

TELECOMMUNICATIONS CO OF CHILE
Form 6-K
September 03, 2008

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934**

September 3, 2008

(Commission File Number: 001-10579)

COMPAÑÍA DE TELECOMUNICACIONES DE CHILE S.A.

(Exact name of Registrant as specified in its Charter)

TELECOMMUNICATIONS COMPANY OF CHILE

(Translation of Registrant's name into English)

Avenida Providencia No. 111, Piso 22

Providencia, Santiago, Chile

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1): Yes No

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7): Yes No

Indicate by check mark whether by furnishing the information contained in this Form,
the registrant is also thereby furnishing the information to the Commission pursuant to
Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b): N/A

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COMPAÑIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

for the six-month periods ended

June 30, 2008 and 2007

(CONSOLIDATED)

COMPAÑIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

(Translation of financial statements originally issued in Spanish See Note 2b)

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ThCh\$: Thousands of Chilean pesos.

Report of Independent Auditors

(Translation of a report originally issued in Spanish--See Note 2 (b))

To the Shareholders and Directors of
Compañía de Telecomunicaciones de Chile S.A.:

We have reviewed the consolidated balance sheets of Compañía de Telecomunicaciones de Chile S.A. and Subsidiaries as of June 30, 2008 and 2007, and the related consolidated statements of income and cash flows for the six-month periods then ended. These interim financial statements and the accompanying notes are the responsibility of the management of Compañía de Telecomunicaciones de Chile S.A.

We conducted our review in accordance with generally accepted auditing standards in Chile. A review of interim financial information consists primarily of applying analytical review procedures and of inquiries of employees responsible for financial and accounting matters. The scope of our review is substantially less than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is expressing an opinion on the financial statements taken as a whole. Consequently, the interim consolidated financial statements as of June 30, 2008 and 2007 have not been audited and therefore we are in no position to express an opinion on these interim financial statements.

Based on our review of the interim consolidated financial statements as of June 30, 2008 and 2007, we are not aware of any significant adjustments that should be made to the financial information in conformity with generally accepted accounting principles in Chile.

Andrés Marchant V.

ERNST & YOUNG LTDA.

COMPAÑIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2008 AND 2007

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of June 30,2008)

(Translation of financial statements originally issued in Spanish See Note 2b)

ASSETS	Notes	2008	2007	LIABILITIES AND SHAREHOLDERS EQUITY	Notes	2008	2007
		ThCh\$	ThCh\$			ThCh\$	ThCh\$
CURRENT ASSETS				CURRENT LIABILITIES			
				Short-term portion of long-term obligations with banks and financial institutions			
Cash		7,087,526	6,798,089				
Time deposits	(33)	60,346,407	20,697,463		(14)	984,845	2,076,287
Marketable securities, net	(4)	4,095,220	15,426,016	Bonds	(16)	1,996,780	2,015,077
Accounts receivable, net	(5)	161,634,174	183,301,384				
				Current maturities of other long-term obligations		18,933	17,220
Notes receivable, net	(5)	3,958,485	5,141,410				
Other receivables	(5)	5,599,275	6,332,412	Dividends payable		1,631,300	1,896,114
Accounts receivable from related companies	(6 a)	20,832,720	17,473,654	Trade accounts payable	(34)	128,803,747	131,234,315
Inventory, net		6,446,962	8,262,943	Other accounts payable	(35)	31,331,440	12,575,071
				Accounts payable to related companies	(6 b)	39,494,765	37,129,230
Prepaid taxes		31,290,278	17,737,337				
Prepaid expenses		3,198,247	4,257,692	Accruals	(17)	7,050,301	4,361,982
Deferred taxes	(7 b)	18,749,233	14,743,202	Withholdings		12,945,330	11,690,498
Other current assets	(8)	10,220,007	8,098,298	Deferred Revenue		6,391,974	4,784,181
				Other current liabilities			

