TELECOMMUNICATIONS (DISCLOSURE) REGULATIONS 1990

Financial Statements
This publication sets out material required to be published by Telecom in the *New Zealand Gazette* by the Telecommunications (Disclosure) Regulations 1990.

The information provides financial statements for the six months ended 30 September 1992 for the following subsidiaries:

- Telecom Auckland Limited;
- Telecom Central Limited;
- Telecom Wellington Limited;
- Telecom South Limited;

The information in this publication was prepared by Telecom Corporation of New Zealand Limited after making all reasonable inquiry and to the best of the knowledge of the Corporation complies with the requirements of regulation 3 of the Telecommunications (Disclosure) Regulations 1990.

This information is also available on request at the following principal offices of the Corporation and its subsidiaries:

- Telecom Corporation of New Zealand Limited, Telecom House, 13-27 Manners Street, PO Box 570, Wellington.
- Telecom Auckland Limited, Telecom Tower, 16 Kingston Street, Private Bag 92030, Auckland.
- Telecom Central Limited, Regional Office, Fifth Floor, ASB Building, 500 Victoria Street, Private Bag 3100, Hamilton.
- Telecom Wellington Limited, Ninth Floor, Hewlett-Packard Building, 186-190 Willis Street, PO Box 293, Wellington.
- Telecom South Limited, Level Seven, Telecom House, 109 Hereford Street, PO Box 1473, Christchurch.
# TELECOM AUCKLAND LIMITED

## STATEMENT OF EARNINGS

### FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1992

<table>
<thead>
<tr>
<th>Notes</th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
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<tr>
<td></td>
<td>$000's</td>
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<tr>
<td></td>
<td>285,011</td>
<td>291,692</td>
</tr>
<tr>
<td></td>
<td>2 (236,843)</td>
<td>(243,761)</td>
</tr>
<tr>
<td></td>
<td>48,168</td>
<td>47,931</td>
</tr>
<tr>
<td></td>
<td>3 12</td>
<td>147</td>
</tr>
<tr>
<td></td>
<td>3 (24,553)</td>
<td>(28,422)</td>
</tr>
<tr>
<td></td>
<td>23,627</td>
<td>19,656</td>
</tr>
<tr>
<td></td>
<td>4 (7,805)</td>
<td>(5,622)</td>
</tr>
<tr>
<td></td>
<td>15,822</td>
<td>14,034</td>
</tr>
</tbody>
</table>

The accompanying notes form part of and are to be read in conjunction with these financial statements.
TELECOM AUCKLAND LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 1992

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
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<td>$000's</td>
</tr>
</tbody>
</table>

**ASSETS**

**Current assets:**
- Cash: 1,333 658 2,746
- Accounts receivable and prepaid expenses: 80,588 113,183 100,804
- Inventories: 24,634 50,339 29,859
- Prepaid income tax: 14,942 18,409 23,435

**Total current assets:** 121,497 182,589 156,844

- Investment in fellow subsidiary company: 1,600 720 1,600
- Other assets: 4,521 7,661 5,839
- Fixed assets: 1,051,090 1,079,405 1,082,880

**Total assets:** 1,178,708 1,270,375 1,247,163

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current liabilities:**
- Bank overdraft: 6,748 5,250 2,370
- Debt due within one year: 6,713 4,738 6,075
- Accounts payable and accruals: 77,179 158,381 131,431
- Proposed dividend: 15,020 22,437 -

**Total current liabilities:** 105,660 190,806 139,876

- Deferred income tax: 7,719 6,168 9,076
- Long term debt: 350,019 386,250 353,703

**Total liabilities:** 463,398 583,224 502,655

**Commitments and contingent liabilities:** 11,12

**Shareholders' equity:**
- Ordinary shares, $1.00 each: 199,146 199,146 199,146
- Authorised, issued and fully paid 199,146,000 shares
- Redeemable preference shares, $1.00 each: 47 46 50
- Authorised, issued and fully paid 47,466 shares
- Share premium reserve: 474,613 464,614 504,610
- Capital redemption reserve: 3 - -
- Retained earnings: 41,501 23,345 40,702

**Total shareholders' equity:** 715,310 687,151 744,508

**Total liabilities and shareholders' equity:** 1,178,708 1,270,375 1,247,163

The accompanying notes form part of and are to be read in conjunction with these financial statements.

On behalf of the Board

P BLADES  P J HAWORTH
DIRECTOR  DIRECTOR

AUCKLAND, 12 NOVEMBER 1992
1 STATEMENT OF ACCOUNTING POLICIES

(a) CONSTITUTION, OWNERSHIP AND ACTIVITIES

Telecom Auckland Limited (the "Company"), was incorporated on 6th December 1988 and is a wholly-owned subsidiary of Telecom Corporation of New Zealand Limited (the "parent company" or "Telecom").

With effect from 1 April 1989 Telecom was restructured into a number of Regional Operating and New Venture companies and as a result, transferred to certain subsidiaries, including Telecom Auckland Limited, at net book value, the telecommunication equipment and other assets and liabilities relating to business previously conducted by Telecom. Telecom and its subsidiaries now together form the Telecom "Group".

The parent company was wholly-owned by Her Majesty the Queen in Right of New Zealand (the "Crown") until 12 September 1990, when, pursuant to an agreement dated 14 June 1990, the Crown sold its shares to subsidiaries of two American companies, Ameritech Corporation ("Ameritech") and Bell Atlantic Corporation ("Bell Atlantic"). Ameritech and Bell Atlantic then agreed to sell a combined 10% interest to a company, Carla Nominees Limited (which was subsequently superseded at 31 March 1992 by two companies - Rontas Holdings Limited and MYNZA Holdings Limited) controlled by two New Zealand companies, Freightways Holdings Limited ("Freightways") and Midavia Holdings Limited ("Midavia"), formerly Fay, Richwhite Holdings Limited. To comply with their agreement with the Crown, Ameritech and Bell Atlantic are obligated to reduce their combined ownership of Telecom to not more than 49.9% of the outstanding share capital by September 1993 (or, under certain circumstances and with the consent of the New Zealand government, by September 1994). At the completion of this transaction period, Ameritech and Bell Atlantic will each own not more than 24.95% of Telecom.

In July 1991, to satisfy partially this obligation, Ameritech and Bell Atlantic sold 724.5 million shares in Telecom (representing approximately 31% of the then outstanding share capital) to the public and institutions in a worldwide offering.

At 30 September 1992, Ameritech and Bell Atlantic held a combined 1,614,441,112 ordinary shares (68.4% of the outstanding share capital) and Rontas Holdings Limited and MYNZA Holdings Limited each held 5,529,444 ordinary shares.

The Crown holds, and will continue to hold, one special rights convertible preference share (the "Kiwi Share") in Telecom which assures that:

- A local free-calling option will be maintained for all residential customers.
- The standard residential rental for ordinary residential telephone service will not rise faster than the cost of living as measured by the New Zealand Consumer Price Index unless Telecom's Regional Operating Company profits are unreasonably impaired.
- Line rentals for residential customers in rural areas will be no higher than the standard residential rental, and ordinary residential telephone service will remain as widely available as it was as at 11 September 1990.

The principal activity of Telecom Auckland Limited is the provision of telecommunication services in the Auckland and Northland regions.
TELECOM AUCKLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) GENERAL ACCOUNTING POLICIES
The measurement basis adopted in the preparation of these financial statements is historical cost. Accrual accounting is used to match income and expenses.

(c) SPECIFIC ACCOUNTING POLICIES

REVENUE RECOGNITION
Revenues for all services are recognised when earned. Billings for telephone services are made on a monthly basis throughout the month. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue recognition is deferred in respect of that portion of fixed monthly charges which have been billed in advance.

Revenue principally includes telephone line rental, national calls, leased circuits and the rental, sale, maintenance and installation of customer premises equipment and related products.

FIXED ASSETS
Fixed assets are valued at the cost at which they were purchased by Telecom Corporation of New Zealand Limited from the Crown as at 1 April 1987, adjusted by subsequent additions at cost, disposals and depreciation. The fixed assets were purchased from the Crown on the basis of depreciated replacement cost using estimated remaining lives as at 1 April 1987.

Telecom Auckland Limited purchased fixed assets from Telecom as at 1 April 1989 at cost (as above) less accumulated depreciation pursuant to a Sale and Purchase Agreement dated 31 March 1989 and a supplementary agreement dated 28 September 1989. Subsequent additions have been recorded at cost.

The cost of additions to plant and equipment constructed within the Telecom Group subsequent to 1 April 1987 consists of all appropriate costs of development, construction and installation comprising material, labour, direct overheads and transport costs.

Effective 1 April 1989 for each fixed asset project having a cost in excess of $10 million and a construction period of not less than 12 months, interest cost incurred during the period of time that is required to complete and prepare the fixed asset ready for its intended use is capitalised as part of the total cost.

Where capital project commitments are hedged against foreign currency rate risk, the capital project is recorded at the hedged exchange rate.

Telecommunication equipment includes that part of the network system up to and including the contracted demarcation point, terminal equipment installed within customers' premises and the cabling and wiring within commercial buildings where this has been supplied by the Group in its own right.

Costs associated with the installation, connection and provision of services are charged to earnings. Maintenance and repairs, including minor renewals and betterments, are charged to earnings as incurred.
1 STATEMENT OF ACCOUNTING POLICIES (Continued)

DEPRECIATION

Depreciation is charged on a straight line basis so as to write down the cost of the fixed assets to their estimated residual value over their estimated economic lives, which are as follows:

Telecommunication equipment and plant:
- Customer local loop: 5-30 years
- Junctions and trunk transmission systems: 10-30 years
- Switching equipment: 5-15 years
- Customer premises equipment: 5 years
- Other network equipment: 5-25 years
- Buildings: 40-100 years
- Motor vehicles: 5 years
- Furniture and fittings: 5-10 years
- Computer equipment: 3-5 years

When depreciable assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gains or losses on disposal are recognised in earnings.

Land and capital work in progress are not depreciated.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at expected realisable value after providing for bad and doubtful accounts.

INVENTORIES

Inventories are comprised principally of materials for self constructed network assets, critical maintenance spares and customer premises equipment held for rental or resale. They are stated at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is determined on a first in first out basis.

LEASES

The Company is lessor of customer premises equipment. Rental income applicable to operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are taken to revenue as earned.

Additionally, the Company is lessee of certain plant, equipment, land and buildings under both operating and finance leases. Expenses relating to operating leases are charged against earnings as incurred. Finance leases, which effectively transfer to the entity substantially all the risks and benefits of ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are amortised over the period the entity is expected to benefit from their use.

No material finance leases have been entered into as lessor.
NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES
The liability for employees' compensation for future absences is accrued in respect of employees' services already rendered and where the obligation relates to rights which have vested. Such liability is reflected within accrued personnel costs.

LIABILITY FOR EMPLOYEES' SEVERANCE PAYMENTS
Severance payments are accrued in respect of any employees whose positions have been specifically designated as being surplus to the needs of the Company. Employees whose services with the Company are so terminated are normally entitled to lump-sum severance payments determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs. The continued period during which a terminating employee served both the New Zealand Post Office and subsequently the Telecom Group constitutes the length of service.

Such liabilities are reflected within accrued personnel costs.

PENSIONS
Contributions are made into the Government Superannuation Fund (the "Fund") in respect of those employees who are members of the Fund at a rate specified under the Sale and Purchase Agreement whereby Telecom acquired the telecommunication business of the New Zealand Post Office on 1 April 1987. Additionally, full provision is made for the accrued pension costs relating to members of the Telecom Employees' Pension Plan (the "Plan") upon the basis of actuarial valuations, which are to be made at least once every three years. Contributions to the Fund and the Plan are charged against earnings.

TAXATION
The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for permanent differences. Deferred taxation calculated using the liability method is accounted for on all significant timing differences between the earnings stated in the financial statements and the assessable income computed for taxation purposes. Deferred taxation is recognised only on those timing differences that are expected to reverse within the foreseeable future.

FOREIGN CURRENCIES
The financial statements are expressed in New Zealand dollars. Foreign currency transactions are recorded at the exchange rate ruling at the date of the transaction except for hedged transactions, which are recorded at the hedged exchange rate. Monetary assets and liabilities denominated in foreign currencies have been translated to New Zealand currency at the spot rates of exchange ruling at balance date. Realised and unrealised profits and losses on foreign exchange transactions are recognised in earnings for the period.

The Company enters into contracts with Telecom (as the Group's central treasury operation) to manage the Company's foreign exchange exposure.

RECLASSIFICATIONS
Certain reclassifications of prior periods' data have been made to conform to current period classifications.

