

BRAZIL TELECOM HOLDING CO
Form 6-K
November 13, 2003

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

FORM 6-K

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

THROUGH November 12, 2003

(Commission File No. 1-14477)

BRASIL TELECOM PARTICIPAÇÕES S.A.
(Exact name of registrant as specified in its charter)

BRAZIL TELECOM HOLDING COMPANY
(Translation of Registrant's name into English)

**SIA Sul, Área de Serviços Públicos, Lote D, Bloco B
Brasília, D.F., 71.215-000
Federative Republic of Brazil**
(Address of Registrant's 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).

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).

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

Yes No

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

Brasil Telecom Participações S.A.

**Report of independent accountants on
special review
Quarter ended September 30, 2003**

(A translation of the original report in Portuguese as filed with the Brazilian Securities Commission (CVM) containing quarterly financial information prepared in accordance with accounting practices adopted in Brazil).

Report of independent accountants on special review

(A translation of the original report in Portuguese as filed with the Brazilian Securities Commission (CVM) containing quarterly financial information prepared in accordance with accounting practices adopted in Brazil)

The Shareholders and Board of Directors
Brasil Telecom Participações S.A.
Brasília - DF

We have reviewed the quarterly financial information of Brasil Telecom Participações S.A. for the quarter ended September 30, 2003, comprising the balance sheet and the consolidated balance sheet of the Company and its subsidiaries, the statement of income and the consolidated statement of income, the management report and other relevant information, prepared in accordance with accounting practices adopted in Brazil.

Our review was performed in accordance with auditing standards established by the Brazilian Institute of Accountants (IBRACON) and the Federal Accounting Council, which included: (a) inquiries and discussion with management responsible for the accounting, financial and operational areas of the Company and its subsidiaries regarding the criteria adopted in the preparation of the quarterly information; and (b) review of post-balance sheet information and events, which may have a material effect on the financial and operational position of the Company and its subsidiaries.

Based on our special review, we are not aware of any material changes that should be made to the aforementioned quarterly information for it to be in accordance with accounting practices adopted in Brazil and the regulations issued by the Brazilian Securities Commission, specifically applicable to the mandatory quarterly financial information.

Our review was performed for the purpose of issuing a special review report on the mandatory quarterly financial information. The statement of cash flow represents supplementary information to those statements and is presented to provide additional analysis. This supplementary information was submitted to the same review procedures applied to the quarterly financial information, and, based on our special review, is adequately presented in all material respects, in relation to the quarterly financial information taken as a whole.

October 24, 2003

KPMG Auditores Independentes
CRC-SP-014.428/O-6- F -DF

Manuel Fernandes Rodrigues de Sousa Accountant
CRC-RJ-052.428/O-S-DF

FEDERAL PUBLIC SERVICE

SECURITIES AND EXCHANGE COMMISSION (CVM)

CORPORATION LAW

QUARTERLY INFORMATION

COMMERCIAL COMPANY INDUSTRIAL AND OTHERS

Base Date - September 30, 2003

REGISTRATION AT THE CVM DOES NOT REQUIRE ANY EVALUATION OF THE COMPANY, BEING ITS DIRECTOR RESPONSIBLE FOR THE VERACITY OF THIS INFORMATION.

01.01 - IDENTIFICATION

1 - CVM CODE 01768-0	2 - COMPANY NAME BRASIL TELECOM PARTICIPAÇÕES S.A.	3 - GENERAL TAXPAYERS REGISTER 02.570.688/0001-70
4 - NIRE 5.330.000.581-8		

01.02 - ADDRESS OF COMPANY HEADQUARTERS

1 - COMPLETE ADDRESS SIA/SUL - ASP - LOTE D - BL B - 1º ANDAR		2 - DISTRICT SIA		
3 - ZIP CODE 71215-000	4 - MUNICIPALITY BRASILIA		5 - STATE DF	
6 - AREA CODE 061	7 - TELEPHONE NUMBER 415-1256	8 - TELEPHONE NUMBER 415-1440	9 - TELEPHONE NUMBER 415-1119	10 - TELEX
11 - AREA CODE 061	12 - FAX 415-1315	13 - FAX 415-1593	14 - FAX 415-1133	
15 - E-MAIL ri@brasiltelecom.com.br				