TOTAL CURRENT ASSETS		333,458,534	308,269,900	TOTAL CURRENT LIABILITIES		230,649,415	207,779,975
PROPERTY, PLANT AND EQUIPMENT	(9)			LONG-TERM LIABILITIES			
Land		30,439,342	30,691,858	Obligations with banks and financial institutions	(15)	335,023,384	358,548,917
Buildings and improvements		881,006,867	879,727,782	Long-term bonds	(16)	70,884,479	72,348,381
Machinery and equipment		3,180,082,191	3,097,751,433	Miscellaneous Receivables	(35)	40,167,611	40,352,101
Other property, plant and equipment		376,063,854	371,198,366	Accruals	(17)	40,689,564	39,442,613
Technical revaluation		10,442,428	10,501,047	Deferred taxes, net	(7 b)	45,581,362	56,550,483
Accumulated depreciation		(3,233,641,760)	(3,067,502,499)	Other liabilities		3,469,331	4,000,609
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET		1,244,392,922	1,322,367,987	TOTAL LONG-TERM LIABILITIES		535,815,731	571,243,104
				MINORITY INTEREST	(19)	92,584	179,094
OTHER LONG-TERM ASSETS				SHAREHOLDERS' EQUITY			
Investments in related companies	(10)	9,069,914	9,384,695	Paid-in capital	(20)	865,492,121	915,932,036
Investments in other companies		4,632	4,632	Price-level restatement of paid-in capital		28,362,886	17,774,382
Goodwill, net	(11)	15,178,538	16,740,393	Other reserves		(3,202,763)	(2,849,266)
	(5)	17,877,355	14,617,508	Retained earnings		3,000,854	5,267,846

Other receivables						
Intangibles	(12)	44,813,088	43,435,509	Period earnings:	3,000,854	5,267,846
Accumulated amortization	(12)	(23,345,418)	(17,369,624)			
Others non-current asset	(13)	18,761,263	17,876,171			
TOTAL LONG-TERM ASSETS				TOTAL SHAREHOLDERS' EQUITY	893,653,098	936,124,998
		82,359,372	84,689,284			
TOTAL ASSETS		1,660,210,828	1,715,327,171	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,660,210,828	1,715,327,171

The accompanying notes 1 to 35 are an integral part of these consolidated financial statements

COMPAÑIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED JUNE 30, 2008 AND 2007**

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of June 30, 2008)

(Translation of financial statements originally issued in Spanish See Note 2b)

	2008	2007
OPERATING INCOME:	ThCh\$	ThCh\$
Sales	323,811,689	321,299,246
Cost of sales	(228,435,227)	(221,552,400)
Gross profit	95,376,462	99,746,846
Administrative and selling expenses	(74,554,994)	(71,062,808)
OPERATING INCOME	20,821,468	28,684,038
NON-OPERATING INCOME:		
Interest income	2,941,229	2,663,644
Equity participation in income of related companies	(10) 957,990	943,456
Other non-operating income	(21a) 2,691,363	3,116,524
Amortization of goodwill	(11) (803,201)	(803,201)
Interest expense	(13,642,406)	(8,978,220)
Other non-operating expenses	(21b) (6,845,578)	(4,886,203)
Price-level restatement, net	(22) 9,186,152	624,698
Foreign currency translation, net	(23) (458,428)	(278,725)
NON-OPERATING LOSS NET	(5,972,879)	(7,598,027)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	14,848,589	21,086,011
Income taxes	(7d) (12,031,363)	(16,075,464)
INCOME BEFORE MINORITY INTEREST	2,817,226	5,010,547
Minority interest	(19) 183,628	257,299
NET INCOME	3,000,854	5,267,846

The accompanying notes 1 to 35 are an integral part of these consolidated financial statements

COMPAÑIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED JUNE 30, 2008 AND 2007**

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of June 30, 2008)

(Translation of financial statements originally issued in Spanish See Note 2b)