(c) CHANGES IN ACCOUNTING POLICIES
There have been no material changes in accounting policies during the period. All significant accounting policies have been applied on a consistent basis.
### 2 OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$236,843</td>
<td>$243,761</td>
</tr>
</tbody>
</table>

Included in operating expenses are:

- **Depreciation**: 65,704, 61,499, 125,435
- **Audit fees**: 108, 100, 200
- **Intercompany management fee**: 13,173, 11,363, 22,787
- **Foreign exchange gains**: -8, 5, 5
- **Lease and rental costs**: 7,728, 8,548, 16,265

### 3 INVESTMENT INCOME/INTEREST EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$12</td>
<td>$147</td>
</tr>
</tbody>
</table>

**Interest income:**

- **Intercompany**: -
- **Other**: 12, 6, 3,657

**Interest expense:**

- **Intercompany (including finance lease charges)**: 24,540, 28,565, 53,661
- **Other**: 13, 20, 33

- **Less interest capitalised**: - (163) (163)

**Total**: 24,553, 28,422, 53,531
NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4 INCOME TAX

The income tax expense for the period is determined as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before income tax</td>
<td>23,627</td>
<td>49,401</td>
</tr>
<tr>
<td>Tax at current rate of 33%</td>
<td>7,797</td>
<td>16,302</td>
</tr>
<tr>
<td>Adjustment for permanent differences</td>
<td>8</td>
<td>(5,043)</td>
</tr>
<tr>
<td><strong>Total income tax expense</strong></td>
<td>7,805</td>
<td>11,259</td>
</tr>
</tbody>
</table>

The income tax expense is represented by:

- Current taxation
  - Balance at beginning of period
  - Total taxation in the current period
  - Tax paid
  - Other

- Deferred taxation
  - Provided in the current period
  - Other

Prepaid income tax

<table>
<thead>
<tr>
<th>Date</th>
<th>1992</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
<td></td>
</tr>
<tr>
<td>Current taxation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Balance at beginning of period</td>
<td>23,435</td>
<td>19,800</td>
<td>19,800</td>
</tr>
<tr>
<td>-Total taxation in the current period</td>
<td>(8,513)</td>
<td>(1,391)</td>
<td>(2,932)</td>
</tr>
<tr>
<td>-Tax paid</td>
<td>-</td>
<td>-</td>
<td>4,176</td>
</tr>
<tr>
<td>-Other</td>
<td>20</td>
<td>-</td>
<td>2,391</td>
</tr>
<tr>
<td>Prepaid income tax</td>
<td>14,942</td>
<td>18,409</td>
<td>23,435</td>
</tr>
</tbody>
</table>

Deferred taxation:

<table>
<thead>
<tr>
<th>Date</th>
<th>1992</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
<td></td>
</tr>
<tr>
<td>-Balance at beginning of period</td>
<td>(9,076)</td>
<td>(2,100)</td>
<td>(2,100)</td>
</tr>
<tr>
<td>-Provided in the current period</td>
<td>708</td>
<td>(4,231)</td>
<td>(8,327)</td>
</tr>
<tr>
<td>-Other</td>
<td>649</td>
<td>163</td>
<td>1,351</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>(7,719)</td>
<td>(6,168)</td>
<td>(9,076)</td>
</tr>
</tbody>
</table>

A deferred tax liability at 30 September 1992 of $0.4 million in respect of timing differences relating to depreciation on buildings has not been recognised.
NOTES TO THE FINANCIAL STATEMENTS

(continued)

5 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>30 September 1992</th>
<th>31 March 1992</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance for doubtful accounts of $4.1 million (September 1991: $7.1 million, March 1992: $4.8 million)</td>
<td>54,783</td>
<td>66,772</td>
</tr>
<tr>
<td>Unbilled rentals and tolls</td>
<td>21,983</td>
<td>29,893</td>
</tr>
<tr>
<td>Due from fellow subsidiary companies</td>
<td>1,496</td>
<td>11,046</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>2,326</td>
<td>5,472</td>
</tr>
<tr>
<td></td>
<td>80,588</td>
<td>113,183</td>
</tr>
</tbody>
</table>

Other assets include certain deferred expenditure amounting to $2.9 million (30 September 1991: $4.9 million, 31 March 1992: $3.6 million) incurred in relation to the installation of major computer systems. The deferred costs relating to each phase of the system are charged to earnings over a period of two years from the date upon which that phase of the system becomes fully operational. Deferred costs amortised during the six months ended 30 September 1992 amounted to $1.8 million (30 September 1991: $1.7 million, 31 March 1992: $3.4 million).

In addition, at 30 September 1992, other assets include $1.6 million (30 September 1991: $2.8 million, 31 March 1992: $2.2 million) being advances to the Trustee of two employee share purchase plans. These share purchase plans were established in July 1991 as part of the initial public offering and gave employees the opportunity to invest in Telecom, financed by interest free and favourable interest rate loans repayable over a three-year period.

The shares, which were purchased at the initial public offering price of $2 each, are held in trust for the employee for a restrictive period of three years, during which time voting rights will be exercised by the Trustee in its discretion.
### 7 Fixed Assets

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td><strong>Telecommunication equipment:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>1,223,488</td>
<td>1,110,058</td>
<td>1,168,661</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(466,403)</td>
<td>(363,652)</td>
<td>(409,281)</td>
</tr>
<tr>
<td></td>
<td>757,085</td>
<td>746,406</td>
<td>759,380</td>
</tr>
<tr>
<td>Capital work in progress</td>
<td>41,460</td>
<td>91,700</td>
<td>65,821</td>
</tr>
<tr>
<td><strong>Land</strong></td>
<td>57,581</td>
<td>57,668</td>
<td>57,405</td>
</tr>
<tr>
<td><strong>Buildings:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>151,718</td>
<td>132,087</td>
<td>137,366</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(20,979)</td>
<td>(12,894)</td>
<td>(14,382)</td>
</tr>
<tr>
<td></td>
<td>130,739</td>
<td>119,193</td>
<td>122,984</td>
</tr>
<tr>
<td><strong>Other fixed assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>111,773</td>
<td>114,726</td>
<td>132,023</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(47,548)</td>
<td>(50,288)</td>
<td>(54,733)</td>
</tr>
<tr>
<td></td>
<td>64,225</td>
<td>64,438</td>
<td>77,290</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>1,586,020</td>
<td>1,506,239</td>
<td>1,561,276</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>(534,930)</td>
<td>(426,834)</td>
<td>(478,396)</td>
</tr>
<tr>
<td><strong>Total net book value</strong></td>
<td>1,051,090</td>
<td>1,079,405</td>
<td>1,082,880</td>
</tr>
</tbody>
</table>

Included in telecommunications equipment, at 30 September 1992, 30 September 1991 and 31 March 1992 respectively, is equipment (principally customer premises equipment) leased to customers under operating leases with a cost of $196.5 million, $185.2 million and $191.2 million, together with accumulated depreciation of $154.7 million, $123.8 million and $140.1 million.

During the period to 30 September 1992, there were reclassifications from other fixed assets of tools and plant, and fittings to telecommunications equipment and buildings respectively. Other fixed assets now include vehicles, office equipment, furniture and computer equipment.

During the year ended 31 March 1992, the Company entered into a sale and leaseback of telecommunications equipment with a fellow group company. At 30 September 1992, assets capitalised under finance leases associated with this transaction had a cost of $75.8 million (30 September 1991: $65.6 million, 31 March 1992: $75.8 million) and accumulated depreciation of $9.0 million (30 September 1991: $1.2 million, 31 March 1992: $5.1 million).
7  FIXED ASSETS (Continued)

REGISTRATION OF TITLE TO LAND

Certificates of title for freehold interests in land included in the assets purchased from the Crown are being progressively raised by the Crown and transferred to Group companies. Titles for substantially all of the freehold interests have now been issued and, for the remainder, equitable ownership rests with the Group.

LAND CLAIMS

Under the Treaty of Waitangi Act 1975 all interests in land included in the assets purchased from the Crown may be subject to claims to the Waitangi Tribunal which has the power to recommend in appropriate circumstances, with binding effect, that the land be resumed by the Crown in order that it be returned to Maori claimants. In the event that land is resumed by the Crown, compensation will be paid to Telecom under the provisions of the Public Works Act 1981. If this is insufficient to cover the loss, certain additional compensation is payable under the provisions of the Sale and Purchase Agreement between Telecom and the Crown.

Under the State Owned Enterprises Act 1986 the Governor General of New Zealand may if satisfied that any land or interest in land held by Telecom is Wahi Tapu (being land of special spiritual, cultural or historical tribal significance) declare by Order in Council that the land be resumed by the Crown, with compensation payable to Telecom under the provisions of the Public Works Act 1981.

Telecom would expect to negotiate with the new Maori owners for continued occupancy rights of any sites resumed by the Crown.

8  ACCOUNTS PAYABLE AND ACCRUALS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>77,179</td>
<td>158,381</td>
</tr>
<tr>
<td>Trade accounts payable and accruals</td>
<td>16,000</td>
<td>25,959</td>
</tr>
<tr>
<td>Accrued personnel costs</td>
<td>14,763</td>
<td>23,095</td>
</tr>
<tr>
<td>Rentals billed in advance</td>
<td>12,107</td>
<td>12,162</td>
</tr>
<tr>
<td>Payable to fellow subsidiary companies</td>
<td>24,784</td>
<td>40,131</td>
</tr>
<tr>
<td>Payable to parent company</td>
<td>9,525</td>
<td>57,034</td>
</tr>
</tbody>
</table>

Interest rates on the parent company current account ranged from 12.29% to 12.77% for the six months ended 30 September 1992. The parent company current account is repayable on demand.
### LONG TERM DEBT

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent company loan</td>
<td>286,091</td>
<td>325,211</td>
</tr>
<tr>
<td>Other loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Due to fellow group company</td>
<td>70,495</td>
<td>65,614</td>
</tr>
<tr>
<td>- Other</td>
<td>146</td>
<td>163</td>
</tr>
<tr>
<td></td>
<td>70,641</td>
<td>65,777</td>
</tr>
<tr>
<td>- Less long term debt maturing within one year</td>
<td>(6,713)</td>
<td>(4,738)</td>
</tr>
<tr>
<td></td>
<td>63,928</td>
<td>61,039</td>
</tr>
<tr>
<td></td>
<td>350,019</td>
<td>386,250</td>
</tr>
</tbody>
</table>

Interest rates on the parent company loan ranged from 12.29% to 12.77% for the six months ended 30 September 1992. The parent company loan has no fixed date for repayment.

**SCHEDULE OF MATURITIES - Other loans**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due 1 to 2 years</td>
<td>56,116</td>
<td>5,830</td>
<td>7,377</td>
</tr>
<tr>
<td>Due 2 to 3 years</td>
<td>7,753</td>
<td>55,114</td>
<td>60,157</td>
</tr>
<tr>
<td>Due 3 to 4 years</td>
<td>40</td>
<td>35</td>
<td>38</td>
</tr>
<tr>
<td>Due 4 to 5 years</td>
<td>19</td>
<td>41</td>
<td>40</td>
</tr>
<tr>
<td>Due over 5 years</td>
<td>-</td>
<td>19</td>
<td>-</td>
</tr>
<tr>
<td>Total due after one year</td>
<td>63,928</td>
<td>61,039</td>
<td>67,612</td>
</tr>
</tbody>
</table>

Other loans are for the finance lease obligations of office equipment, with interest and principal paid monthly at 18.5% p.a., and telecommunication equipment, with interest and principal paid quarterly at 12.9% p.a.
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

10 SHAREHOLDERS' EQUITY
SHARE PREMIUM RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of period</td>
<td>$504,610</td>
<td>464,614</td>
</tr>
<tr>
<td>(Consisting of a premium of $9,999 on 50,466 redeemable preference shares)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movements during the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Premium of $9,999 on 3,000 redeemable preference shares</td>
<td>$(29,997)</td>
<td>-</td>
</tr>
<tr>
<td>-Premium of $9,999 on 4,000 redeemable preference shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>474,613</td>
<td>464,614</td>
</tr>
</tbody>
</table>

Dividends declared apply to redeemable preference shares as if they were ordinary shares. On winding up of the company preference shareholders rank in priority to ordinary shareholders in respect of outstanding dividends and the issue price of the redeemable preference shares. The redeemable preference shares are subject to redemption, at the issue price five days after written notice from the holder.

CAPITAL REDEMPTION RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movements during period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Transfer from retained earnings</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>-</td>
</tr>
</tbody>
</table>

RETAINED EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of period</td>
<td>40,702</td>
<td>31,748</td>
</tr>
<tr>
<td>Net earnings</td>
<td>15,822</td>
<td>14,034</td>
</tr>
<tr>
<td></td>
<td>56,524</td>
<td>45,782</td>
</tr>
<tr>
<td>Transfer to capital redemption reserve</td>
<td>(3)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>$(15,020)</td>
<td>(22,437)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>41,501</td>
<td>23,345</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

10 SHAREHOLDERS’ EQUITY (Continued)

DIVIDENDS
Interim and final dividends declared from the retained earnings of the Company are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividends</td>
<td>15,020</td>
<td>22,437</td>
</tr>
<tr>
<td>Final dividend</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>15,020</td>
<td>22,437</td>
</tr>
</tbody>
</table>

11 COMMITMENTS

OPERATING LEASES
Operating lease commitments are mainly in respect of leases of land and buildings. Minimum rental commitments as at 30 September 1992 for all non-cancellable operating leases are:

(in millions)

| Payable within 1 year | 16.8 |
| Payable within 1-2 years | 16.4 |
| Payable within 2-3 years | 16.5 |
| Payable within 3-4 years | 16.2 |
| Payable within 4-5 years | 13.4 |
| Payable thereafter | 31.5 |
| **$110.8** |

CAPITAL COMMITMENTS

As at 30 September 1992 capital expenditure amounting to $12.1 million (30 September 1991: $25.3 million, 31 March 1992: $15.9 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.
TELECOM AUCKLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12 CONTINGENT LIABILITIES (Continued)

LAWSUITS AND OTHER CLAIMS

In August 1991, a competitor filed proceedings against Telecom including Telecom Auckland in connection with a request for a local service interconnection arrangement. 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. Substantive hearings in the suit were completed in October 1992. Judgement is awaited. Telecom believes that it has valid defences to these proceedings. Because there are very few precedents to assist Telecom in determining the outcome of these proceedings, Telecom cannot ascertain the likelihood of such proceedings being successful or the potential impact any judgement entered against it might have upon the trend of Telecom's future net earnings.

Various other lawsuits, claims and investigations have been brought by or against the Company. The Board of Directors believes 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 has guaranteed, together with other subsidiary companies, approximately $1,613 million of the indebtedness of the parent company and other subsidiary companies at 30 September 1992, together with, in each case, interest thereon, principally under the following agreements:

(i) $424.2 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) $650.9 million under a trust deed made as of 20 September 1989 and 3 April 1992 and subsequent 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 122.6 million (NZ$408.1 million) under a deed poll dated 12 November 1990.

(iv) $129.8 million under a deed of guarantee dated 27 March 1992 in respect of the issue of Mandatory Convertible Notes by a fellow subsidiary. Further performance based guarantees have also been given by the company.

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.