01.03 - MARKET RELATIONS DIRECTOR (Address for correspondence to Company)

1 - NAME PAULO PEDRÃO RIO BRANCO				
2 - COMPLETE ADDRESS SIA/SUL - ASP - LOTE D- BL A TÉRREO			3 - DISTRICT BRASÍLIA	
4 - ZIP CODE 71215-000	5 - MUNICIPALITY BRASÍLIA		6 - STATE DF	
7 - AREA CODE 061	8 - TELEPHONE NUMBER 415-1440	9 - TELEPHONE NUMBER 415-1072	10 - TELEPHONE NUMBER -	11 - TELEX
12 - AREA CODE 061	13 - FAX 415-1593	14 - FAX -	15 - FAX -	
15 - E-MAIL paulopedrao@brasiltelecom.com.br				

01.04 - REFERENCE / AUDITOR

CURRENT FISCAL YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNIG	2 - ENDING	3 - QUARTER	4 - BEGINNIG	5 - ENDING	6 - QUARTER	7 - BEGINNING	8 - ENDING
01/01/2003	12/31/2003	3	07/01/2003	09/30/2003	2	04/01/2003	06/30/2003
9 - NAME/COMPANY NAME AUDITOR KPMG AUDITORES INDEPENDENTES					10 - CVM CODE 00418-9		
11 - NAME TECHNICAL RESPONSIBLE MANUEL FERNANDES RODRIGUES DE SOUSA					12 - CPF TECHNICAL RESPONSIBLE 783.840.017-15		

01.05 - COMPOSITION OF PAID CAPITAL

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1 - QUANTITY OF SHARES (IN THOUSANDS)	2 - CURRENT QUARTER 09/30/2003	3 - PRIOR QUARTER 06/30/2003	4 - SAME QUARTER OF PRIOR YEAR 09/30/2002
PAID CAPITAL			
1 - COMMON	134,031,688	134,031,688	132,355,516
2 - PREFERRED	222,670,188	222,670,188	219,863,511
3 - TOTAL	356,701,876	356,701,876	352,219,027
TREASURY SHARES			
4 - COMMON	1,480,800	1,051,100	0
5 - PREFERRED	0	0	0
6 - TOTAL	1,480,800	1,051,100	0

01.06 - COMPANY S CHARACTERISTICS

1 - TYPE OF COMPANY INDUSTRIAL, COMMERCIAL COMPANIES AND OTHERS
2 - SITUATION OPERATING
3 - TYPE OF CAPITAL CONTROL NATIONAL PRIVATE
4 - ACTIVITY CODE 1990100 - TELECOMMUNICATION
5 - MAIN ACTIVITY EXPLOITATION OF THE SWITCHED FIXED TELEPHONE SERVICE (STFC)
6 - TYPE OF CONSOLIDATED TOTAL
7 - TYPE OF ACCOUNTANTS REVIEW REPORT UNQUALIFIED

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED STATEMENT

1 - ITEM	2 - GENERAL TAXPAYERS REGISTER	3 - NAME

01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - DIVIDEND	5 - BEGINNING PAYMENT	6 - TYPE OF SHARE	7 - VALUE OF THE DIVIDEND PER SHARE
01	RCA	10/31/2003	INTEREST ON CAPITAL		ON	0,0002349804
02	RCA	10/31/2003	INTEREST ON CAPITAL		ON	0,0002349804

01.09 - CAPITAL STOCK COMPOSITION AND ALTERATION IN CURRENT YEAR

1 - ITEM	2 - ALTERATION DATE	3 - CAPITAL STOCK (In R\$ thousands)	4 - VALUE OF ALTERATION (In R\$ thousands)	5 - ORIGIN OF ALTERATION	6 - QUANTITY OF ISSUED SHARES (In R\$ thousands)	7 - ISSUED PRICE OF SHARES (In R\$)
01	03/17/2003	2,286,344	28,733	CAPITAL RESERVE	4,482,849	0,0160071529
02	03/17/2003	2,544,432	258,088	PROFIT RESERVE	0	0,0000000000

01.10 - MARKET RELATIONS DIRECTOR

1 - DATE	2 - SIGNATURE
10/24/2003	

FEDERAL PUBLIC SERVICE

SECURITIES AND EXCHANGE COMMISSION (CVM)