	2008	2007
	ThCh\$	ThCh\$
NET CASH		
FROM OPERATING ACTIVITIES	89,490,342	113,523,271
Net income	3,000,854	5,267,846
Sale of assets:	(1,691,360)	(306,020)
Net income on sale of property, plant and equipment	(1,691,360)	(306,020)
Charges (credits) to income that do not represent cash flows:	116,972,865	123,543,746
Depreciation	103,077,918	110,376,168
Amortization of intangibles	2,908,813	3,027,469
Provisions and write offs	16,816,181	10,297,051
Accrued equity participation in income of related companies		
Accrued equity participation in losses of related companies	(957,990)	(943,456)
Amortization of goodwill	803,201	803,201
Price-level restatement, net	(9,186,152)	(624,698)
Foreign currency translation, net	458,428	278,725
Other credits to income that do not represent cash flows	(111,156)	(278,529)
Other charges to income that do not represent cash flows	3,163,622	607,815
Changes in operating assets (increase) decrease:	9,646,650	2,083,726
Trade accounts receivable	11,805,827	2,106,428
Inventory	622,480	(4,882,303)
Other assets	(2,781,657)	4,859,601
Changes in operating liabilities increase (decrease):	(38,255,039)	(16,808,728)
Accounts payable related to operating activities	(37,662,770)	12,184,019
Interest payable	(74,924)	(91,507)
Income taxes payable, net	435,216	(10,746,742)
Other accounts payable related to non-operating		

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Activities	(578,699)	(11,175,254)
V.A.T. and other similar taxes payable	(373,862)	(6,979,244)
Net loss from minority interest	(183,628)	(257,299)

The accompanying notes 1 to 35 are an integral part of these consolidated financial statements

COMPAÑIA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED JUNE 30, 2008 AND 2007****(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of June 30, 2008)**

(Translation of financial statements originally issued in Spanish See Note 2b)

	2008	2007
	ThCh\$	ThCh\$
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(45,080,239)	(67,129,890)
Dividends paid (less)	(5,115,955)	(14,072,707)
Capital distribution (less)	(39,243,440)	(53,057,183)
Payment of bonds (less)	(720,844)	-
NET CASH USED IN INVESTING ACTIVITIES	(65,073,215)	(60,068,219)
Sale of property, plant and equipment	2,785,181	1,586,167
Sale of other investments	4,873,190	2,177,179
Acquisition of property, plant and equipment	(59,266,448)	(63,831,565)
Other investment activities	(13,465,138)	-
NET CASH FLOWS FOR THE PERIOD	(20,663,112)	(13,674,838)
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	(3,011,671)	(1,501,552)
NET DECREASE OF CASH AND CASH EQUIVALENTS	(23,674,783)	(15,176,390)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	81,061,226	45,827,769
CASH AND CASH EQUIVALENTS AT END OF PERIOD	57,386,443	30,651,379

The accompanying notes 1 to 35 are an integral part of these consolidated financial statements

(Translation of a report originally issued in Spanish – see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

1. Composition of Consolidated Group and Registration in the Securities Registry:

a) Compañía de Telecomunicaciones de Chile (Telefónica Chile, the Parent Company when referred to on an individual basis or the Company when referred in conjunction with its subsidiaries) is a publicly-held corporation that is registered in the Securities Registry under No. 009 and is therefore subject to supervision by the Chilean Superintendency of Securities and Insurance (SVS).

b) Subsidiary companies registered with the Securities Registry:

SUBSIDIARIES	TAXPAYER No.	Registration Number	Participation (direct & indirect)	
			2008 %	2007 %
Telefónica Larga Distancia S.A.	96,551,670-0	456	99.88	99.85
Telefónica Asistencia y Seguridad S.A.	96,971,150-8	863	99.99	99.99

2. Summary of Significant Accounting Policies:

(a) Accounting year:

The consolidated financial statements correspond to the six-month periods ended June 30, 2008 and 2007.

(b) Basis of preparation:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile (Chilean GAAP) and standards set forth by the Chilean Superintendency of Securities and Insurance (SVS). In the event of any discrepancies in these regulations, SVS regulations supersede Chilean GAAP. Certain accounting practices applied by the Company that conform to Chilean GAAP may not conform to generally accepted accounting principles in the United States (US GAAP) or International Financial Reporting Standards (IFRS). For the convenience of the reader, these financial statements have been translated from Spanish to English.