13 RELATED PARTY TRANSACTIONS

RELATIONSHIP WITH PARENT AND FELLOW SUBSIDIARY COMPANIES

During the period the Company derived revenue (approximately 11.1%) from access fees, maintenance services and asset construction services provided to fellow subsidiaries. The Company also utilised network capacity and related services and group management services provided by fellow subsidiaries. Additionally, certain inventory and network assets were procured from and serviced by fellow subsidiaries. Such expenses represented approximately 23.1% of total operating expenses.
Outstanding intercompany balances as at 30 September 1992 are:

- Intercompany receivable                        $1.5 million
- Intercompany payable and current account      $34.3 million
- Intercompany term liabilities                 $356.6 million

With the exception of the current account and the term liability to parent company, the balances are payable on normal trading terms. The current account is on call and the term liability to parent company has no fixed date for repayment. No related party debts have been written off or forgiven during the year.

14 FELLOW SUBSIDIARY COMPANIES

At 30 September 1992 the principal fellow subsidiaries were as follows:

- Telecom Central Limited
- Telecom Wellington Limited
- Telecom South Limited
- Telecom Networks and Operations Limited
- Telecom New Zealand International Limited (formerly Telecom Networks and International Limited)
- Telecom Directories Limited
- Telecom Equipment Supplies Limited
- Telecom Cellular Limited
- Telecom Mobile Radio Limited
- Telecom Repair Services Limited
- Telecom Paging Limited
- New Zealand Telecommunications Systems Support Centre Limited
- Comtel Communications Limited
- Telecom Corporation of New Zealand (Overseas Finance) Limited
- TCNZ (UK) Investments Limited
- TCNZ (United Kingdom) Securities Limited
- TCNZ Finance Limited
- TCNZ Financial Services Limited
- Telecom Wellington Investments Limited
- Telecom Operations Limited
- TCNZ Equities Limited (formerly Mokuso Holdings Limited)
- Teleco Insurance, Inc
- Telecom Purchasing Limited
- Jetstream Technology Limited

In-substance subsidiaries

- Netway Communications Limited

Associate companies

- Pacific Star Communications Pty Limited
15 SEGMENTAL REPORTING

The Company's principal business activity is the provision of telecommunication services, constituting more than 90% of total operating revenues, operating earnings and identifiable assets.

The Company's business is conducted predominantly in New Zealand and is therefore within one geographical area for reporting purposes.
REPORT OF THE AUDITORS
TO THE MEMBERS OF TELECOM AUCKLAND LIMITED

The financial statements are in agreement with the accounting records which, in our opinion, have been properly kept. We obtained the information and explanations we required.

In our opinion, the financial statements give, under the historical cost convention a true and fair view of the state of the Company's affairs at 30 September 1992 and of the earnings for the six months ended on that date and they comply with the Telecommunications (Disclosure) Regulations 1990.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
AUCKLAND, 12 NOVEMBER 1992
CONSOLIDATED STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1992

<table>
<thead>
<tr>
<th></th>
<th>Six months ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 September</td>
<td>31 March</td>
</tr>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>253,067</td>
<td>254,222</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(186,093)</td>
<td>(180,159)</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>66,974</td>
<td>74,063</td>
</tr>
<tr>
<td>Investment income</td>
<td>693</td>
<td>276</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(19,062)</td>
<td>(21,744)</td>
</tr>
<tr>
<td>Earnings before income tax</td>
<td>48,605</td>
<td>52,595</td>
</tr>
<tr>
<td>Income tax</td>
<td>(16,213)</td>
<td>(17,529)</td>
</tr>
<tr>
<td>Net earnings</td>
<td><strong>32,392</strong></td>
<td><strong>35,066</strong></td>
</tr>
</tbody>
</table>

The accompanying notes form part of and are to be read in conjunction with these financial statements.
# TELECOM CENTRAL LIMITED AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEET

### AS AT 30 SEPTEMBER 1992

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
<td></td>
</tr>
</tbody>
</table>

### ASSETS

**Current assets:**
- Cash: 78,887, 1,268
- Accounts receivable and prepaid expenses: 102,068, 76,172, 68,257
- Inventories: 11,800, 18,520, 13,080

**Total current assets:** 113,946, 95,579, 82,605

- Investment in fellow subsidiary company: 1,020, 780, 1,180
- Other assets: 5,076, 9,679, 6,823
- Fixed assets: 862,756, 884,241, 877,758

**Total assets:** 982,798, 990,279, 968,366

### LIABILITIES AND SHAREHOLDERS' EQUITY

**Current liabilities:**
- Bank overdraft: 239, 1,059
- Debt due within one year: 9, 4,911, 4,199, 4,805
- Taxation payable: 4, 12,419, 7,077, 6,450
- Accounts payable and accruals: 8, 51,223, 69,152, 70,253
- Proposed dividend: 30,270, 31,571

**Total current liabilities:** 99,062, 113,058, 81,508

- Deferred income tax: 4, 7,277, 8,350, 6,418
- Long term debt: 9, 297,407, 342,079, 300,010

**Total liabilities:** 403,746, 463,487, 387,936

**Commitments and contingent liabilities:** 11,12

**Shareholders' equity:**
- Ordinary shares, $1.00 each: 88,456, 88,456, 88,456
- Redeemable preference shares, $1.00 each: 46, 42, 46
- Share premium reserve: 455,554, 419,058, 459,054
- Retained earnings: 34,996, 19,236, 32,874

**Total shareholders' equity:** 579,052, 526,792, 580,430

**Total liabilities and shareholders' equity:** 982,798, 990,279, 968,366

The accompanying notes form part of and are to be read in conjunction with these financial statements.

On behalf of the Board

G A HODDINOTT  
DIRECTOR

S E GLENN  
DIRECTOR

HAMILTON, 12 NOVEMBER 1992
TELECOM CENTRAL LIMITED AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

(a) CONSTITUTION, OWNERSHIP AND ACTIVITIES

Telecom Central Limited (the "Company"), was incorporated on 6th December 1988 and is a wholly-owned subsidiary of Telecom Corporation of New Zealand Limited (the "parent company" or "Telecom").

With effect from 1 April 1989 Telecom was restructured into a number of Regional Operating and New Venture companies and as a result, transferred to certain subsidiaries, including Telecom Central Limited, at net book value, the telecommunication equipment and other assets and liabilities relating to business previously conducted by Telecom. Telecom and its subsidiaries now together form the Telecom "Group".

The parent company was wholly-owned by Her Majesty the Queen in Right of New Zealand (the "Crown") until 12 September 1990, when, pursuant to an agreement dated 14 June 1990, the Crown sold its shares to subsidiaries of two American companies, Ameritech Corporation ("Ameritech") and Bell Atlantic Corporation ("Bell Atlantic"). Ameritech and Bell Atlantic then agreed to sell a combined 10% interest to a company, Carla Nominees Limited (which was subsequently superseded at 31 March 1992 by two companies - Rontas Holdings Limited and MYNZA Holdings Limited) controlled by two New Zealand companies, Freightways Holdings Limited ("Freightways") and Midavia Holdings Limited ("Midavia"), formerly Fay, Richwhite Holdings Limited. To comply with their agreement with the Crown, Ameritech and Bell Atlantic are obligated to reduce their combined ownership of Telecom to not more than 49.9% of the outstanding share capital by September 1993 (or, under certain circumstances and with the consent of the New Zealand government, by September 1994). At the completion of this transaction period, Ameritech and Bell Atlantic will each own not more than 24.95% of Telecom.

In July 1991, to satisfy partially this obligation, Ameritech and Bell Atlantic sold 724.5 million shares in Telecom (representing approximately 31% of the then outstanding share capital) to the public and institutions in a worldwide offering.

At 30 September 1992, Ameritech and Bell Atlantic held a combined 1,614,441,112 ordinary shares (68.4% of the outstanding share capital) and Rontas Holdings Limited and MYNZA Holdings Limited each held 5,529,444 ordinary shares.

The Crown holds, and will continue to hold, one special rights convertible preference share (the "Kiwi Share") in Telecom which assures that:

- A local free-calling option will be maintained for all residential customers.
- The standard residential rental for ordinary residential telephone service will not rise faster than the cost of living as measured by the New Zealand Consumer Price Index unless Telecom's Regional Operating Company profits are unreasonably impaired.
- Line rentals for residential customers in rural areas will be no higher than the standard residential rental, and ordinary residential telephone service will remain as widely available as it was as at 11 September 1990.

The principal activity of Telecom Central Limited is the provision of telecommunication services in the North Island excluding the Auckland, Northland and Wellington regions.
STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) GENERAL ACCOUNTING POLICIES
The measurement basis adopted in the preparation of these financial statements is historical cost. Accrual accounting is used to match income and expenses.

(c) SPECIFIC ACCOUNTING POLICIES

REVENUE RECOGNITION
Revenues for all services are recognised when earned. Billings for telephone services are made on a monthly basis throughout the month. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue recognition is deferred in respect of that portion of fixed monthly charges which have been billed in advance.

Revenue principally includes telephone line rental, national calls, leased circuits and the rental, sale, maintenance and installation of customer premises equipment and related products.

FIXED ASSETS
Fixed assets are valued at the cost at which they were purchased by Telecom Corporation of New Zealand Limited from the Crown as at 1 April 1987, adjusted by subsequent additions at cost, disposals and depreciation. The fixed assets were purchased from the Crown on the basis of depreciated replacement cost using estimated remaining lives as at 1 April 1987.

Telecom Central Limited purchased fixed assets from Telecom as at 1 April 1989 at cost (as above) less accumulated depreciation pursuant to a Sale and Purchase Agreement dated 31 March 1989 and a supplementary agreement dated 28 September 1989. Subsequent additions have been recorded at cost.

The cost of additions to plant and equipment constructed within the Telecom Group subsequent to 1 April 1987 consists of all appropriate costs of development, construction and installation comprising material, labour, direct overheads and transport costs.

Effective 1 April 1989 for each fixed asset project having a cost in excess of $10 million and a construction period of not less than 12 months, interest cost incurred during the period of time that is required to complete and prepare the fixed asset ready for its intended use is capitalised as part of the total cost.

Where capital project commitments are hedged against foreign currency rate risk, the capital project is recorded at the hedged exchange rate.

Telecommunication equipment includes that part of the network system up to and including the contracted demarcation point, terminal equipment installed within customers' premises and the cabling and wiring within commercial buildings where this has been supplied by the Group in its own right.

Costs associated with the installation, connection and provision of services are charged to earnings.

Maintenance and repairs, including minor renewals and betterments, are charged to earnings as incurred.
STATEMENT OF ACCOUNTING POLICIES (Continued)

DEPRECIATION

Depreciation is charged on a straight line basis so as to write down the cost of the fixed assets to their estimated residual value over their estimated economic lives, which are as follows:

- Telecommunication equipment and plant:
  - Customer local loop: 5-30 years
  - Junctions and trunk transmission systems: 10-30 years
  - Switching equipment: 5-15 years
  - Customer premises equipment: 5 years
  - Other network equipment: 5-25 years
- Buildings: 40-100 years
- Motor vehicles: 5 years
- Furniture and fittings: 5-10 years
- Computer equipment: 3-5 years

When depreciable assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gains or losses on disposal are recognised in earnings.

Land and capital work in progress are not depreciated.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at expected realisable value after providing for bad and doubtful accounts.

INVENTORIES

Inventories are comprised principally of materials for self constructed network assets, critical maintenance spares and customer premises equipment held for rental or resale. They are stated at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is determined on a first in first out basis.

LEASES

The Company is lessor of customer premises equipment. Rental income applicable to operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are taken to revenue as earned.

Additionally, the Company is lessee of certain plant, equipment, land and buildings under both operating and finance leases. Expenses relating to operating leases are charged against earnings as incurred. Finance leases, which effectively transfer to the entity substantially all the risks and benefits of ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are amortised over the period the entity is expected to benefit from their use.

No material finance leases have been entered into as lessor.

COMPENSATED ABSENCES

The liability for employees' compensation for future absences is accrued in respect of employees' services already rendered and where the obligation relates to rights which have vested. Such liability is reflected within accrued personnel costs.
LIABILITY FOR EMPLOYEES' SEVERANCE PAYMENTS

Severance payments are accrued in respect of any employees whose positions have been specifically
designated as being surplus to the needs of the Company. Employees whose services with the Company are so
terminated are normally entitled to lump-sum severance payments determined by reference to current basic
rate of pay, length of service and conditions under which the termination occurs. The continued period during
which a terminating employee served both the New Zealand Post Office and subsequently the Telecom Group
constitutes the length of service.

Such liabilities are reflected within accrued personnel costs.

PENSIONS

Contributions are made into the Government Superannuation Fund (the "Fund") in respect of those employees
who are members of the Fund at a rate specified under the Sale and Purchase Agreement whereby Telecom
acquired the telecommunication business of the New Zealand Post Office on 1 April 1987. Additionally, full
provision is made for the accrued pension costs relating to members of the Telecom Employees' Pension Plan
(the "Plan") upon the basis of actuarial valuations, which are to be made at least once every three years.
Contributions to the Fund and the Plan are charged against earnings.

TAXATION

The taxation expense charged to earnings includes both current and deferred tax and is calculated after
allowing for permanent differences. Deferred taxation calculated using the liability method is accounted for
on all significant timing differences between the earnings stated in the financial statements and the assessable
income computed for taxation purposes. Deferred taxation is recognised only on those timing differences that
are expected to reverse within the foreseeable future.

FOREIGN CURRENCIES

The financial statements are expressed in New Zealand dollars. Foreign currency transactions are recorded at
the exchange rate ruling at the date of the transaction except for hedged transactions, which are recorded at
the hedged exchange rate. Monetary assets and liabilities denominated in foreign currencies have been
translated to New Zealand currency at the spot rates of exchange ruling at balance date. Realised and
unrealised profits and losses on foreign exchange transactions are recognised in earnings for the period.

The Company enters into contracts with Telecom (as the Group's central treasury operation) to manage the
Company's foreign exchange exposure.

RECLASSIFICATIONS

Certain reclassifications of prior periods' data have been made to conform to current period classifications.