CORPORATION LAW

QUARTERLY INFORMATION

COMMERCIAL COMPANY INDUSTRIAL AND OTHERS

Base Date - September 30, 2003

01.01 - IDENTIFICATION

1 - CVM CODE 01768-0	2 - COMPANY NAME BRASIL TELECOM PARTICIPAÇÕES S.A.	3 - GENERAL TAXPAYERS REGISTER 02.570.688/0001-70
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02.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS) - PARENT COMPANY

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 09/30/2003	4 - 06/30/2003
1	Total Assets	7,228,186	7,114,562
1.01	Current Assets	835,073	687,033
1.01.01	Cash and Cash Equivalents	465,764	362,620
1.01.02	Credits	0	0
1.01.03	Inventories	0	0
1.01.04	Other	369,309	324,413
1.01.04.01	Loans and Financing	213,816	180,250
1.01.04.02	Deferred and Recoverable Taxes	138,491	138,491
1.01.04.03	Judicial Deposits	17,002	5,672
1.02	Noncurrent Assets	1,708,238	1,803,202
1.02.01	Other Credits	0	0
1.02.02	Intercompany Receivables	1,439,027	1,523,625
1.02.02.01	From Associated Companies	0	0
1.02.02.02	From Subsidiaries	1,439,027	1,523,625
1.02.02.02.01	Loans and Financing	1,439,012	1,523,610
1.02.02.02.02	Advanced for Future Capital Increase	15	15
1.02.02.03	From Other Related Parties	0	0
1.02.03	Other	269,211	279,577
1.02.03.01	Loans and Financing	126,289	123,034
1.02.03.02	Deferred and Recoverable Taxes	138,125	151,124
1.02.03.03	Judicial Deposits	2	2
1.02.03.04	Inventories	4,795	5,417
1.03	Permanent Assets	4,684,875	4,624,327
1.03.01	Investments	4,681,697	4,614,783
1.03.01.01	Associated Companies	0	0
1.03.01.02	Subsidiaries	4,668,993	4,601,605
1.03.01.03	Other Investments	12,704	13,178
1.03.02	Property, Plant and Equipment	3,053	3,738
1.03.03	Deferred Charges	125	5,806

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02.02 - BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 09/30/2003	4 - 06/30/2003
2	Total Liabilities	7,228,186	7,114,562
2.01	Current Liabilities	360,469	184,296
2.01.01	Loans and Financing	121	146
2.01.02	Debentures	194,160	25,351
2.01.03	Suppliers	716	362
2.01.04	Taxes, Duties and Contributions	35,930	28,907
2.01.04.01	Indirect Taxes	4,286	4,833
2.01.04.02	Taxes on Income	31,644	24,074
2.01.05	Dividends Payable	126,253	127,507
2.01.06	Provisions	0	0
2.01.07	Related Party Debts	0	0
2.01.08	Other	3,289	2,023
2.01.08.01	Payroll and Social Charges	500	314
2.01.08.02	Consignments in Favor of Third Parties	137	133
2.01.08.03	Employee Profit Sharing	912	423
2.01.08.04	Other Liabilities	1,740	1,153
2.02	Long-Term Liabilities	474,603	648,506
2.02.01	Loans and Financing	472	505
2.02.02	Debentures	434,194	609,181
2.02.03	Provisions	0	0
2.02.04	Related Party Debts	0	0
2.02.05	Other	39,937	38,820
2.02.05.01	Payroll and Social Charges	39,937	38,820
2.03	Deferred Income	0	0
2.05	Shareholders Equity	6,393,114	6,281,760
2.05.01	Capital	2,544,432	2,544,432
2.05.02	Capital Reserves	361,018	361,018
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Company Assets	0	0
2.05.03.02	Subsidiaries/Associated Companies	0	0
2.05.04	Profit Reserves	978,085	978,085
2.05.04.01	Legal	187,865	187,865
2.05.04.02	Statutory	0	0
2.05.04.03	Contingencies	0	0
2.05.04.04	Realizable Profits Reserves	790,220	790,220
2.05.04.05	Profit Retention	0	0
2.05.04.06	Special Reserve for Undistributed Dividends	0	0
2.05.04.07	Other Profit Reserves	0	0
2.05.05	Retained Earnings	2,509,579	2,398,225