The Company's consolidated financial statements as of June 30 and December 31 of each year are prepared in order to be reviewed and audited, respectively, in accordance with current legal regulations. The Company voluntarily submits the quarterly financial statements as of March 31 and September 30 to an interim financial information review performed in accordance with regulations established for this type of review, described in Generally Accepted Auditing Standard (GAAS) No. 45 Section No. 722, issued by the Chilean Association of Accountants.

(c) Basis of presentation:

The consolidated financial statements for 2007 and their notes have been adjusted for comparison purposes by 8.77% in order to allow for comparison with the 2007 consolidated financial statements. For comparison purposes, certain reclassifications have been made to the 2007 consolidated financial statements.

(d) Basis of consolidation:

These consolidated financial statements include the assets, liabilities, income and cash flows of the Parent Company and subsidiaries. Significant intercompany transactions have been eliminated, and the participation of minority investors has been recorded under Minority Interest (Note 19).

(Translation of a report originally issued in Spanish see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies, continued:

(d) Basis of consolidation, continued:

Companies included in consolidation:

As of June 30, 2008 and 2007, the consolidated group (The Company) is composed of Compañía de Telecomunicaciones de Chile S.A. and subsidiaries, as follows:

TAXPAYER No.	Company Name	Ownership Percentage			
		Direct	2008 Indirect	Total	2007 Total
96,551,670-0	Telefónica Larga Distancia S.A. Telefónica Gestión de Servicios Compartidos Chile	99.88	-	99.88	99.85
96,961,230-5	S.A.	99.99	-	99.99	99.99
74,944,200-k	Fundación Telefónica Chile	50.00	-	50.00	50.00
96,971,150-8	Telefónica Asistencia y Seguridad S.A.	99.99	-	99.99	99.99
90,430,000-4	Telefónica Empresas Chile S.A.	99.99	-	99.99	99.99
78,703,410-1	Telefónica Multimedia Chile S.A.	99.99	-	99.99	99.99
96,834,320-3	Telefónica Internet Empresas S.A. (1)	-	-	-	99.99
96,811,570-7	Instituto Telefónica Chile S.A.	-	99.99	99.99	99.99

1) On October 1, 2007 Telefónica Chile dissolved subsidiary Telefónica Internet Empresas S.A. by acquiring all the participation held by third parties, equivalent to 0.0005%, thus gathering all the stock of that company in Telefónica Chile.

(Translation of a report originally issued in Spanish see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies, continued:

(e) Price-level restatement:

The consolidated financial statements have been adjusted by applying price-level restatement standards, in accordance with Chilean GAAP in order to reflect the changes in the purchasing power of the currency during both exercises. The accumulated variation in the Chilean Customer Price Index (CPI) as of June 30, 2008 and 2007, for initial balances, is 3.2% and 1.9%, respectively.

(f) Basis of conversion:

Assets and liabilities in US\$ (United States dollars), Euros, Brazilian Reales, Yen (JPY), UF (Unidad de Fomento) have been converted to pesos at the exchange rates as of each period end, as follows:

YEAR	US\$	EURO	BRAZILIAN REAL	JPY	UF
2008	526.05	828.16	328.93	4.95	20,252.71
2007	526.86	713.03	273.25	4.28	18,624.17

Foreign currency translation differences resulting from the application of this standard are credited or debited to income for the period.

(g) Time deposits:

Time deposits are carried at cost plus UF indexation adjustments, where applicable, and accrued interest as of period end.

(h) Marketable securities:

Fixed income securities and shares are recorded at their price-level restated cost plus interest accrued as of each year end using either the actual interest yield determined at the purchase date or market value, whichever is less.

(i) Inventory:

Depending on the nature of respective items, equipment held for sale is carried at the lesser of either its price-level restated acquisition or development cost or at its market value.