(c) CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies during the period. All significant accounting
policies have been applied on a consistent basis.
### 2 OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>186,093</td>
<td>180,159</td>
<td>359,421</td>
</tr>
</tbody>
</table>

Included in operating expenses are:

- **Audit fees**: 127 (1992), 100 (1991), 200 (1992)
- **Intercompany management fee**: 11,904 (1992), 9,380 (1991), 18,816 (1992)
- **Foreign exchange gains**: - (4) (1992), 0 (1991), (27) (1992)
- **Lease and rental costs**: 3,070 (1992), 2,831 (1991), 5,495 (1992)

### 3 INVESTMENT INCOME/INTEREST EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
<td></td>
</tr>
<tr>
<td>Interest income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Intercompany</td>
<td>628</td>
<td>273</td>
<td>942</td>
</tr>
<tr>
<td>- Other</td>
<td>65</td>
<td>3</td>
<td>652</td>
</tr>
<tr>
<td>Total</td>
<td>693</td>
<td>276</td>
<td>1,594</td>
</tr>
</tbody>
</table>

|                      | 19,062                       | 21,647              | 41,660 |

| Interest expense:    |                              |                     |    |
| - Intercompany (including finance lease charges) | 19,062 | 21,647 | 41,660 |
| - Other              | -                            | 97                  | 194 |
| Total                | 19,062                       | 21,744              | 41,854 |
4 INCOME TAX

The income tax expense for the period is determined as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before income tax</td>
<td>48,605</td>
<td>52,595</td>
</tr>
<tr>
<td>Tax at current rate of 33%</td>
<td>16,039</td>
<td>17,356</td>
</tr>
<tr>
<td>Adjustment for permanent differences</td>
<td>174</td>
<td>173</td>
</tr>
<tr>
<td><strong>Total income tax expense</strong></td>
<td><strong>16,213</strong></td>
<td><strong>17,529</strong></td>
</tr>
</tbody>
</table>

The income tax expense is represented by:
- Current taxation
  - 15,442
  - 17,286
  - 38,736
- Deferred taxation
  - 771
  - 243
  - (531)

The balance sheet provisions are:

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Balance at beginning of period</td>
<td>(6,450)</td>
<td>6,648</td>
</tr>
<tr>
<td>- Total taxation in the current period</td>
<td>(15,442)</td>
<td>(17,286)</td>
</tr>
<tr>
<td>- Tax paid</td>
<td>9,473</td>
<td>3,561</td>
</tr>
<tr>
<td>- Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Taxation payable</strong></td>
<td><strong>(12,419)</strong></td>
<td><strong>(7,077)</strong></td>
</tr>
</tbody>
</table>

Deferred taxation:
- Balance at beginning of period | (6,418) | (8,419) | (8,419) |
- Provided in the current period | (771) | (243) | 531 |
- Other                        | (88) | 312 | 1,470 |

**Deferred income tax** | (7,277) | (8,350) | (6,418) |

A deferred tax asset at 30 September 1992 of $2.3 million in respect of timing differences relating to depreciation on buildings has not been recognised.
5 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance for doubtful accounts of $5.7 million (September 1991: $5.6 million, March 1992: $6.2 million)</td>
<td>43,423</td>
<td>49,517</td>
</tr>
<tr>
<td>Unbilled rentals and tolls</td>
<td>12,082</td>
<td>24,639</td>
</tr>
<tr>
<td>Due from fellow subsidiary companies</td>
<td>2,038</td>
<td>1,520</td>
</tr>
<tr>
<td>Due from parent</td>
<td>43,548</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>977</td>
<td>496</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>102,068</strong></td>
<td><strong>76,172</strong></td>
</tr>
</tbody>
</table>

6 OTHER ASSETS

Other assets include certain deferred expenditure amounting to $2.9 million (30 September 1991: $7.9 million, 31 March 1992: $5.4 million) incurred in relation to the installation of major computer systems. The deferred costs relating to each phase of the system are charged to earnings over a period of two years from the date upon which that phase of the system becomes fully operational. Deferred costs amortised during the six months ended 30 September 1992 amounted to $3.1 million (30 September 1991: $3.3 million, 31 March 1992: $7.1 million).

In addition, at 30 September 1992, other assets include $1.2 million (30 September 1991: $1.8 million, 31 March 1992: $1.4 million) being advances to the Trustee of two employee share purchase plans. These share purchase plans were established in July 1991 as part of the initial public offering and gave employees the opportunity to invest in Telecom, financed by interest free and favourable interest rate loans repayable over a three-year period.

The shares, which were purchased at the initial public offering price of $2 each, are held in trust for the employee for a restrictive period of three years, during which time voting rights will be exercised by the Trustee in its discretion.
7 FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Telecommunication equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>1,089,999</td>
<td>1,001,235</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(421,666)</td>
<td>(334,556)</td>
</tr>
<tr>
<td></td>
<td>668,333</td>
<td>666,679</td>
</tr>
<tr>
<td>Capital work in progress</td>
<td>32,884</td>
<td>50,856</td>
</tr>
<tr>
<td>Land</td>
<td>16,858</td>
<td>18,659</td>
</tr>
<tr>
<td>Buildings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>122,053</td>
<td>105,932</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(23,397)</td>
<td>(15,003)</td>
</tr>
<tr>
<td></td>
<td>98,656</td>
<td>90,929</td>
</tr>
<tr>
<td>Other fixed assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>87,727</td>
<td>103,435</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(41,702)</td>
<td>(46,317)</td>
</tr>
<tr>
<td></td>
<td>46,025</td>
<td>57,118</td>
</tr>
<tr>
<td>Total cost</td>
<td>1,349,521</td>
<td>1,280,117</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(486,765)</td>
<td>(395,876)</td>
</tr>
<tr>
<td>Total net book value</td>
<td>862,756</td>
<td>884,241</td>
</tr>
</tbody>
</table>

Included in telecommunications equipment, at 30 September 1992, 30 September 1991 and 31 March 1992 respectively, is equipment (principally customer premises equipment) leased to customers under operating leases with a cost of $105.2 million, $103.3 million and $102.6 million, together with accumulated depreciation of $91.8 million, $79.3 million and $87.2 million.

During the period to 30 September 1992 there were reclassifications from other fixed assets of tools and plant, and fittings to telecommunications equipment and buildings respectively. Other fixed assets now include vehicles, office equipment, furniture and computer equipment.

During the year ended 31 March 1992, the Company entered into a sale and leaseback of telecommunications equipment with a fellow group company. At 30 September 1992, 30 September 1991 and 31 March 1992, assets capitalised under finance leases associated with this transaction had a cost of $50.3 million and accumulated depreciation of $6.3 million (30 September 1991: $0.6 million, 31 March 1992: $3.6 million).
7 FIXED ASSETS (Continued)

REGISTRATION OF TITLE TO LAND

Certificates of title for freehold interests in land included in the assets purchased from the Crown are being progressively raised by the Crown and transferred to Group companies. Titles for substantially all of the freehold interests have now been issued and, for the remainder, equitable ownership rests with the Group.

LAND CLAIMS

Under the Treaty of Waitangi Act 1975 all interests in land included in the assets purchased from the Crown may be subject to claims to the Waitangi Tribunal which has the power to recommend in appropriate circumstances, with binding effect, that the land be resumed by the Crown in order that it be returned to Maori claimants. In the event that land is resumed by the Crown, compensation will be paid to Telecom under the provisions of the Public Works Act 1981. If this is insufficient to cover the loss, certain additional compensation is payable under the provisions of the Sale and Purchase Agreement between Telecom and the Crown.

Under the State Owned Enterprises Act 1986 the Governor General of New Zealand may if satisfied that any land or interest in land held by Telecom is Wahi Tapu (being land of special spiritual, cultural or historical tribal significance) declare by Order in Council that the land be resumed by the Crown, with compensation payable to Telecom under the provisions of the Public Works Act 1981.

Telecom would expect to negotiate with the new Maori owners for continued occupancy rights of any sites resumed by the Crown.

8 ACCOUNTS PAYABLE AND ACCRUALS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Trade accounts payable and accruals</td>
<td>20,878</td>
<td>18,594</td>
</tr>
<tr>
<td>Accrued personnel costs</td>
<td>9,859</td>
<td>10,987</td>
</tr>
<tr>
<td>Rentals billed in advance</td>
<td>9,699</td>
<td>9,995</td>
</tr>
<tr>
<td>Payable to fellow subsidiary companies</td>
<td>10,787</td>
<td>20,615</td>
</tr>
<tr>
<td>Payable to parent company</td>
<td>-</td>
<td>8,961</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51,223</strong></td>
<td><strong>69,152</strong></td>
</tr>
</tbody>
</table>

Interest rates on the parent company current account ranged from 12.29% to 12.77% for the six months ended 30 September 1992. The parent company current account is repayable on demand.
### NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

#### 9 LONG TERM DEBT

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent company loan</td>
<td>255,061</td>
<td>294,822</td>
</tr>
<tr>
<td>Other loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Due to fellow group company</td>
<td>46,649</td>
<td>50,265</td>
</tr>
<tr>
<td>- Other</td>
<td>608</td>
<td>1,191</td>
</tr>
<tr>
<td></td>
<td>47,257</td>
<td>51,456</td>
</tr>
<tr>
<td>- Less long term debt maturing within one year</td>
<td>(4,911)</td>
<td>(4,199)</td>
</tr>
<tr>
<td></td>
<td>42,346</td>
<td>47,257</td>
</tr>
<tr>
<td></td>
<td>297,407</td>
<td>342,079</td>
</tr>
</tbody>
</table>

Interest rates on the parent company loan ranged from 12.29% to 12.77% for six months ended 30 September 1992. The parent company loan has no fixed date for repayment.

**SCHEDULE OF MATURITIES - Other loans**

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due 1 to 2 years</td>
<td>42,346</td>
<td>5,057</td>
</tr>
<tr>
<td>Due 2 to 3 years</td>
<td>-</td>
<td>42,200</td>
</tr>
<tr>
<td><strong>Total due after one year</strong></td>
<td>42,346</td>
<td>47,257</td>
</tr>
</tbody>
</table>

Other loans are for the finance lease obligations of office equipment, with interest and principal paid monthly at 16.0% p.a., and telecommunication equipment, with interest and principal paid quarterly at 12.9% p.a.
**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

---

### 10 SHAREHOLDERS' EQUITY

#### SHARE PREMIUM RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at beginning of period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Consisting of a premium of $9,999 on 45,910 redeemable preference shares)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Movements during the period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Premium of $9,999 on 350 redeemable preference shares</td>
<td>(3,500)</td>
<td>-</td>
</tr>
<tr>
<td>- Premium of $9,999 on 4,000 redeemable preference shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>455,554</strong></td>
<td><strong>419,058</strong></td>
</tr>
</tbody>
</table>

Dividends declared apply to redeemable preference shares as if they were ordinary shares. On winding up of the company preference shareholders rank in priority to ordinary shareholders in respect of outstanding dividends and the issue price of the redeemable preference shares. The redeemable preference shares are subject to redemption, at the issue price five days after written notice from the holder.

#### RETAINED EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at beginning of period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td>32,392</td>
<td>35,066</td>
</tr>
<tr>
<td>Dividends</td>
<td>(30,270)</td>
<td>(31,571)</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>34,996</strong></td>
<td><strong>19,236</strong></td>
</tr>
</tbody>
</table>

#### DIVIDENDS

Interim and final dividends declared from the retained earnings of the Company are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interim dividends</strong></td>
<td>30,270</td>
<td>31,571</td>
</tr>
<tr>
<td><strong>Final dividend</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,270</td>
<td>31,571</td>
</tr>
</tbody>
</table>
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 1992 for all non-cancellable operating leases are:

| Payable within 1 year | 3.9 |
| Payable within 1-2 years | 3.7 |
| Payable within 2-3 years | 3.2 |
| Payable within 3-4 years | 2.4 |
| Payable within 4-5 years | 1.9 |
| Payable thereafter | 3.0 |

$18.1

CAPITAL COMMITMENTS

As at 30 September 1992 capital expenditure amounting to $9.0 million (30 September 1991: $8.9 million, 31 March 1992: $9.6 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
In August 1991, a competitor filed proceedings against Telecom in connection with a request for a local service interconnection arrangement. 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. Substantive hearings in the suit were completed in October 1992. Judgement is awaited. Telecom believes that it has valid defences to these proceedings. Because there are very few precedents to assist Telecom in determining the outcome of these proceedings, Telecom cannot ascertain the likelihood of such proceedings being successful or the potential impact any judgement entered against it might have upon the trend of Telecom's future net earnings.

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

GUARANTEES
The Company has guaranteed, together with other subsidiary companies, approximately $1,613 million of the indebtedness of the parent company and other subsidiary companies at 30 September 1992 together with, in each case, interest thereon, principally under the following agreements:

(i) $424.2 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) $650.9 million under trust deeds made as of 20 September 1989 and 3 April 1992 and subsequent 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 122.6 million (NZ$408.1 million) under a deed poll dated 12 November 1990.

(iv) $129.8 million under a deed of guarantee dated 27 March 1992 in respect of the issue of Mandatory Convertible Notes by a fellow subsidiary. Further performance based guarantees have also been given by the company.

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.

13 RELATED PARTY TRANSACTIONS

RELATIONSHIP WITH PARENT AND FELLOW SUBSIDIARY COMPANIES
During the period the Company derived revenue (approximately 8.9%) from access fees, maintenance services and asset construction services provided to fellow subsidiaries. The Company also utilised network capacity and related services and group management services provided by fellow subsidiaries. Additionally, certain inventory and network assets were procured from and serviced by fellow subsidiaries. Such expenses represented approximately 22.3% of total operating expenses.

Outstanding intercompany balances as at 30 September 1992 are:

- Intercompany receivable and current account $45.6 million
- Intercompany payable $10.8 million
- Intercompany term liabilities $301.7 million

With the exception of the current account and the term liability to parent company, the balances are payable on normal trading terms. The current account is on call and the term liability to parent company has no fixed date for repayment. No related party debts have been written off or forgiven during the year.
14  FELLOW SUBSIDIARY COMPANIES
At 30 September 1992 the principal fellow subsidiaries were as follows:

- Telecom Auckland Limited
- Telecom Wellington Limited
- Telecom South Limited
- Telecom Networks and Operations Limited
- Telecom New Zealand International Limited (formerly Telecom Networks and International Limited)
- Telecom Directories Limited
- Telecom Equipment Supplies Limited
- Telecom Cellular Limited
- Telecom Mobile Radio Limited
- Telecom Repair Services Limited
- Telecom Paging Limited
- New Zealand Telecommunications Systems Support Centre Limited
- Comtel Communications Limited
- Telecom Corporation of New Zealand (Overseas Finance) Limited
- TCNZ (UK) Investments Limited
- TCNZ (United Kingdom) Securities Limited
- TCNZ Finance Limited
- TCNZ Financial Services Limited
- Telecom Wellington Investments Limited
- Telecom Operations Limited
- TCNZ Equities Limited (formerly Mokuso Holdings Limited)
- Teleco Insurance, Inc
- Telecom Purchasing Limited
- Jetstream Technology Limited

In-substance subsidiaries

- Netway Communications Limited

Associate Companies

- Pacific Star Communications Pty Limited

15  SEGMENTAL REPORTING

The Company's principal business activity is the provision of telecommunication services, constituting more than 90% of total operating revenues, operating earnings and identifiable assets.