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03.01 - QUARTERLY STATEMENT OF INCOME (IN THOUSANDS OF REAIS - R\$) - PARENT COMPANY

1 - CODE	2 - DESCRIPTION	3 - AMOUNT FOR CURRENT QUARTER 07/01/2003 TO 09/30/2003	4 - AMOUNT ACCUMULATED FOR CURRENT QUARTER 01/01/2003 TO 09/30/2003	5 - AMOUNT ACCUMULATED FOR EQUIVALENT QUARTER OF PRIOR YEAR 07/01/2002 TO 09/30/2002	6 - AMOUNT ACCUMULATED FOR EQUIVALENT PERIOD OF PRIOR YEAR 01/01/2002 TO 09/30/2002
3.01	Gross Revenue from Sales and Service	0	0	0	0
3.02	Deduction from Gross Revenue	0	0	0	0
3.03	Net Revenue from Sales and Services	0	0	0	0
3.04	Cost of Goods and Services Sold	0	0	0	0
3.05	Gross Profit	0	0	0	0
3.06	Operating Expenses	145,605	234,706	185,947	293,563
3.06.01	Selling Expenses	0	0	0	0
3.06.02	General and Administrative Expenses	(5,280)	(15,517)	(6,415)	(20,810)
3.06.03	Financial	82,106	51,224	119,126	135,623
3.06.03.01	Financial Income	108,239	313,648	148,771	331,501
3.06.03.02	Financial Expenses	(26,133)	(262,424)	(29,645)	(195,878)
3.06.04	Other Operating Income	1,422	8,638	2,087	6,436
3.06.05	Other Operating Expenses	(551)	(1,988)	(518)	(2,123)
3.06.06	Equity Gain (Loss)	67,908	192,349	71,667	174,437
3.07	Operating Income (Loss)	145,605	234,706	185,947	293,563
3.08	Nonoperating Income (Expenses)	(316)	648	(2,140)	(4,275)
3.08.01	Revenues	(233)	831	0	19
3.08.02	Expenses	(83)	(183)	(2,140)	(4,294)
3.09	Income (Loss) Before Taxes and Minority Interests	145,289	235,354	183,807	289,288
3.10	Provision for Income and Social Contribution Taxes	(26,520)	(69,743)	(64,321)	(92,279)
3.11	Deferred Income Tax	0	0	0	0
3.12	Interests/Statutory Contributions	(478)	(926)	(202)	(1,617)
3.12.01	Interests	(478)	(926)	(202)	(1,617)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Equity	0	122,000	0	116,000
	Income/Loss for the Period	118,291	286,685	119,284	311,392
	Number of Shares Outstanding (Thousand)	355,221,076	355,221,076	352,219,027	352,219,027
	Earnings per Share (Reais)	0.00033	0.00081	0.00034	0.00088
	Loss per Shares (Reais)				

01768-0

BRASIL TELECOM PARTICIPAÇÕES S.A.

02.570.688/0001-70

04.01 - NOTES TO THE QUATERLY REPORT

NOTES TO THE FINANCIAL STATEMENTS
Quarter ended June 30, 2003
(In thousands of Brazilian reais)
1. OPERATIONS

Brasil Telecom Participações S.A. (Company) was established in accordance with Article 189 of Law 9472/97 - General Telecommunications Law, as part of the TELEBRÁS spin-off process. The spin-off protocol and justification was approved in the Shareholders Meeting of May 22, 1998. The Company is a subsidiary of SOLPART Participações S.A., which holds 53.59% of the Company s voting capital and 20.18% of total capital.

The Company is registered with the Brazilian Securities Commission (CVM) and the Securities and Exchange Commission (SEC) in the USA, and its shares are traded on the main stock exchanges in Brazil and its ADR on the New York Stock Exchange (NYSE).

The Company is a pure holding company, indirectly carrying out operations through Brasil Telecom S.A., a telecommunications operator holding a concession to operate the Switched Fixed Telephone Service (STFC), which is controlled by the Company. Through the operator, it holds concessions to provide local and long-distance services in the Brazilian states of Rio Grande do Sul, Paraná, Santa Catarina, Mato Grosso do Sul, Mato Grosso, Rondônia, Acre, Goiás, Tocantins and the Federal District. The region covered by the concessions has a total area of 2,859,375 square kilometers, corresponding to 34% of the Brazilian territory.