Inventory that is expected to be used within twelve months of their acquisition are classified as current assets. Their cost is price-level restated. The obsolescence provision has been determined on the basis of an analysis of materials with slow turnover.

(j) Allowance for doubtful accounts:

The allowance for doubtful accounts is estimated on the basis of the aging of such accounts, up to 100% of accounts outstanding for more than 120 days and 180 days in the case of large customers (corporations).

(Translation of a report originally issued in Spanish see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies, continued:

(k) Property, plant and equipment:

Property, plant and equipment are carried at their price-level restated acquisition or construction cost.

Property, plant and equipment acquired up through December 31, 1979 are carried at their appraisal value, as stipulated in Article 140 of D.F.L. No. 4. Some assets subsequently acquired were subject to a technical revaluation of their appraisal value recorded as of September 30, 1986, as authorized in SVS Circular No. 550. All these values have been price-level restated.

(l) Depreciation of property, plant and equipment:

Depreciation has been calculated and accounted for on the basis of the previously indicated values, through the application of fixed factors determined in accordance with the estimated useful lives of the assets. The Company's average annual financial depreciation rate is approximately 7.98% for 2008 and 8.29% for 2007.

Estimated useful lives are summarized as follows:

Assets	Range of years
Building	40
Switchboard telephone equip.	7 to 12
Subscriber equipment	2 to 4
External plant	20 to 40
Office furniture and equip.	4 to 10
Software	3
Others	4 to 10

(m) Leased assets:

Leased assets with a purchase option, where the contracts satisfy the characteristics of a financial lease, are recorded in a manner similar to the acquisition of property, plant and equipment, recognizing the full obligation and interest on an accrual basis. These assets are not legally owned by the Company; therefore, until the Company exercises the purchase option, such assets cannot be freely disposed of.

(n) Intangibles:

i) Rights to underwater cable:

Rights to underwater cable correspond to the rights acquired by the Company for the use of an underwater cable to transmit voice and data. These rights are amortized over the term of the respective contracts, with a maximum of 25 years (Note 12).

ii) Software licenses:

Software licenses are valued at their price-level restated acquisition cost. Amortization is calculated using the straight-line method over their estimated useful life, which does not exceed 3 years (Note 12).

(Translation of a report originally issued in Spanish – see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies, continued:

(o) Investments in related companies:

These investments are accounted for under the equity method, which recognizes the investor's share of income on an accrual basis. For investments abroad, the valuation methodology as defined in Technical Bulletin No. 64 is applied. Investments in countries deemed to be unstable and whose activities are not an extension of the operations of the Parent Company are controlled in US dollars.

(p) Goodwill:

This account corresponds to the differences originating from adopting the equity method and adjusting the cost of investments, or from the realization of new acquisitions. Goodwill and negative goodwill amortization years have been determined taking into consideration aspects such as the nature and characteristics of the business and the estimated year of return on the investment (Note 11).

(q) Transactions with repurchase agreements:

Purchases of financial instruments that include repurchase agreements are recorded as fixed rate instruments and are classified as Other Current Assets (Note 8).

(r) Bonds and promissory notes payable:

Bonds payable are recorded under liabilities at the par value of the issued bonds (Note 16). The difference between par and placement value, determined on the basis of the actual interest rate for the transaction, is deferred and amortized over the term of the respective bond (Notes 8 and 13).

Costs directly related to the placement of these obligations are deferred and amortized over the term of the respective liability (Notes 8 and 13).

(s) Current and deferred income taxes:

Income tax is recorded on the basis of taxable net income. Deferred taxes on all temporary differences, tax loss carry forwards that can be realized as future tax benefits, and other events that create differences between the tax and accounting values are recognized in accordance with Technical Bulletins No. 60 and complementary technical bulletins thereto issued by the Chilean Association of Accountants, and with SVS Circular No. 1,466 dated January 27, 2000.

(t) Staff severance indemnities:

For employees who qualify for this benefit, the Company's staff severance indemnities obligation is provided for by applying the present value method to the projected benefit obligation using an annual discount rate of 6%, taking into consideration assumptions concerning the future service year of the employees, mortality rate of employees and salary increases used as the basis of actuarial calculations.