The Company's business is conducted predominantly in New Zealand and is therefore within one geographical area for reporting purposes.
REPORT OF THE AUDITORS
TO THE MEMBERS OF TELECOM CENTRAL LIMITED

The financial statements are in agreement with the accounting records which, in our opinion, have been properly kept. We obtained the information and explanations we required.

In our opinion, the financial statements give, under the historical cost convention a true and fair view of the state of the Company and its subsidiary's affairs at 30 September 1992 and of the earnings for the six months ended on that date and they comply with the Telecommunications (Disclosure) Regulations 1990.

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

HAMILTON, 12 NOVEMBER 1992
TELECOM WELLINGTON LIMITED

STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1992

<table>
<thead>
<tr>
<th>Notes</th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>136,210</td>
<td>152,865</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(119,471)</td>
<td>(127,065)</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>16,739</td>
<td>25,800</td>
</tr>
<tr>
<td>Investment income</td>
<td>9,069</td>
<td>6,368</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(23,208)</td>
<td>(17,646)</td>
</tr>
<tr>
<td>Earnings before income tax</td>
<td>2,600</td>
<td>14,522</td>
</tr>
<tr>
<td>Income tax</td>
<td>3,962</td>
<td>(1,677)</td>
</tr>
<tr>
<td>Net earnings</td>
<td>6,562</td>
<td>12,845</td>
</tr>
</tbody>
</table>

The accompanying notes form part of and are to be read in conjunction with these financial statements.
# TELECOM WELLINGTON LIMITED

## BALANCE SHEET

**AS AT 30 SEPTEMBER 1992**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
</tbody>
</table>

### ASSETS

**Current assets:**
- Cash: 2,819 113 1,647
- Short term investments: 6 3,123 57,123 3,123
- Accounts receivable and prepaid expenses: 5 36,893 60,767 58,231
- Inventories: 11,839 15,142 12,259
- Prepaid income tax: 4 7,840 972 2,993

**Total current assets:** 62,514 134,117 78,253

**Future tax benefit:** 6,987 4,429 7,877

**Investments:** 225,440 221,440 226,120

**Other assets:** 1,507 1,374 1,972

**Fixed assets:** 404,462 418,316 420,217

**Total assets:** 700,910 779,676 734,439

### LIABILITIES AND SHAREHOLDERS' EQUITY

**Current liabilities:**
- Bank overdraft
- Accounts payable and accruals: 10 36,821 95,269 55,032
- Proposed dividend: 7,050 14,640

**Total current liabilities:** 43,871 109,968 55,032

**Long term debt:** 361,015 316,215 361,695

**Total liabilities:** 404,886 426,183 416,727

**Commitments and contingent liabilities:**

**Shareholders' equity:**
- Ordinary shares, $1.00 each
- Redeemable preference shares, $1.00 each
- Authorised, issued and fully paid 15,034 shares
- Share premium reserve
- Capital redemption reserve
- Retained earnings

**Total shareholders' equity:**

**Total liabilities and shareholders' equity:** 700,910 779,676 734,439

_The accompanying notes form part of and are to be read in conjunction with these financial statements._

On behalf of the Board

_D L VANGILDER_  
DIRECTOR

_D M LOCKE_  
DIRECTOR

WELLINGTON, 12 NOVEMBER 1992
NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

(a) CONSTITUTION, OWNERSHIP AND ACTIVITIES

Telecom Wellington Limited (the "Company"), was incorporated on 6th December 1988 and is a wholly-owned subsidiary of Telecom Corporation of New Zealand Limited (the "parent company" or "Telecom").

With effect from 1 April 1989 Telecom was restructured into a number of Regional Operating and New Venture companies and as a result, transferred to certain subsidiaries, including Telecom Wellington Limited, at net book value, the telecommunication equipment and other assets and liabilities relating to business previously conducted by Telecom. Telecom and its subsidiaries now together form the Telecom "Group".

The parent company was wholly-owned by Her Majesty the Queen in Right of New Zealand (the "Crown") until 12 September 1990, when, pursuant to an agreement dated 14 June 1990, the Crown sold its shares to subsidiaries of two American companies, Ameritech Corporation ("Ameritech") and Bell Atlantic Corporation ("Bell Atlantic"). Ameritech and Bell Atlantic then agreed to sell a combined 10% interest to a company, Carla Nominees Limited (which was subsequently superseded at 31 March 1992 by two companies - Rontas Holdings Limited and MYNZA Holdings Limited) controlled by two New Zealand companies, Freightways Holdings Limited ("Freightways") and Midavia Holdings Limited ("Midavia"), formerly Fay, Richwhite Holdings Limited. To comply with their agreement with the Crown, Ameritech and Bell Atlantic are obligated to reduce their combined ownership of Telecom to not more than 49.9% of the outstanding share capital by September 1993 (or, under certain circumstances and with the consent of the New Zealand government, by September 1994). At the completion of this transaction period, Ameritech and Bell Atlantic will each own not more than 24.95% of Telecom.

In July 1991, to satisfy partially this obligation, Ameritech and Bell Atlantic sold 724.5 million shares in Telecom (representing approximately 31% of the then outstanding share capital) to the public and institutions in a worldwide offering.

At 30 September 1992, Ameritech and Bell Atlantic held a combined 1,614,441,112 ordinary shares (68.4% of the outstanding share capital) and Rontas Holdings Limited and MYNZA Holdings Limited each held 5,529,444 ordinary shares.

The Crown holds, and will continue to hold, one special rights convertible preference share (the "Kiwi Share") in Telecom which assures that:

- A local free-calling option will be maintained for all residential customers.
- The standard residential rental for ordinary residential telephone service will not rise faster than the cost of living as measured by the New Zealand Consumer Price Index unless Telecom's Regional Operating Company profits are unreasonably impaired.
- Line rentals for residential customers in rural areas will be no higher than the standard residential rental, and ordinary residential telephone service will remain as widely available as it was as at 11 September 1990.

The principal activity of Telecom Wellington Limited is the provision of telecommunication services in the Wellington region.
TELECOM WELLINGTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) GENERAL ACCOUNTING POLICIES

The measurement basis adopted in the preparation of these financial statements is historical cost. Accrual accounting is used to match income and expenses.

(c) SPECIFIC ACCOUNTING POLICIES

REVENUE RECOGNITION

Revenues for all services are recognised when earned. Billings for telephone services are made on a monthly basis throughout the month. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue recognition is deferred in respect of that portion of fixed monthly charges which have been billed in advance.

Revenue principally includes telephone line rental, national calls, leased circuits and the rental, sale, maintenance and installation of customer premises equipment and related products.

FIXED ASSETS

Fixed assets are valued at the cost at which they were purchased by Telecom Corporation of New Zealand Limited from the Crown as at 1 April 1987, adjusted by subsequent additions at cost, disposals and depreciation. The fixed assets were purchased from the Crown on the basis of depreciated replacement cost using estimated remaining lives as at 1 April 1987.

Telecom Wellington Limited purchased fixed assets from Telecom as at 1 April 1989 at cost (as above) less accumulated depreciation pursuant to a Sale and Purchase Agreement dated 31 March 1989 and a supplementary agreement dated 28 September 1989. Subsequent additions have been recorded at cost.

The cost of additions to plant and equipment constructed within the Telecom Group subsequent to 1 April 1987 consists of all appropriate costs of development, construction and installation comprising material, labour, direct overheads and transport costs.

Effective 1 April 1989 for each fixed asset project having a cost in excess of $10 million and a construction period of not less than 12 months, interest cost incurred during the period of time that is required to complete and prepare the fixed asset ready for its intended use is capitalised as part of the total cost.

Where capital project commitments are hedged against foreign currency rate risk, the capital project is recorded at the hedged exchange rate.

Telecommunication equipment includes that part of the network system up to and including the contracted demarcation point, terminal equipment installed within customers' premises and the cabling and wiring within commercial buildings where this has been supplied by the Group in its own right.

Costs associated with the installation, connection and provision of services are charged to earnings.

Maintenance and repairs, including minor renewals and betterments, are charged to earnings as incurred.
STATEMENT OF ACCOUNTING POLICIES (Continued)

DEPRECIATION
Depreciation is charged on a straight line basis so as to write down the cost of the fixed assets to their estimated residual value over their estimated economic lives, which are as follows:

<table>
<thead>
<tr>
<th>Fixed Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunication equipment and plant:</td>
<td></td>
</tr>
<tr>
<td>Customer local loop</td>
<td>5-30 years</td>
</tr>
<tr>
<td>Junctions and trunk transmission systems</td>
<td>10-30 years</td>
</tr>
<tr>
<td>Switching equipment</td>
<td>5-15 years</td>
</tr>
<tr>
<td>Customer premises equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Other network equipment</td>
<td>5-25 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>40-100 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>5-10 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3-5 years</td>
</tr>
</tbody>
</table>

When depreciable assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gains or losses on disposal are recognised in earnings.

Land and capital work in progress are not depreciated.

ACCOUNTS RECEIVABLE
Accounts receivable are recorded at expected realisable value after providing for bad and doubtful accounts.

INVENTORIES
Inventories are comprised principally of materials for self constructed network assets, critical maintenance spares and customer premises equipment held for rental or resale. They are stated at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is determined on a first in first out basis.

INVESTMENTS
Short term investments consist of investments which mature or are otherwise realisable within not more than 12 months from the date of purchase and are stated at market value (where available), with the resulting gains or losses taken to earnings.

Non-current investments (and short term investments where no market value is available) are stated at the lower of cost, or where the directors consider that there has been a permanent diminution in value, at directors' valuation.

LEASES
The Company is lessor of customer premises equipment. Rental income applicable to operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are taken to revenue as earned.

Additionally, the Company is lessee of certain plant, equipment, land and buildings under operating leases. Expenses relating to operating leases are charged against earnings as incurred.

No material finance leases have been entered into as lessor or lessee.
COMPENSATED ABSENCES
The liability for employees' compensation for future absences is accrued in respect of employees' services already rendered and where the obligation relates to rights which have vested. Such liability is reflected within accrued personnel costs.

LIABILITY FOR EMPLOYEES' SEVERANCE PAYMENTS
Severance payments are accrued in respect of any employees whose positions have been specifically designated as being surplus to the needs of the Company. Employees whose services with the Company are so terminated are normally entitled to lump-sum severance payments determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs. The continued period during which a terminating employee served both the New Zealand Post Office and subsequently the Telecom Group constitutes the length of service.

Such liabilities are reflected within accrued personnel costs.

PENSIONS
Contributions are made into the Government Superannuation Fund (the "Fund") in respect of those employees who are members of the Fund at a rate specified under the Sale and Purchase Agreement whereby Telecom acquired the telecommunication business of the New Zealand Post Office on 1 April 1987. Additionally, full provision is made for the accrued pension costs relating to members of the Telecom Employees' Pension Plan (the "Plan") upon the basis of actuarial valuations, which are to be made at least once every three years. Contributions to the Fund and the Plan are charged against earnings.

TAXATION
The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for permanent differences. Deferred taxation calculated using the liability method is accounted for on all significant timing differences between the earnings stated in the financial statements and the assessable income computed for taxation purposes. Deferred taxation is recognised only on those timing differences that are expected to reverse within the foreseeable future.

FOREIGN CURRENCIES
The financial statements are expressed in New Zealand dollars. Foreign currency transactions are recorded at the exchange rate ruling at the date of the transaction except for hedged transactions, which are recorded at the hedged exchange rate. Monetary assets and liabilities denominated in foreign currencies have been translated to New Zealand currency at the spot rates of exchange ruling at balance date. Realised and unrealised profits and losses on foreign exchange transactions are recognised in earnings for the period.

The Company enters into contracts with Telecom (as the Group's central treasury operation) to manage the Company's foreign exchange exposure.

RECLASSIFICATIONS
Certain reclassifications of prior periods' data have been made to conform to current period classifications.