The quality and expansion targets of the Switched Fixed Telecommunications Services - STFC adopted by its operator are available for information of the interested parties in the web site of the Brazilian Telecommunications Agency, ANATEL, on the site www.anatel.gov.br.

The subsidiary Brasil Telecom S.A. controls two wholly-owned subsidiaries: (i) BrT Serviços de Internet S.A. (BrTI), a wholly-owned subsidiary incorporated in October 2001, engaged in the provision of Internet services and related activities, becoming operational in the beginning of 2002; and (ii) Brasil Telecom Celular S.A. (BrT Celular), incorporated in December 2002, to operate the Mobile Personal Service (SMP), holding a license to serve the same coverage area where the Company operates STFC. At the balance sheet date BrT Celular was initiating its structuring process - pre-operating phase.

The Company also controls Nova Tarrafa Participações Ltda. (NTP) and Nova Tarrafa Inc. (NTI), being the last one, until the first quarter of 2003, a minority investment and, after promoted a spin-off, became a subsidiarie. NTP and NTI are engaged in holding interest in Internet Group (Cayman) Limited, which, at the balance sheet date, represents a minority interest.

Completing the information on the companies over which the Company exercises indirect control, during the second quarter of 2003, Brasil Telecom Serviços de Internet S.A. made investments in capital interests as a shareholder or quotaholder, gaining control of the following companies:

(i) *BrT Cabos Submarinos Group (formerly GlobeNet)*

- Brasil Telecom Cabos Submarinos do Brasil (Holding) Ltda. (BrT CSH): a company acquired by BrTI on June 11, 2003, as part of the program to purchase the GlobeNet Group, an acquisition previously disclosed on November 19, 2002, through the relevant fact.
- Brasil Telecom Cabos Submarinos do Brasil Ltda. (BrT CS Ltda.): a company acquired by BrTI on June 11, 2003, in which it exercises direct control and total control jointly with BrT CSH, which is a further part of the program to purchase the GlobeNet Group.

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- Brasil Telecom Subsea Cable Systems (Bermuda) Ltd. (BrT SCS Bermuda): a company incorporated under the laws of the Bermudas, for which the transfer of funds for paying in of capital occurred on May 30, 2003. It is also an integral part of the program to purchase the Globenet Group. BrT SCS Bermuda, in turn, holds all the shares of Telecom of America Inc. and of Brasil Telecom de Venezuela, S.A., formerly called 360Americas (Venezuela) S.A..

(ii) iBest Group

- Since February 2002, BrTI has held a minority interest in iBest Holding Corporation (IHC), a company incorporated in the Cayman Islands. Due to a succession of various corporate acts occurring during June 2003 in IHC and its subsidiaries, BrTI began to exercise control over the iBest Group, which is formed by the main companies: (i) iBest Holding Corporation; (ii) iBest S.A.; (iii) Febraio S.A.; and (iv) Freelance S.A.. The acquisition which resulted in the control of the iBest Group was disclosed on June 26, 2003, through the relevant fact.

2. PRESENTATION OF FINANCIAL STATEMENTS

Preparation Criteria

The financial statements were prepared in accordance with accounting practices emanating from Brazilian corporate law, standards of the Brazilian Securities Commission (CVM) and standards applicable to Switched Fixed Telecommunications Services - STFC concessionaires.

As the Company is filed with the Securities and Exchange Commission (SEC), it is subject to its standards, and should prepare financial statements and other information by using criteria that comply with that entity's requirements. For complying with these requirements and aiming at meeting the market's information needs, the Company adopts, as a principle, the practice of simultaneously publishing information in both markets in their respective languages.

The notes to the financial statements are presented in thousands of reais, unless demonstrated otherwise in each note. According to each situation, the notes to the financial statement present information related with the Company and the consolidated statements, identified as PARENT COMPANY and CONSOLIDATED respectively. When the information is common to both situations, it is indicated as PARENT COMPANY AND CONSOLIDATED .

Consolidated Financial Statements

The consolidation was made in accordance with CVM Instruction 247/96 and includes the Company and its subsidiaries mentioned in Note 1.

