

TELECOM SOUTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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### 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, 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.

#### GUARANTEES

The Company has guaranteed, together with other subsidiary companies, approximately \$1,545 million of the indebtedness of the parent company and other subsidiary companies at 30 September 1991, principally under the following agreements:

- (i) \$623.0 million under a trust deed made as of 25 October 1988 with the New Zealand Guardian Trust Company Limited providing for the constitution and issue of securities in respect of indebtedness from time to time of the parent company and/or any guaranteeing subsidiary.
- (ii) \$540.0 million under a trust deed made as of 20 September 1989 and certain supplemental trust deeds with the Law Debenture Trust Corporation PLC providing for the constitution and issue of securities in respect of indebtedness from time to time of the parent company and/or any guaranteeing subsidiary.
- (iii) British pounds 124.5 million (NZ\$381.9 million) under a deed poll dated 12 November 1990.

Under certain of the agreements referred to above the Company together with the other guaranteeing subsidiaries has given a negative pledge that while any of the guaranteed indebtedness remains outstanding it will not, subject to certain exceptions, create or permit to exist any charge or lien over any of its assets.