(d) CHANGES IN ACCOUNTING POLICIES
There have been no material changes in accounting policies during the period. All significant accounting policies have been applied on a consistent basis.
### 2 OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>119,471</td>
<td>127,065</td>
<td>245,667</td>
</tr>
</tbody>
</table>

Included in operating expenses are:
- Depreciation          27,947 | 27,282 | 56,113 |
- Audit fees            102  | 100   | 200   |
- Intercompany management fee 6,867 | 6,252 | 12,532 |
- Lease and rental costs 6,242 | 6,443 | 11,863 |

### 3 INVESTMENT INCOME/INTEREST EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Interest income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Intercompany</td>
<td>291</td>
<td>1,069</td>
</tr>
<tr>
<td>- Other</td>
<td>6</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>297</td>
<td>1,097</td>
</tr>
</tbody>
</table>

Dividend income from fellow subsidiary company 8,772 | 5,271 | 15,208 |

Total investment income 9,069 | 6,368 | 17,849 |

Interest expense:
- Intercompany 23,208 | 17,646 | 42,188 |
4 INCOME TAX

The income tax expense for the period is determined as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 September</td>
<td>31 March</td>
</tr>
<tr>
<td>Earnings before income tax</td>
<td>2,600</td>
<td>31,372</td>
</tr>
<tr>
<td>Tax at current rate of 33%</td>
<td>858</td>
<td>10,353</td>
</tr>
<tr>
<td>Adjustment for permanent differences:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends received</td>
<td>(2,895)</td>
<td>(5,019)</td>
</tr>
<tr>
<td>Group tax loss offset</td>
<td>(1,965)</td>
<td>(3,221)</td>
</tr>
<tr>
<td>Other</td>
<td>40</td>
<td>(111)</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>(3,962)</td>
<td>1,677</td>
</tr>
</tbody>
</table>

The income tax expense is represented by:

- Current taxation
  - (4,847) 173 2,926
- Deferred taxation
  - 885 1,504 (1,946)

The balance sheet provisions are:

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1992</td>
<td>1992</td>
</tr>
<tr>
<td>Current taxation:</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>- Balance at beginning of period</td>
<td>2,993</td>
<td>794</td>
</tr>
<tr>
<td>- Total taxation in the current period</td>
<td>4,847</td>
<td>(173)</td>
</tr>
<tr>
<td>- Tax paid</td>
<td>-</td>
<td>351</td>
</tr>
<tr>
<td>- Other</td>
<td>-</td>
<td>596</td>
</tr>
<tr>
<td>Prepaid income tax</td>
<td>7,840</td>
<td>972</td>
</tr>
<tr>
<td>Deferred taxation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Balance at beginning of period</td>
<td>(7,877)</td>
<td>(5,780)</td>
</tr>
<tr>
<td>- Provided in the current period</td>
<td>885</td>
<td>1,504</td>
</tr>
<tr>
<td>- Other</td>
<td>5</td>
<td>(153)</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>(6,987)</td>
<td>(4,429)</td>
</tr>
</tbody>
</table>

A deferred tax asset at 30 September 1992 of $0.4 million in respect of timing differences relating to depreciation on buildings has not been recognised.
5 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable, net of allowance for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>doubtful accounts of $2.5 million (September 1991:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$4.7 million, March 1992: $3.5 million)</td>
<td>19,851</td>
<td>38,386</td>
</tr>
<tr>
<td>Unbilled rentals and tolls</td>
<td>14,343</td>
<td>19,977</td>
</tr>
<tr>
<td>Due from fellow subsidiary companies</td>
<td>1,852</td>
<td>2,163</td>
</tr>
<tr>
<td>Due from parent company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>847</td>
<td>241</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,893</strong></td>
<td><strong>60,767</strong></td>
</tr>
</tbody>
</table>

6 SHORT TERM INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redemable preference units</td>
<td>3,123</td>
<td>3,123</td>
</tr>
<tr>
<td>Redemable preference shares in fellow subsidiary company</td>
<td>-</td>
<td>54,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,123</strong></td>
<td><strong>57,123</strong></td>
</tr>
</tbody>
</table>

7 INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redemable preference shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fellow subsidiary companies</td>
<td>214,840</td>
<td>210,840</td>
</tr>
<tr>
<td>- Other</td>
<td>10,600</td>
<td>10,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>225,440</strong></td>
<td><strong>221,440</strong></td>
</tr>
</tbody>
</table>

8 OTHER ASSETS

Other assets include certain deferred expenditure amounting to $0.9 million (30 September 1991: nil, 31 March 1992: $1.1 million) incurred in relation to the installation of major computer systems. The deferred costs relating to each phase of the system are charged to earnings over a period of two years from the date upon which that phase of the system becomes fully operational. Deferred costs amortised during the six months ended 30 September 1992 amounted to $0.3 million (30 September 1991: nil, 31 March 1992: $0.5 million).
8 OTHER ASSETS (Continued)
In addition, at 30 September 1992, other assets include $0.6 million (30 September 1991: $1.1 million, 31 March 1992: $0.9 million) being advances to the Trustee of two employee share purchase plans. These share purchase plans were established in July 1991 as part of the initial public offering and gave employees the opportunity to invest in Telecom, financed by interest free and favourable interest rate loans repayable over a three-year period.

The shares, which were purchased at the initial public offering price of $2 each, are held in trust for the employee for a restrictive period of three years, during which time voting rights will be exercised by the Trustee in its discretion.

9 FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunication equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>493,257</td>
<td>461,579</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(231,386)</td>
<td>(190,726)</td>
</tr>
<tr>
<td></td>
<td>261,871</td>
<td>270,853</td>
</tr>
<tr>
<td>Capital work in progress</td>
<td>8,761</td>
<td>9,401</td>
</tr>
<tr>
<td>Land</td>
<td>41,881</td>
<td>41,904</td>
</tr>
<tr>
<td>Buildings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>72,586</td>
<td>64,075</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(13,430)</td>
<td>(7,656)</td>
</tr>
<tr>
<td></td>
<td>59,156</td>
<td>56,419</td>
</tr>
<tr>
<td>Other fixed assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>60,032</td>
<td>64,873</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(27,239)</td>
<td>(25,134)</td>
</tr>
<tr>
<td></td>
<td>32,793</td>
<td>39,739</td>
</tr>
<tr>
<td>Total cost</td>
<td>676,517</td>
<td>641,832</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(272,055)</td>
<td>(223,516)</td>
</tr>
<tr>
<td>Total net book value</td>
<td>404,462</td>
<td>418,316</td>
</tr>
</tbody>
</table>

Included in telecommunications equipment, at 30 September 1992, 30 September 1991 and 31 March 1992 respectively, is equipment (principally customer premises equipment) leased to customers under operating leases with a cost of $102.0 million, $102.7 million and $101.0 million, together with accumulated depreciation of $84.1 million, $74.3 million and $79.1 million.

During the period to 30 September 1992 there were reclassifications from other fixed assets of tools and plant, and fittings to telecommunications equipment and buildings respectively. Other fixed assets now include vehicles, office equipment, furniture and computer equipment.
9  FIXED ASSETS (Continued)

REGISTRATION OF TITLE TO LAND

Certificates of title for freehold interests in land included in the assets purchased from the Crown are being progressively raised by the Crown and transferred to Group companies. Titles for substantially all of the freehold interests have now been issued and, for the remainder, equitable ownership rests with the Group.

LAND CLAIMS

Under the Treaty of Waitangi Act 1975 all interests in land included in the assets purchased from the Crown may be subject to claims to the Waitangi Tribunal which has the power to recommend in appropriate circumstances, with binding effect, that the land be resumed by the Crown in order that it be returned to Maori claimants. In the event that land is resumed by the Crown, compensation will be paid to Telecom under the provisions of the Public Works Act 1981. If this is insufficient to cover the loss, certain additional compensation is payable under the provisions of the Sale and Purchase Agreement between Telecom and the Crown.

Under the State Owned Enterprises Act 1986 the Governor General of New Zealand may if satisfied that any land or interest in land held by Telecom is Wahi Tapu (being land of special spiritual, cultural or historical tribal significance) declare by Order in Council that the land be resumed by the Crown, with compensation payable to Telecom under the provisions of the Public Works Act 1981.

Telecom would expect to negotiate with the new Maori owners for continued occupancy rights of any sites resumed by the Crown.

10  ACCOUNTS PAYABLE AND ACCRUALS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Trade accounts payable and accruals</td>
<td>12,714</td>
<td>10,768</td>
</tr>
<tr>
<td>Accrued personnel costs</td>
<td>7,048</td>
<td>8,020</td>
</tr>
<tr>
<td>Rentals billed in advance</td>
<td>3,285</td>
<td>4,852</td>
</tr>
<tr>
<td>Payable to fellow subsidiary companies</td>
<td>13,320</td>
<td>20,381</td>
</tr>
<tr>
<td>Payable to parent company</td>
<td>454</td>
<td>51,248</td>
</tr>
<tr>
<td></td>
<td>36,821</td>
<td>95,269</td>
</tr>
</tbody>
</table>

Interest rates on the parent company current account ranged from 12.29% to 12.77% for the six months ended 30 September 1992. The parent company current account is repayable on demand.
11  LONG TERM DEBT

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Parent company loan</td>
<td>361,015</td>
<td>316,215</td>
</tr>
</tbody>
</table>

Interest rates on the parent company loan ranged from 10.34% to 12.77% for the six months ended 30 September 1992. The parent company loan has no fixed date for repayment.

12  SHAREHOLDERS' EQUITY

SHARE PREMIUM RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>171,523</td>
<td>216,318</td>
</tr>
</tbody>
</table>

(Consisting of a premium of $9,999 on 17,154 redeemable preference shares)

Movements during the period

- Premium of $9,999 on 2,120 redeemable preference shares (21,198) - -
- Premium of $9,999 on 4,480 redeemable preference shares - - (44,795)

150,325 216,318 171,523

Dividends declared apply to redeemable preference shares as if they were ordinary shares. On winding up the company preference shareholders rank in priority to ordinary shareholders in respect of outstanding dividends and the issue price of the redeemable preference shares. The redeemable preference shares are subject to redemption, at the issue price five days after written notice from the holder.

CAPITAL REDEMPTION RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>4</td>
<td>-</td>
</tr>
</tbody>
</table>

Movements during the period

- Transfer from retained earnings 3 - 4

7 - 4
12 SHAREHOLDERS' EQUITY (Continued)

RETAINED EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>53,454</td>
<td>46,234</td>
</tr>
<tr>
<td>Net earnings</td>
<td>6,562</td>
<td>12,845</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to capital redemption reserve</td>
<td>(3)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>(7,050)</td>
<td>(14,640)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>52,963</td>
<td>44,439</td>
</tr>
</tbody>
</table>

DIVIDENDS

Interim and final dividends declared from the retained earnings of the Company are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim dividends</td>
<td>7,050</td>
<td>14,640</td>
</tr>
<tr>
<td>Final dividend</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>7,050</td>
<td>14,640</td>
</tr>
</tbody>
</table>

13 COMMITMENTS

OPERATING LEASES

Operating lease commitments are mainly in respect of leases of land and buildings. Minimum rental commitments as at 30 September 1992 for all non-cancellable operating leases are:

(in millions)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable within 1 year</td>
<td>9.3</td>
</tr>
<tr>
<td>Payable within 1-2 years</td>
<td>8.8</td>
</tr>
<tr>
<td>Payable within 2-3 years</td>
<td>8.5</td>
</tr>
<tr>
<td>Payable within 3-4 years</td>
<td>8.1</td>
</tr>
<tr>
<td>Payable within 4-5 years</td>
<td>7.8</td>
</tr>
<tr>
<td>Payable thereafter</td>
<td>25.8</td>
</tr>
<tr>
<td></td>
<td>$68.3</td>
</tr>
</tbody>
</table>

CAPITAL COMMITMENTS

As at 30 September 1992 capital expenditure amounting to $1.9 million (30 September 1991: $8.6 million, 31 March 1992: $1.7 million) has been committed under contractual arrangements.
CONTINGENT LIABILITIES

LAND CLAIMS
As stated in Note 9, 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
In August 1991, a competitor filed proceedings against Telecom, including Telecom Wellington, in connection with a request for a local service interconnection arrangement. 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. Substantive hearings in the suit were completed in October 1992. Judgement is awaited. Telecom believes that it has valid defences to these proceedings. Because there are very few precedents to assist Telecom in determining the outcome of these proceedings, Telecom cannot ascertain the likelihood of such proceedings being successful or the potential impact any judgement entered against it might have upon the trend of Telecom’s future net earnings.

Various other lawsuits, claims and investigations have been brought by or against the Company. The Board of Directors believes 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 has guaranteed, together with other subsidiary companies, approximately $1,613 million of the indebtedness of the parent company and other subsidiary companies at 30 September 1992, together with, in each case, interest thereon, principally under the following agreements:

(i) $424.2 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) $650.9 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 122.6 million (NZ$408.1 million) under a deed poll dated 12 November 1990.

(iv) $129.8 million under a deed of guarantee dated 27 March 1992 in respect of the issue of Mandatory Convertible Notes by a fellow subsidiary. Further performance based guarantees have also been given by the company.

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.
15 RELATED PARTY TRANSACTIONS

RELATIONSHIP WITH PARENT AND FELLOW SUBSIDIARY COMPANIES
During the period the Company derived revenue (approximately 8.5%) from access fees, maintenance services and asset construction services provided to fellow subsidiaries. The Company also utilised network capacity and related services and group management services provided by fellow subsidiaries. Additionally, certain inventory and network assets were procured from and serviced by fellow subsidiaries. Such expenses represented approximately 27.3% of total operating expenses.

Outstanding intercompany balances as at 30 September 1992 are:
- Intercompany receivable $1.9 million
- Intercompany payable and current account $13.8 million
- Intercompany term liabilities $361.0 million

With the exception of the current account and the term liability to parent company, the balances are payable on normal trading terms. The current account is on call and the term liability to parent company has no fixed date for repayment. No related party debts have been written off or forgiven during the year.
16  FELLOW SUBSIDIARY COMPANIES

At 30 September 1992 the principal fellow subsidiaries were as follows:

- Telecom Auckland Limited
- Telecom Central Limited
- Telecom South Limited
- Telecom Networks and Operations Limited
- Telecom New Zealand International Limited (formerly Telecom Networks and International Limited)
- Telecom Directories Limited
- Telecom Equipment Supplies Limited
- Telecom Cellular Limited
- Telecom Mobile Radio Limited
- Telecom Repair Services Limited
- Telecom Paging Limited
- New Zealand Telecommunications Systems Support Centre Limited
- Comtel Communications Limited
- Telecom Corporation of New Zealand (Overseas Finance) Limited
- TCNZ (UK) Investments Limited
- TCNZ (United Kingdom) Securities Limited
- TCNZ Finance Limited
- TCNZ Financial Services Limited
- Telecom Wellington Investments Limited
- Telecom Operations Limited
- TCNZ Equities Limited (formerly Mokuso Holdings Limited)
- Teleco Insurance, Inc
- Telecom Purchasing Limited
- Jetstream Technology Limited

In-substance subsidiaries

- Netway Communications Limited

Associate Companies

- Pacific Star Communications Pty Limited

17  SEGMENTAL REPORTING

The Company's principal business activity is the provision of telecommunication services, constituting more than 90% of total operating revenues, operating earnings and identifiable assets.

The Company's business is conducted predominantly in New Zealand and is therefore within one geographical area for reporting purposes.
REPORT OF THE AUDITORS
TO THE MEMBERS OF TELECOM WELLINGTON LIMITED

The financial statements are in agreement with the accounting records which, in our opinion, have been properly kept. We obtained the information and explanations we required.

