

TELECOM SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS—*continued*

	Six Months Ended 30 September 1990 \$000's	Year Ended 31 March 1990 \$000's
2 REVENUE	214,459	399,859
Revenue includes rental from telephone lines and customer premises equipment, national calls, telex, leased circuit, telegraph, radio and support centre service revenue, and sales of customer premises equipment.		
3 OPERATING EXPENSES	169,520	326,919
Included in Operating expenses are:		
Depreciation	49,342	90,233
Audit fees	95	145
Intercompany management fee	8,873	19,471
Lease and rental costs	2,863	5,187
The formula used in determining the amount of labour and overhead capitalised to the cost of self constructed assets has been varied with the effect that for the six months ended 30 September 1990 an additional \$2.7 million of overhead which otherwise would have been charged to earnings, after taxation, was capitalised.		
4 INTEREST		
Interest income:		
–Intercompany	173	787
Interest expense:		
–Intercompany	16,328	34,990
–Other	1,127	20
	17,455	35,010
–Less interest capitalised	(883)	(501)
	16,572	34,509
5 TAXATION EXPENSE		
Net earnings before taxation	28,540	39,218
Tax at current rate of 33%	9,418	12,942
Adjustment for permanent differences	376	(1,912)
Total taxation	9,794	11,030
The tax expense is represented by:		
–Current taxation (Note 9)	6,113	5,911
–Deferred taxation (Note 9)	3,681	5,119
	9,794	11,030
6 DIVIDENDS		
Interim dividend proposed	3,373	–
Final dividend proposed	–	20,285
Dividends for period	3,373	20,285
Proposed dividend at end of period	3,373	20,285
7 ACCOUNTS PAYABLE AND ACCRUALS		
Trade accounts payable and accruals	31,597	39,720
Personnel accruals	16,368	9,349
Rentals billed in advance	10,348	15,538
Payable to fellow subsidiary companies	7,361	17,680
Payable to parent company	34,851	6,250
	100,525	88,537