Some of the main consolidation procedures are:

- Elimination of intercompany balances, as well as revenue and expenses of transactions among them;
- Elimination of the investor's shareholdings, reserves and accumulated results in the investees; and
- Segregation of the portions of shareholders' equity and result of minority shareholders, indicated in the specific items.

The reconciliation between the Parent Company and consolidated net income is presented in Note 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The criteria mentioned in this note refer to the practices adopted by the Company and its subsidiaries which are reflected in the consolidated balance sheet.

a. Cash and Cash Equivalents: Cash equivalents are short-term, high-liquidity investments, which mature in less than three months. They are recorded at cost, plus income earned to the balance sheet date, not exceeding market value.

b. Trade Accounts Receivable: Receivables from users of telecommunications services are recorded at the amount of the tariff in effect on the date the service is rendered. Unbilled services provided to customers at the balance sheet date are also included in trade accounts receivable. The criterion adopted for making the provision for doubtful accounts takes into account the calculation of the actual percentage losses incurred on each range of accounts receivable. The historic percentages are applied to the current ranges of accounts receivable, also including accounts

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coming due and the portion yet to be billed, thus composing the amount that could become a future loss, which is recorded as a provision.

c. Inventories: Stated at average acquisition cost, not exceeding replacement cost. Inventories are segregated into inventories for plant expansion and those for maintenance. The inventories to be used in expansion are classified in property, plant and equipment (construction in progress), and inventories to be used in maintenance are classified as current and noncurrent assets. Obsolete items are recorded as Allowance for losses.

d. Investments: Investments in subsidiaries are valued using the equity method. Other investments are recorded at cost less allowance for probable losses, when applicable. The investments resulting from income tax incentives are recognized at the date of investment, and result in shares of companies with tax incentives or investment fund quotas. In the period between the investment date and receipt of shares or quotas, they remain recognized in noncurrent assets. The Company adopts the criterion of using the maximum percentage of tax allocation. These investments are periodically valued at cost or market prices, when the latter is lower, and allowances for losses are recorded if required.

e. Property, Plant and Equipment: Stated at cost of acquisition and/or construction, less accumulated depreciation. Financial charges for financing assets and construction in progress are capitalized.

Maintenance and repair costs, when they represent improvements (increase in installed capacity or useful life) are capitalized, while other costs are charged to, the profit and loss accounts income, on an accrual basis.

Depreciation is calculated under the straight-line method. Depreciation rates used are based on expected useful lives of the assets and in accordance with the standards of the Public Telecommunications Service. The main rates used are set forth in Note 24.

f. Deferred Charges: Segregated between deferred charges on amortization and formation. Main items are goodwill on the acquisition of CRT - Companhia Riograndense de Telecomunicações (incorporated by Brasil Telecom S.A. in December 2000), net of tax savings, costs incurred on installation, reorganization, data processing and other. Amortization is calculated under the straight-line method in accordance with the legislation in force. When the asset does not generate benefits anymore, it is written off against nonoperating income.

g. Income and Social Contribution Taxes: Income and social contribution taxes are accounted for on an accrual basis. These taxes levied on temporary differences, tax losses and the negative social contribution base are recorded under assets or liabilities, as the case may be, according to the assumption of realization or future demand, within the parameters established in the CVM Instruction 371/02.

h. Loans and Financing: Updated to the balance sheet date for monetary or exchange variations and interest incurred to the balance sheet date. Equal restatement is applied to the guarantee contracts to hedge the debt.

i. Provision for Contingencies: Recognized based on its risk assessment evaluation and quantified on economic grounds and based on legal counselors' opinions on the lawsuits and other contingency factors known as of the balance sheet date. The basis and nature of the provisions are described in Note 7.

j. Recognition of Revenues: Revenues from services rendered are accounted for on the accrual basis. Local calls are charged based on time measurement according to the legislation in force. Revenues from sales of payphone cards are recorded upon sale.

k. Recognition of Expenses: Expenses are recognized on the accrual basis, considering their relation with revenue realization. Expenses related to other periods are deferred.

l. Financial Income (Expense), Net: Financial income comprises interest earned on accounts receivable settled after maturity and gains on financial investments and hedges, when incurred financial expenses comprises interest incurred and other charges on loans, financing and other financial transactions.

