

TELECOM AUCKLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11 COMMITMENTS*OPERATING LEASES*

Operating lease commitments are mainly in respect of leases of land and buildings. Minimum rental commitments as at 30 September 1991 for all non-cancellable operating leases are:

	(in millions)
Payable within 1 year	13.1
Payable within 1-2 years	13.0
Payable within 2-3 years	12.4
Payable within 3-4 years	12.2
Payable within 4-5 years	11.6
Payable thereafter	30.4
	<u>\$92.7</u>

CAPITAL COMMITMENTS

As at 30 September 1991 capital expenditure amounting to \$25.3 million (30 September 1990:\$60.9 million, 31 March 1991: \$50.0 million) has been committed under contractual arrangements.

12 CONTINGENT LIABILITIES*LAND CLAIMS*

As stated in Note 7, interests in land included in assets purchased from the Crown may be subject to claims to the Waitangi Tribunal or may be deemed to be Wahi Tapu and, in either case, may be resumed by the Crown.

Certain claims have been brought or are pending against the Crown under the Treaty of Waitangi Act 1975. Some of these claims may affect land transfers to Telecom by the Crown and/or by Telecom to its subsidiary companies.

In the event that land is resumed by the Crown, there is provision for compensation to Telecom.

LAWSUITS AND OTHER CLAIMS

Various lawsuits, claims and investigations have been brought by or against the Company. The Board of Directors believe that in the event of an unfavourable outcome, such matters will not have a material adverse effect upon the Company's financial position.

In addition to the above, a competitor filed proceedings in August 1991, against Telecom, including Telecom Auckland, in connection with a request for a local service interconnection arrangement. The substantive issues are unlikely to be heard by the Court until the first quarter of calendar 1992. The basis of claim is that the Telecom Group, in offering certain terms and conditions of service, is in breach of section 36 of the Commerce Act 1986. Telecom believes that it has valid defences to these proceedings. Because there are very few precedents to assist Telecom in determining the outcome if this action were to proceed, Telecom cannot ascertain the likelihood of such action being successful or the potential impact any judgement against it might have upon the trend of future net earnings.