In our opinion, the financial statements give, under the historical cost convention a true and fair view of the state of the Company’s affairs at 30 September 1992 and of the earnings for the six months ended on that date and they comply with the Telecommunications (Disclosure) Regulations 1990.

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

WELLINGTON, 12 NOVEMBER 1992
TELECOM SOUTH LIMITED

STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1992

<table>
<thead>
<tr>
<th>Notes</th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>223,427</td>
<td>223,781</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(171,612)</td>
<td>(164,550)</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>51,815</td>
<td>59,231</td>
</tr>
<tr>
<td>Investment income</td>
<td>462</td>
<td>2</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(17,951)</td>
<td>(14,347)</td>
</tr>
<tr>
<td>Earnings before income tax</td>
<td>34,326</td>
<td>44,886</td>
</tr>
<tr>
<td>Income tax</td>
<td>(11,384)</td>
<td>(14,876)</td>
</tr>
<tr>
<td>Net earnings</td>
<td>22,942</td>
<td>30,010</td>
</tr>
</tbody>
</table>

The accompanying notes form part of and are to be read in conjunction with these financial statements.
TELECOM SOUTH LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 1992

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>362</td>
<td>57</td>
</tr>
<tr>
<td>Accounts receivable and prepaid expenses</td>
<td>5</td>
<td>82,047</td>
</tr>
<tr>
<td>Inventories</td>
<td>13,989</td>
<td>22,364</td>
</tr>
<tr>
<td>Total current assets</td>
<td>96,398</td>
<td>89,020</td>
</tr>
<tr>
<td>Investment in fellow subsidiary company</td>
<td>1,100</td>
<td>1,160</td>
</tr>
<tr>
<td>Other assets</td>
<td>6</td>
<td>2,859</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>8</td>
<td>853,630</td>
</tr>
<tr>
<td>Total assets</td>
<td>953,987</td>
<td>972,997</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Debt due within one year</td>
<td>9</td>
<td>5,031</td>
</tr>
<tr>
<td>Taxation payable</td>
<td>4</td>
<td>6,409</td>
</tr>
<tr>
<td>Accounts payable and accruals</td>
<td>8</td>
<td>39,368</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>21,610</td>
<td>27,893</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>72,418</td>
<td>102,161</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>4</td>
<td>10,431</td>
</tr>
<tr>
<td>Long term debt</td>
<td>9</td>
<td>286,284</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>369,133</td>
<td>369,061</td>
</tr>
<tr>
<td>Commitments and contingent liabilities</td>
<td>11,12</td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares, $1.00 each</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>-Authorised, issued and fully paid 171,411,000 shares</td>
<td>171,411</td>
<td>171,411</td>
</tr>
<tr>
<td>Redeemable preference shares, $1.00 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Authorised, issued and fully paid 36,797 shares</td>
<td>37</td>
<td>40</td>
</tr>
<tr>
<td>Share premium reserve</td>
<td>367,933</td>
<td>399,930</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>45,470</td>
<td>32,555</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>584,854</td>
<td>603,936</td>
</tr>
<tr>
<td>Total liabilities and shareholders' equity</td>
<td>953,987</td>
<td>972,997</td>
</tr>
</tbody>
</table>

The accompanying notes form part of and are to be read in conjunction with these financial statements.

On behalf of the Board

S R SMITH  
DIRECTOR

G N CHRISTENSEN  
DIRECTOR

CHRISTCHURCH, 12 NOVEMBER 1992
TELECOM SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

(a) CONSTITUTION, OWNERSHIP AND ACTIVITIES

Telecom South Limited (the "Company"), was incorporated on 6th December 1988 and is a wholly-owned subsidiary of Telecom Corporation of New Zealand Limited (the "parent company" or "Telecom").

With effect from 1 April 1989 Telecom was restructured into a number of Regional Operating and New Venture companies and as a result, transferred to certain subsidiaries, including Telecom South Limited, at net book value, the telecommunication equipment and other assets and liabilities relating to business previously conducted by Telecom. Telecom and its subsidiaries now together form the Telecom "Group".

The parent company was wholly-owned by Her Majesty the Queen in Right of New Zealand (the "Crown") until 12 September 1990, when, pursuant to an agreement dated 14 June 1990, the Crown sold its shares to subsidiaries of two American companies, Ameritech Corporation ("Ameritech") and Bell Atlantic Corporation ("Bell Atlantic"). Ameritech and Bell Atlantic then agreed to sell a combined 10% interest to a company, Carla Nominees Limited (which was subsequently superseded at 31 March 1992 by two companies - Rontas Holdings Limited and MYNZA Holdings Limited) controlled by two New Zealand companies, Freightways Holdings Limited ("Freightways") and Midavia Holdings Limited ("Midavia"), formerly Fay, Richwhite Holdings Limited. To comply with their agreement with the Crown, Ameritech and Bell Atlantic are obligated to reduce their combined ownership of Telecom to not more than 49.9% of the outstanding share capital by September 1993 (or, under certain circumstances and with the consent of the New Zealand government, by September 1994). At the completion of this transaction period, Ameritech and Bell Atlantic will each own not more than 24.95% of Telecom.

In July 1991, to satisfy partially this obligation, Ameritech and Bell Atlantic sold 724.5 million shares in Telecom (representing approximately 31% of the then outstanding share capital) to the public and institutions in a worldwide offering.

At 30 September 1992, Ameritech and Bell Atlantic held a combined 1,614,441,112 ordinary shares (68.4% of the outstanding share capital) and Rontas Holdings Limited and MYNZA Holdings Limited each held 5,529,444 ordinary shares.

The Crown holds, and will continue to hold, one special rights convertible preference share (the "Kiwi Share") in Telecom which assures that:
- A local free-calling option will be maintained for all residential customers.
- The standard residential rental for ordinary residential telephone service will not rise faster than the cost of living as measured by the New Zealand Consumer Price Index unless Telecom's Regional Operating Company profits are unreasonably impaired.
- Line rentals for residential customers in rural areas will be no higher than the standard residential rental, and ordinary residential telephone service will remain as widely available as it was as at 11 September 1990.

The principal activity of Telecom South Limited is the provision of telecommunication services in the South Island.
TELECOM SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) GENERAL ACCOUNTING POLICIES
The measurement basis adopted in the preparation of these financial statements is historical cost. Accrual
accounting is used to match income and expenses.

(c) SPECIFIC ACCOUNTING POLICIES

REVENUE RECOGNITION
Revenues for all services are recognised when earned. Billings for telephone services are made on a monthly
basis throughout the month. Unbilled revenues from the billing cycle date to the end of each month are
recognised as revenue during the month the service is provided. Revenue recognition is deferred in respect of
that portion of fixed monthly charges which have been billed in advance.

Revenue principally includes telephone line rental, national calls, leased circuits and the rental, sale,
maintenance and installation of customer premises equipment and related products.

FIXED ASSETS
Fixed assets are valued at the cost at which they were purchased by Telecom Corporation of New Zealand
Limited from the Crown as at 1 April 1987, adjusted by subsequent additions at cost, disposals and
depreciation. The fixed assets were purchased from the Crown on the basis of depreciated replacement cost
using estimated remaining lives as at 1 April 1987.

Telecom South Limited purchased fixed assets from Telecom as at 1 April 1989 at cost (as above) less
accumulated depreciation pursuant to a Sale and Purchase Agreement dated 31 March 1989 and a
supplementary agreement dated 28 September 1989. Subsequent additions have been recorded at cost.

The cost of additions to plant and equipment constructed within the Telecom Group subsequent to 1 April
1987 consists of all appropriate costs of development, construction and installation comprising material,
labour, direct overheads and transport costs.

Effective 1 April 1989 for each fixed asset project having a cost in excess of $10 million and a construction
period of not less than 12 months, interest cost incurred during the period of time that is required to complete
and prepare the fixed asset ready for its intended use is capitalised as part of the total cost.

Where capital project commitments are hedged against foreign currency rate risk, the capital project is
recorded at the hedged exchange rate.

Telecommunication equipment includes that part of the network system up to and including the contracted
demarcation point, terminal equipment installed within customers' premises and the cabling and wiring within
commercial buildings where this has been supplied by the Group in its own right.

Costs associated with the installation, connection and provision of services are charged to earnings.

Maintenance and repairs, including minor renewals and betterments, are charged to earnings as incurred.
TELECOM SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

DEPRECIATION

Depreciation is charged on a straight line basis so as to write down the cost of the fixed assets to their estimated residual value over their estimated economic lives, which are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Economic Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunication equipment and plant:</td>
<td></td>
</tr>
<tr>
<td>Customer local loop</td>
<td>5-30 years</td>
</tr>
<tr>
<td>Junctions and trunk transmission systems</td>
<td>10-30 years</td>
</tr>
<tr>
<td>Switching equipment</td>
<td>5-15 years</td>
</tr>
<tr>
<td>Customer premises equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Other network equipment</td>
<td>5-25 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>40-100 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>5-10 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3-5 years</td>
</tr>
</tbody>
</table>

When depreciable assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gains or losses on disposal are recognised in earnings.

Land and capital work in progress are not depreciated.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at expected realisable value after providing for bad and doubtful accounts.

INVENTORIES

Inventories are comprised principally of materials for self constructed network assets, critical maintenance spares and customer premises equipment held for rental or resale. They are stated at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is determined on a first in first out basis.

LEASES

The Company is lessor of customer premises equipment. Rental income applicable to operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are taken to revenue as earned.

Additionally, the Company is lessee of certain plant, equipment, land and buildings under both operating and finance leases. Expenses relating to operating leases are charged against earnings as incurred. Finance leases, which effectively transfer to the entity substantially all the risks and benefits of ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are amortised over the period the entity is expected to benefit from their use.

No material finance leases have been entered into as lessor.

COMPENSATED ABSENCES

The liability for employees' compensation for future absences is accrued in respect of employees' services already rendered and where the obligation relates to rights which have vested. Such liability is reflected within accrued personnel costs.
1  STATEMENT OF ACCOUNTING POLICIES (Continued)

LIABILITY FOR EMPLOYEES’ SEVERANCE PAYMENTS

Severance payments are accrued in respect of any employees whose positions have been specifically designated as being surplus to the needs of the Company. Employees whose services with the Company are so terminated are normally entitled to lump-sum severance payments determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs. The continued period during which a terminating employee served both the New Zealand Post Office and subsequently the Telecom Group constitutes the length of service.

Such liabilities are reflected within accrued personnel costs.

PENSIONS

Contributions are made into the Government Superannuation Fund (the "Fund") in respect of those employees who are members of the Fund at a rate specified under the Sale and Purchase Agreement whereby Telecom acquired the telecommunication business of the New Zealand Post Office on 1 April 1987. Additionally, full provision is made for the accrued pension costs relating to members of the Telecom Employees' Pension Plan (the "Plan") upon the basis of actuarial valuations, which are to be made at least once every three years. Contributions to the Fund and the Plan are charged against earnings.

TAXATION

The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for permanent differences. Deferred taxation calculated using the liability method is accounted for on all significant timing differences between the earnings stated in the financial statements and the assessable income computed for taxation purposes. Deferred taxation is recognised only on those timing differences that are expected to reverse within the foreseeable future.

FOREIGN CURRENCIES

The financial statements are expressed in New Zealand dollars. Foreign currency transactions are recorded at the exchange rate ruling at the date of the transaction except for hedged transactions, which are recorded at the hedged exchange rate. Monetary assets and liabilities denominated in foreign currencies have been translated to New Zealand currency at the spot rates of exchange ruling at balance date. Realised and unrealised profits and losses on foreign exchange transactions are recognised in earnings for the period.

The Company enters into contracts with Telecom (as the Group's central treasury operation) to manage the Company's foreign exchange exposure.

RECLASSIFICATIONS

Certain reclassifications of prior years' data have been made to conform to 1992 classifications.

(d)  CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies during the period. All significant accounting policies have been applied on a consistent basis.


2  **OPERATING EXPENSES**

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in operating expenses are:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Depreciation</td>
<td>51,128</td>
<td>50,530</td>
</tr>
<tr>
<td>- Audit fees</td>
<td>102</td>
<td>100</td>
</tr>
<tr>
<td>- Intercompany manage</td>
<td>10,152</td>
<td>8,553</td>
</tr>
<tr>
<td>- Lease and rental</td>
<td>1,929</td>
<td>2,483</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  <strong>INVESTMENT INCOME/INTEREST EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Intercompany</td>
<td>456</td>
<td>-</td>
</tr>
<tr>
<td>- Other</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>462</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Intercompany (including finance lease charges)</td>
<td>18,624</td>
<td>18,623</td>
</tr>
<tr>
<td>- Other</td>
<td>-</td>
<td>(10)</td>
</tr>
<tr>
<td></td>
<td>18,624</td>
<td>18,613</td>
</tr>
<tr>
<td>- Less interest capitalised</td>
<td>(673)</td>
<td>(4,266)</td>
</tr>
<tr>
<td></td>
<td>17,951</td>
<td>14,347</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4 INCOME TAX

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
</tbody>
</table>

The income tax expense for the year is determined as follows:

- Earnings before income tax: 34,326, 44,886, 90,381
- Tax at current rate of 33%: 11,327, 14,812, 29,826
- Adjustment for permanent differences: 57, 64, 29

Total income tax expense: 11,384, 14,876, 29,855

The income tax expense is represented by:

- Current taxation: 10,489, 11,329, 24,159
- Deferred taxation: 895, 3,547, 5,696

The balance sheet provisions are:

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
</tbody>
</table>

Current taxation:

- Balance at beginning of period: (3,296), 1,780, 1,780
- Total taxation in the current period: (10,489), (11,329), (24,159)
- Tax paid: 7,376, 1,299, 20,403
- Other: - - (1,320)

Taxation payable: (6,409), (8,250), (3,296)

Deferred taxation:

- Balance at beginning of period: (9,630), (5,651), (5,651)
- Provided in the current period: (895), (3,547), (5,696)
- Other: 94, 63, 1,717

Deferred income tax: (10,431), (9,261), (9,630)

A deferred tax asset at 30 September 1992 of $0.5 million in respect of timing differences relating to depreciation on buildings has not been recognised.
5 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th></th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable, net of</td>
<td>$32,951</td>
<td>$39,247</td>
<td>$29,179</td>
</tr>
<tr>
<td>allowance for doubtful accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of $3.1 million (September</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991: $3.4 million,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 March 1992: $3.0 million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unbilled rentals and tolls</td>
<td>$13,959</td>
<td>$19,369</td>
<td>$18,885</td>
</tr>
<tr>
<td>Due from fellow subsidiary</td>
<td>$5,786</td>
<td>$1,503</td>
<td>$9,686</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from parent company</td>
<td>$28,050</td>
<td>$5,784</td>
<td>$3,910</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>$1,301</td>
<td>$696</td>
<td>$1,195</td>
</tr>
<tr>
<td></td>
<td><strong>82,047</strong></td>
<td><strong>66,599</strong></td>
<td><strong>62,855</strong></td>
</tr>
</tbody>
</table>

6 OTHER ASSETS

Other assets include certain deferred expenditure amounting to $1.7 million (30 September 1991: $5.3 million, 31 March 1992: $4.3 million) incurred in relation to the installation of major computer systems. The deferred costs relating to each phase of the system are charged to earnings over a period of two years from the date upon which that phase of the system becomes fully operational. Deferred costs amortised during the year ended 30 September 1992 amounted to $2.8 million (30 September 1991: $1.9 million, 31 March 1992: $4.2 million).