Costs for past services of employees resulting from changes in assumptions used as the actuarial bases, are deferred and amortized over average of the employees' future service years (Notes 8 and 13).

(Translation of a report originally issued in Spanish – see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies, continued:

(u) Revenue recognition:

The Company's revenues are recognized on an accrual basis in accordance with Chilean GAAP. Since billing dates are different from the accounting close date, as of the date of preparation of these consolidated financial statements, provisions have been established for services provided and not billed, which are determined on the basis of contracts, traffic, prices and current conditions for the year. These amounts are recorded under Trade Accounts Receivable.

(v) Foreign currency forwards:

The Company has signed foreign currency hedge future contracts which have been entered into to hedge against changes in the exchange rate of its current obligations in foreign currency.

These instruments are valued in accordance with Technical Bulletin No. 57 of the Chilean Association of Accountants.

The rights and obligations acquired are detailed in Note 26, being reflected in the balance sheet as only the net right or obligation at period end and classified according to the maturity of each contract under Other Current Assets or Other Payables, as applicable.

(w) Interest rate coverage:

Interest on loans for which associated interest rate swaps have been entered into is recorded recognizing the effect of those contracts on the interest rate established in such loans. The rights and obligations acquired therein are shown under Other Payables or under Other Current Assets, as applicable.

(x) Computer software:

The cost of software purchased is deferred and amortized using the straight-line method over a maximum period of three years and classified as other property, plant and equipment.

(y) Cumulative translation adjustment:

In this shareholders' equity reserve account, the Company recognizes the difference between the variation in the exchange rate and the consumer price index (C.P.I.) originated in the restatement of its investment abroad and its goodwill, which are controlled in United States dollars. The balance of this account is recognized as income in the same year in which the net income or loss is recognized on the total or partial disposal of these investments.

(z) Statement of cash flows:

For the purposes of preparing the Statement of Cash Flows in accordance with Technical Bulletin No. 50 of the Chilean Association of Accountants and SVS Circular No. 1,312, the Company defines securities under agreements to resell and time deposits with a remaining maturity of less than 90 days as cash equivalents. Cash flows related to the Company's operations and all those not defined as resulting from investing or financing activities are included under Cash Flows from Operating Activities.

2. Summary of Significant Accounting Policies, continued:

(Translation of a report originally issued in Spanish see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

(aa) Correspondents:

The Company has agreements with foreign counterparties to set the conditions that regulate international traffic, determining the payments for each counterparty based on fixed rates for the net exchange of traffic.

The receivables/payables related to these agreements are recorded on an accrual basis, recognizing the costs and income for the year in which these are incurred, recording the net receivable and payable for each counterparty where the legal right to offset exists under Accounts Receivable or Accounts Payable, as applicable.

3. Accounting Changes:

a) Accounting Changes:

During the periods covered in these interim consolidated financial statements, the accounting principles have been consistently applied.

b) Changes in estimations:

Change in the rotation rate actuarial hypothesis:

During the first half of 2008 the Company evaluated the rotation rate used to calculate the staff severance indemnities provision. After concluding the evaluation the Company decided to increase the rotation rate from 2.34% to 5.46%. As a result of this modification in 2008 the Company recorded a deferred tax asset of ThCh\$ 5,356,385 which will be amortized over the period of future permanence of employees entitled to this benefit.

(Translation of a report originally issued in Spanish see Note 2b to the Financial Statements)
Notes to the Consolidated Financial Statements

4. Marketable Securities:

The balance of marketable securities is as follows:

Description	2008 ThCh\$	2007 ThCh\$
Publicly offered promissory notes	4,095,220	15,426,016
Total	4,095,220	15,426,016

Publicly offered promissory notes (Fixed Income)

Instrument	Date		Par Value ThCh\$	Book Value		Market Value ThCh\$	Provision ThCh\$
	Purchase	Maturity		Amount ThCh\$	Rate %		
CERO010708	Sep 4,2007	Jul 01,2008	609,849	622,453	2.6% + UF	622,495	-
	Mar						
BCP0800708	18,2008	Jul 01,2008	2,350,000	2,443,484	8.00%	2,443,583	-
	Sep	Sep					
BCU0500908	04,2007	01,2008	1,012,636	1,029,283	5.00%	1,047,287	-
		Total	3,972,485	4,095,220		4,113,365	-

(1) The book value is presented net of the provision.