Credited Interest on Capital is included in the financial expenses balance; for financial statement presentation purposes, the amounts are reversed to profit and loss accounts and reclassified as a deduction of retained earnings, in the shareholders' equity.

m. Research and Development: Costs for research and development are recorded as expenses when incurred, except for expenses with projects linked to the generation of future revenue, which are recorded under deferred assets and amortized over a five-year period after the operations commence.

n. Benefits to Employees: Private pension plans and other retirement benefits sponsored by the Company and its subsidiaries for their employees are managed by SISTEL and Fundação CRT. Contributions are determined on an actuarial basis, when applicable, and accounted for on an accrual basis. As of December 31, 2001, to comply with CVM Instruction 371/00, the subsidiary Brasil Telecom S.A. recorded its actuarial deficit on the balance sheet date against shareholders' equity, net of its tax effects. As from 2002, as new actuarial revaluation show the

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necessity for adjustments to the provision, they are recognized in the profit and loss accounts in accordance with the aforementioned instruction. Supplementary information regarding private pension plans and other benefits to employees is described in Note 6.

o. Employees and Directors Profit Sharing: The Company and its subsidiary Brasil Telecom S.A. recognized provisions for employee and directors profit sharing, and the calculation of the amount, which is paid in the year after the provision recognition, is in accordance with the target program established with the labor union in accordance with Law 10.101/00 and the Company's bylaws.

p. Earnings per thousand shares: Calculated based on the number of shares outstanding at the balance sheet date, which comprises the total number of shares issued net of treasury stock.

4. RELATED-PARTY TRANSACTIONS

Related-party transactions refer to operations carried out by the Company with its parent company, Solpart Participações S.A., and subsidiaries Brasil Telecom S.A., Nova Tarrafa Participações Ltda. and Nova Tarrafa Inc.

Operations between the Company and the related parties are carried out under normal prices and market conditions. The principal transactions are:

Solpart Participações S.A.

Dividends/Interest on Capital: of the interest on Capital accrued in the quarter, the Company assigned the amount of R\$24,623 (R\$23,299 in the same period last year) to the parent company. Of this amount, the net part of the withholding tax will be allocated to the dividend to be provisioned at the end of the year. The balance of this liability that includes the provision of the prior year is R\$20,930 (R\$20,930 on June 30, 2003).

Brasil Telecom S.A.

Dividends/Interest on Capital: in the quarter, the subsidiary credited to the Company Interest on Capital in the amount of R\$162,425 (R\$154,128 in the same period last year). The balance of this asset as of September 30, 2003, net from the withholding tax including the balance provisioned in 2002, is R\$138,062 (R\$138,062 as of June 30, 2003).

Loans with Subsidiary: Asset balance as of June 30, 2003 arises from the spin-off of Telebrás and is indexed to exchange variation, plus interest of 1.75% per year, amounting to R\$90,320 (R\$93,363 on June 30, 2003). Yield recognized a financial loss for the quarter was R\$18,298 due to the decrease of the exchange rate of the American dollar against the Brazilian real (R\$56,305 of financial income in 2002).

Debentures: On January 27, 2001, the subsidiary issued 1,300 private debentures non-convertible or exchangeable for any type of share, at the unit price of R\$1,000, totaling R\$1,300,000, for the purpose of financing part of its investment program. All these debentures were acquired by the Company. The nominal value of these debentures will be paid in three installments equivalent to 30%, 30% and 40% with maturities on July 27, 2004, July 27, 2005, and July 27, 2006, respectively. The debenture remuneration is equivalent to 100% of CDI, received semiannually. The balance of this asset as of September 30, 2003 is R\$1,348,692 (R\$1,430,247 on June 30, 2003), and the yield recognized in the income for the quarter represents R\$227,413 (R\$169,875 in 2002).

Accounts Receivable and Payable: arising from transactions related to operating income/expenses due to use of installations and logistic support. As of September 30, 2003, balance payable is R\$4,101 (R\$591 payable as of June 30, 2003) and the amounts recorded in income for the quarter are comprising operating Expenses of R\$1,637 (R\$1,815 of operating expenses in 2002 and R\$256 of operating revenue in 2002).