In addition, at 30 September 1992, other assets include $1.2 million (30 September 1991: $2.0, 31 March 1992: $1.6 million) being advances to the Trustee of two employee share purchase plans. These share purchase plans were established in July 1991 as part of the initial public offering and gave employees the opportunity to invest in Telecom, financed by interest free and favourable interest rate loans repayable over a three-year period.

The shares, which were purchased at the initial public offering price of $2 each, are held in trust for the employee for a restrictive period of three years, during which time voting rights will be exercised by the Trustee in its discretion.
### 7 FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunication equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>1,055,453</td>
<td>963,895</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(392,165)</td>
<td>(313,794)</td>
</tr>
<tr>
<td></td>
<td>663,288</td>
<td>650,101</td>
</tr>
<tr>
<td>Capital work in progress</td>
<td>26,287</td>
<td>49,240</td>
</tr>
<tr>
<td>Land</td>
<td>34,860</td>
<td>37,678</td>
</tr>
<tr>
<td>Buildings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>107,174</td>
<td>91,700</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(16,247)</td>
<td>(12,269)</td>
</tr>
<tr>
<td></td>
<td>90,927</td>
<td>79,431</td>
</tr>
<tr>
<td>Other fixed assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cost</td>
<td>75,802</td>
<td>101,135</td>
</tr>
<tr>
<td>- Accumulated depreciation</td>
<td>(37,534)</td>
<td>(42,062)</td>
</tr>
<tr>
<td></td>
<td>38,268</td>
<td>59,073</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>1,299,576</td>
<td>1,243,648</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>(445,946)</td>
<td>(368,125)</td>
</tr>
<tr>
<td><strong>Total net book value</strong></td>
<td>853,630</td>
<td>875,523</td>
</tr>
</tbody>
</table>

Included in telecommunications equipment, at 30 September 1992 and 30 September 1991 and 31 March 1992 respectively, is equipment (principally customer premises equipment) leased to customers under operating leases with a cost of $120.4 million, $121.4 million and $117.6 million, together with accumulated depreciation of $102.7 million, $89.7 million and $97.2 million.

During the period to 30 September 1992 there were reclassifications from other fixed assets of tools and plant, and fittings to telecommunications equipment and buildings respectively. Other fixed assets now include vehicles, office equipment, furniture and computer equipment.

During the year ended 31 March 1992, the Company entered into a sale and leaseback of telecommunications equipment with a fellow group company. At 30 September 1992, assets capitalised under finance leases associated with this transaction had a cost of $49.1 million (30 September 1991: $34.6 million, 31 March 1992: $49.1 million) and accumulated depreciation of $7.1 million (30 September 1991: $0.3 million, 31 March 1992: $3.4 million).
7 FIXED ASSETS (Continued)

REGISTRATION OF TITLE TO LAND

Certificates of title for freehold interests in land included in the assets purchased from the Crown are being progressively raised by the Crown and transferred to Group companies. Titles for substantially all of the freehold interests have now been issued and, for the remainder, equitable ownership rests with the Group.

LAND CLAIMS

Under the Treaty of Waitangi Act 1975 all interests in land included in the assets purchased from the Crown may be subject to claims to the Waitangi Tribunal which has the power to recommend in appropriate circumstances, with binding effect, that the land be resumed by the Crown in order that it be returned to Maori claimants. In the event that land is resumed by the Crown, compensation will be paid to Telecom under the provisions of the Public Works Act 1981. If this is insufficient to cover the loss, certain additional compensation is payable under the provisions of the Sale and Purchase Agreement between Telecom and the Crown.

Under the State Owned Enterprises Act 1986 the Governor General of New Zealand may if satisfied that any land or interest in land held by Telecom is Wahi Tapu (being land of special spiritual, cultural or historical tribal significance) declare by order in Council that the land be resumed by the Crown, with compensation payable to Telecom under the provisions of the Public Works Act 1981.

Telecom would expect to negotiate with the new Maori owners for continued occupancy rights of any sites resumed by the Crown.

8 ACCOUNTS PAYABLE AND ACCRUALS

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1992 $000's</td>
<td>1991 $000's</td>
</tr>
<tr>
<td>Trade accounts payable and accruals</td>
<td>13,017</td>
<td>25,378</td>
</tr>
<tr>
<td>Accrued personnel costs</td>
<td>9,024</td>
<td>11,988</td>
</tr>
<tr>
<td>Rentals billed in advance</td>
<td>6,803</td>
<td>6,769</td>
</tr>
<tr>
<td>Payable to fellow subsidiary companies</td>
<td>10,524</td>
<td>18,372</td>
</tr>
<tr>
<td></td>
<td><strong>39,368</strong></td>
<td><strong>62,507</strong></td>
</tr>
</tbody>
</table>

Interest rates on the parent company current account ranged from 12.29% to 12.77% for the six months ended 30 September 1992. The parent company current account is repayable on demand.
NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9  LONG TERM DEBT

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent company loan</td>
<td>245,981</td>
<td>226,041</td>
</tr>
<tr>
<td>Other loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Due to fellow group company</td>
<td>45,334</td>
<td>34,620</td>
</tr>
<tr>
<td>-Less long term debt maturing within one year</td>
<td>(5,031)</td>
<td>(3,022)</td>
</tr>
<tr>
<td></td>
<td>40,303</td>
<td>31,598</td>
</tr>
<tr>
<td></td>
<td>286,284</td>
<td>257,639</td>
</tr>
</tbody>
</table>

Interest rates on the parent company loan ranged from 12.29% to 12.77% for the six months ended 30 September 1992. The parent company loan has no fixed date for repayment.

SCHEDULE OF MATURITIES - Other loans

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
</tbody>
</table>

| Due 1 to 2 years | 29,198 | 3,799 | 5,363 |
| Due 2 to 3 years | 11,105 | 27,799 | 37,536 |

Total due after one year

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40,303</td>
<td>31,598</td>
</tr>
</tbody>
</table>

Other loans are for the finance lease obligations of telecommunication equipment, with interest and principal paid quarterly at 12.9% p.a.

10  SHAREHOLDERS' EQUITY

SHARE PREMIUM RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
</tbody>
</table>

Balance at beginning of period

|                     | 379,932 | 399,930 | 399,930 |

(consisting of a premium of $9,999 on 37,997 redeemable preference shares)

Movements during the period

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
</tbody>
</table>

| -Premium of $9,999 on 1,200 redeemable preference shares | (11,999) | - | - |
| -Premium of $9,999 on 2,000 redeemable preference shares | - | - | (19,998) |

|                     | 367,933 | 399,930 | 379,932 |
NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

10 SHAREHOLDERS' EQUITY (Continued)

Dividends declared apply to redeemable preference shares as if they were ordinary shares. On winding up of the company preference shareholders rank in priority to ordinary shareholders in respect of outstanding dividends and the issue price of the redeemable preference shares. The redeemable preference shares are subject to redemption, at the issue price five days after written notice from the holder.

CAPITAL REDEMPTION RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Movements during the period</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from retained earnings</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>-</td>
</tr>
</tbody>
</table>

RETAINTED EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>Six months ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 September</td>
<td>31 March</td>
</tr>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>44,139</td>
<td>30,438</td>
</tr>
<tr>
<td>Net earnings</td>
<td>22,942</td>
<td>30,010</td>
</tr>
<tr>
<td></td>
<td>67,081</td>
<td>60,448</td>
</tr>
<tr>
<td>Transfer to capital redemption reserve</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>(21,610)</td>
<td>(27,893)</td>
</tr>
<tr>
<td></td>
<td>45,470</td>
<td>32,555</td>
</tr>
</tbody>
</table>

DIVIDENDS

Interim and final dividends declared from the retained earnings of the Company are as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 September</th>
<th>31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000's</td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Interim dividends</td>
<td>21,610</td>
<td>27,893</td>
</tr>
<tr>
<td>Final dividend</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>21,610</td>
<td>27,893</td>
</tr>
</tbody>
</table>
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 31 March 1992 for all non-cancellable operating leases are:

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable within 1 year</td>
<td>2.1</td>
</tr>
<tr>
<td>Payable within 1-2 years</td>
<td>1.7</td>
</tr>
<tr>
<td>Payable within 2-3 years</td>
<td>1.5</td>
</tr>
<tr>
<td>Payable within 3-4 years</td>
<td>1.2</td>
</tr>
<tr>
<td>Payable within 4-5 years</td>
<td>0.6</td>
</tr>
<tr>
<td>Payable thereafter</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11.7</strong></td>
</tr>
</tbody>
</table>

CAPITAL COMMITMENTS

As at 30 September 1992 capital expenditure amounting to $8.9 million (30 September 1991: $23.2 million, 31 March 1992: $21.8 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

In August 1991, a competitor filed proceedings against Telecom in connection with a request for a local service interconnection arrangement. 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. Substantive hearings in the suit were completed in October 1992. Judgement is awaited. Telecom believes that it has valid defences to these proceedings. Because there are very few precedents to assist Telecom in determining the outcome of these proceedings, Telecom cannot ascertain the likelihood of such proceedings being successful or the potential impact any judgement entered against it might have upon the trend of Telecom's future net earnings.

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

(Continued)

12 CONTINGENT LIABILITIES (Continued)

GUARANTEES

The Company has guaranteed, together with other subsidiary companies, approximately $1,613 million of the indebtedness of the parent company and other subsidiary companies at 30 September 1992, together with, in each case, interest thereon, principally under the following agreements:

(i) $424.2 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) $650.9 million under trust deeds made as of 20 September 1989 and 3 April 1992 and subsequent 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 122.6 million (NZ$408.1 million) under a deed poll dated 12 November 1990.

(iv) $129.8 million under a deed of guarantee dated 27 March 1992 in respect of the issue of Mandatory Convertible Notes by a fellow subsidiary. Further performance based guarantees have also been given by the company.

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.

13 RELATED PARTY TRANSACTIONS

RELATIONSHIP WITH PARENT AND FELLOW SUBSIDIARY COMPANIES

During the period the Company derived revenue (approximately 8.3%) from access fees, maintenance services and asset construction services provided to fellow subsidiaries. The Company also utilised network capacity and related services and group management services provided by fellow subsidiaries. Additionally, certain inventory and network assets were procured from and serviced by fellow subsidiaries. Such expenses represented approximately 22.6% of total operating expenses.

Outstanding intercompany balances as at 31 March 1992 are:

- Intercompany receivable and current account $33.8 million
- Intercompany payable $10.5 million
- Intercompany term liabilities $291.3 million

With the exception of the current account and the term liability to parent company, the balances are payable on normal trading terms. The current account is on call and the term liability to parent company has no fixed date for repayment. No related party debts have been written off or forgiven during the year.
14  FELLOW SUBSIDIARY COMPANIES
At 30 September 1992 the principal fellow subsidiaries were as follows:
- Telecom Auckland Limited
- Telecom Central Limited
- Telecom Wellington Limited
- Telecom Networks and Operations Limited
- Telecom New Zealand International Limited (formerly Telecom Networks and International Limited)
- Telecom Directories Limited
- Telecom Equipment Supplies Limited
- Telecom Cellular Limited
- Telecom Mobile Radio Limited
- Telecom Repair Services Limited
- Telecom Paging Limited
- New Zealand Telecommunications Systems Support Centre Limited
- Comtel Communications Limited
- Telecom Corporation of New Zealand (Overseas Finance) Limited
- TCNZ (UK) Investments Limited
- TCNZ (United Kingdom) Securities Limited
- TCNZ Finance Limited
- TCNZ Financial Services Limited
- Telecom Wellington Investments Limited
- Telecom Operations Limited
- TCNZ Equities Limited (formerly Mokuso Holdings Limited)
- Teleco Insurance, Inc
- Telecom Purchasing Limited
- Jetstream Technology Limited

In-substance subsidiaries
- Netway Communications Limited

Associate Companies
- Pacific Star Communications Pty Limited

15  SEGMENTAL REPORTING
The Company's principal business activity is the provision of telecommunication services, constituting more than 90% of total operating revenues, operating earnings and identifiable assets.
The Company's business is conducted predominantly in New Zealand and is therefore within one geographical area for reporting purposes.
REPORT OF THE AUDITORS
TO THE MEMBERS OF TELECOM SOUTH LIMITED

The financial statements are in agreement with the accounting records which, in our opinion, have been properly kept. We obtained the information and explanations we required.

In our opinion, the financial statements give, under the historical cost convention a true and fair view of the state of the Company's affairs at 30 September 1992 and of the earnings for the six months ended on that date and they comply with the Telecommunications (Disclosure) Regulations 1990.

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

CHRISTCHURCH, 12 NOVEMBER 1992