COMPAÑÍA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

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Notes to the Consolidated Financial Statements

5. Current and long-term receivables:

Details of current and long-term receivables are as follows:

Description	Current									Long-term
	Up to 90 days		Over 90 up to 1 year		Subtotal	Total Current (net)				
	2008 ThCh\$	2007 ThCh\$	2008 ThCh\$	2007 ThCh\$	2008 ThCh\$	2008 ThCh\$	%	2007 ThCh\$	%	
Telephone	248,551,097	249,397,366	6,022,610	5,728,303	254,573,707	161,634,174	100.00	183,301,384	100.00	-
Finance	200,004,187	199,834,364	3,074,434	2,583,189	203,078,621	122,902,381	76.04	140,937,913	76.39	-
	23,027,728	24,222,313	18,859	-	23,046,587	14,704,883	9.10	17,594,964	9.60	-
Installations	21,475,522	19,921,800	2,440,664	2,602,911	23,916,186	21,516,393	13.31	20,587,061	11.23	-
	4,043,660	5,418,889	488,653	542,203	4,532,313	2,510,517	1.55	4,181,446	2.78	-
for accounts receivable	(92,939,533)	(71,825,374)	-	-	(92,939,533)	-	-	-	-	-
for notes receivable	(3,477,576)	(3,800,364)	-	-	(3,477,576)	-	-	-	-	-
for accounts receivable	4,121,833	4,338,868	1,477,442	1,993,544	5,599,275	5,599,275	-	6,332,412	-	17,877,355
for accounts receivable	-	-	-	-	-	-	-	-	-	-
										17,877,355
										Long-term receivables
										17,877,355

COMPAÑÍA DE TELECOMUNICACIONES DE CHILE S.A. AND SUBSIDIARIES

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(Translation of a report originally issued in Spanish see Note 2b to the Financial Statements)

Notes to the Consolidated Financial Statements

6. Balances and transactions with related entities:**a) Receivables from related parties are as follows:**

Taxpayer No.	Company	Short-term		Long-term	
		2008	2007	2008	2007
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
87,845,500-2	Telefónica Móviles Chile S.A.	7,878,635	8,807,299	-	-
96,527,390-5	Telefónica Internacional Chile S.A.	-	895	-	-
96,672,150-2	Telefónica Móviles Chile Inversiones S.A. Telefónica Móviles Chile Larga Distancia	22,642	106,929	-	-
96,672,160-k	S.A.	515,299	592,996	-	-
96,834,230-4	Terra Networks Chile S.A.	557,106	806,714	-	-
96,895,220-k	Atento Chile S.A. Telefónica International Wholesale Services	720,957	700,716	-	-
96,910,730-9	Chile S.A.	531,057	1,003,064	-	-
59,083,900-0	Telefónica Ingeniería de Seguridad S.A. Telefónica Móviles Soluciones y	25,934	8,359	-	-
96,990,810-7	Aplicaciones S.A.	128,536	177,131	-	-
Foreign	Telefónica España	1,092,726	-	-	-
Foreign	Telefónica Móviles España	-	1,378,771	-	-
Foreign	Telefónica Móviles el Salvador	475	-	-	-
Foreign	Telefónica Móviles de Argentina	43,088	-	-	-
Foreign	Telefónica Móviles de Colombia	47,399	-	-	-
Foreign	Telefónica Celular de Nicaragua	828	-	-	-
Foreign	Telefónica LD Puerto Rico	308	231,008	-	-
Foreign	Telefónica Data Usa Inc.	48,935			