Advance for Future Capital Increase - AFAC

Funds for future increase of ownership interest in subsidiaries or investments carried under the cost method are represented as follows:

INVESTOR	AFAC INVESTEE	PARENT COMPANY		CONSOLIDATED	
		09/30/03	06/30/03	09/30/03	06/30/03
	Subsidiaries				

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Company	Nova Tarrafa Participações Ltda.	15	15	-	-
	Minority Investments				
Brasil Telecom S.A.	Vant Telecomunicações S.A.	-	-	6,671	6,315
Total		15	15	6,671	6,315

5. MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS) AND RISK ANALYSIS.

The Company and its subsidiaries assessed the book value of its assets and liabilities as compared to market or realizable values (fair value), based on information available and valuation methodologies applicable to each case. The interpretation of market data regarding the choice of methodologies requires considerable judgment and determination of estimates to achieve an amount considered adequate for each case. Accordingly, the estimates presented may not necessarily indicate the amounts which can be obtained in the current market. The use of different assumptions for calculation of market value or fair value may have material effect on the obtained amounts. The selection of assets and liabilities presented in this Note was made based on their materiality. Those instruments the value of which approximates the fair value and, whose risk assessment is not significant, are not mentioned.

In accordance with their natures, the financial instruments may involve known or unknown risks; the potential of such risks is important for the best judgment. Thus, there may be risks with or without guarantees, depending on circumstantial or legal aspects. Among the principal market risk factors which can affect the Company's and subsidiaries' business are the following:

a. Credit Risk

The majority of the services provided by the subsidiary Brasil Telecom S.A. are related to the Concession Agreement, and a significant portion of these services is subject to the determination of tariffs by the regulatory agency. The credit policy, in case of telecommunications public services, is subject to legal standards established by the concession authority. The risk exists since the subsidiary may incur losses arising from the difficulty in receiving amounts billed to its customers; in the quarter, the Company's default was 2.46% of the gross revenue (2.59% in the same period last year). By means of internal controls, the level of accounts receivable is constantly monitored, thus limiting the risk of past due accounts by cutting the access to the service (out phone traffic) if the bill is overdue for over 30 days. Exceptions are made for telephone services, which should be maintained for national security or defense. As of September 30, 2003, the subsidiary's customer portfolio did not include receivables, of which subscribers were, individually, higher than 1% of total service accounts receivable.

b. Exchange Rate Risk

Assets

The Company has loan agreements in foreign currency, and, therefore, subject to exchange rate fluctuation. The amounts of assets exposed to this type of risk are the following:

	PARENT COMPANY		CONSOLIDATED	
	Book Value		Book Value	
	09/30/03	06/30/03	09/30/03	06/30/03
Assets				
Loan agreements with subsidiary	90,320	93,363	-	-
Loans and financing	126,289	123,034	126,289	123,034
Total	216,609	216,397	126,289	123,034
Noncurrent Assets	216,609	216,397	126,289	123,034

The loans receivable in dollars were transferred to the Company at the time of the split off of Telebrás. Due to their original characteristics, no financing is available on the market under similar conditions, which led to the presentation of the book value only.

Liabilities

The Company and the subsidiary Brasil Telecom S.A. has loans and financing contracted in foreign currency. The risk related to these liabilities arises from possible exchange rate fluctuations, which may increase these liabilities balances. Loans subject to this risk represent approximately 3.8% (4.1% on June 30, 2003) of the total liabilities. To minimize this type of risk, the subsidiary enters into swap agreements with financial institutions to hedge foreign exchange exposures 51.8% (44% on June 30, 2003) of the debt portion in foreign currency is covered by hedge

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agreements. Unrealized positive or negative effects of these operations are recorded in income as gain or loss. To the quarter, consolidated net losses totaled R\$76,695 (net gain of R\$53,186 in the same period in 2002).

Net exposure as per book and market values, at the exchange rate prevailing on the balance sheet date, is as follows:

PARENT COMPANY				
	09/30/03		06/30/03	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans and financing	593	649	652	658
Total	593	649	652	658
Current	121	133	146	148
Long-Term	472	516	506	510

CONSOLIDATED				
	09/30/03		06/30/03	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans and financing	152,078	144,156	161,439	152,274
Hedge contracts	(821)	(8,412)	(3,428)	(7,131)
Total	151,257	135,744	158,011	145,143
Current	36,433			