

TELECOM CENTRAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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.

GUARANTEES

The Company had guaranteed, together with other subsidiary companies, approximately \$1445 million of the indebtedness of the parent company and other subsidiary companies at 31 March 1991, principally under the following agreements:

- (i) \$9.9 million under a facility agreement dated 31 August 1988 with the Bank of New Zealand establishing a \$400 million promissory note facility in favour of the parent company.
- (ii) \$590.7 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.
- (iii) \$475 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.
- (iv) British Pounds 124.5 million (NZ\$369.2 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.