2010 to 2018/2019. The information contained in these statements may not be appropriate for purposes other than that as previously described.

The preparation of prospective financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates and the variations may be material.

The significant assumptions underlying the prospective financial statements are outlined on pages 57-69.

Commitments and Contingencies for 2009-19 LTCCP

During May 2004 the shareholders of Waikato Regional Airport Limited (of which Waikato District Council has a 15.625% shareholding) authorised the company to issue further shares totaling \$21.6m to existing shareholders.

This capital restructure was part of the WRAL Airport Development and has allowed WRAL to borrow at commercially favorable interest rates.

The Airport Directors have invoked their right to call up capital to the value of \$12 million. The Waikato District Council component is \$1.875 million and is due for payment in July 2009. Council plans to borrow the money and look at repayment options during the course of the year.

FUNDING IMPACT STATEMENT

The Local Government Act introduces the concept of a Funding Impact Statement, which outlines how the activities contained in the Long-Term Council Community Plan will be funded.

All rates quoted in the Funding Impact Statement are inclusive of GST