

TELECOM SOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

	1991	1990
2 OPERATING EXPENSES	\$000's	\$000's
	328,719	326,919

Included in operating expenses are:

Depreciation	101,303	90,233
Audit fees	190	145
Intercompany management fee	15,431	19,471
Lease and rental costs	5,849	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 year ended 31 March 1991 an additional \$4.3 million of overhead which otherwise would have been charged to earnings after taxation, was capitalised.

	1991	1990
3 INTEREST	\$000's	\$000's
Interest income:		
- Intercompany	174	787
Interest expense:		
- Intercompany	35,898	34,990
- Other	(10)	20
	35,888	35,010
- Less interest capitalised	(3,348)	(501)
	32,540	34,509