

TELESP HOLDING CO
Form 6-K
June 07, 2006
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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

For the month of June, 2006

Commission File Number: 001-14475

TELESP HOLDING COMPANY

(Translation of registrant's name into English)

Rua Martiniano de Carvalho, 851 2º andar

São Paulo, S.P.

Federative Republic of Brazil

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of 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

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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, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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TELESP HOLDING COMPANY

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Item

1. Press Release entitled *Telecomunicações de São Paulo S.A. Telesp Quarterly Information* dated on March 31, 2006.

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Quarterly Information

Telecomunicações de São Paulo S.A. - TELESP

Quarter ended March 31, 2006

with Special Review Report of Independent Auditors

(A free translation of the original issued in Portuguese)

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TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

QUARTERLY INFORMATION

March 31, 2006

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SPECIAL REVIEW REPORT OF INDEPENDENT AUDITORS

(A free translation of the original issued in Portuguese)

To the Board of Directors and Shareholders

Telecomunicações de São Paulo S.A. - TELESP

São Paulo - SP

1. We have conducted a special review of the Quarterly Information (ITR) (Parent Company and Consolidated) of Telecomunicações de São Paulo S.A and its subsidiaries for the quarter ended March 31, 2006, which comprised the balance sheets, statements of income, the performance report and other relevant information, prepared under responsibility of the Company and subsidiaries management and in accordance with the accounting practices adopted in Brazil.
2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Public Accountants - IBRACON, in conjunction with the Federal Accounting Council, mainly comprising: (a) inquiries of and discussions with the officials responsible for the Company's Accounting, Financial and Operational areas, as to the main criteria adopted in preparing the quarterly information; and (b) review of information and subsequent events that had or might have had relevant effects on the Company and its subsidiaries financial position and operations.
3. Based on our special review, we are not aware of any relevant change that should be made to the above mentioned Quarterly Information (Parent Company and Consolidated), in order for it to be in conformity with the accounting practices adopted in Brazil and standards established by the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM), specifically applicable to the preparation of Quarterly Information.
4. The balance sheets at December 31, 2005 (Parent Company and Consolidated), presented for comparative purposes, were audited by us on which we issued an unqualified opinion dated January 31, 2006. The statements of income for the quarter ended on March 31, 2005 (Parent Company and consolidated), also presented for comparative purposes, were reviewed by other independent auditors, who issued an unqualified special review report thereon dated May 02, 2005.

São Paulo (SP), April 25, 2006

ERNST & YOUNG

Audidores Independentes S.S.

CRC-2SP015199/O-6

Luiz Carlos Marques

Accountant CRC-1SP147693/O-5

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BALANCE SHEETS

December, 31 2005 and March 31, 2006

(In thousands of reais R\$)

(A free translation of the original issued in Portuguese)

	Parent Company		Consolidated	
	03/31/06	12/31/05	03/31/06	12/31/05
Assets				
Current assets	5,104,249	5,065,553	5,172,960	5,112,898
Cash and cash equivalents	1,100,484	440,166	1,128,356	463,456
Trade accounts receivable, net	2,853,598	2,757,297	2,886,782	2,783,268
Deferred and recoverable taxes	841,973	1,591,214	882,384	1,622,774
Other recoverable amounts	60,351	46,316	61,230	47,465
Inventories	77,861	74,896	78,127	75,101
Other assets	169,982	155,664	136,081	120,834
Non-current assets	1,023,589	948,564	1,119,306	1,046,075
Deferred and recoverable taxes	452,217	429,716	480,115	458,106
Escrow deposits	529,011	481,266	529,563	481,790
Other assets	42,361	37,582	109,628	106,179
Permanent assets	12,350,101	12,786,496	12,245,441	12,690,169
Investments	486,239	479,409	247,896	253,565
Property, plant and equipment, net	11,802,796	12,241,492	11,924,059	12,358,023
Deferred charges	61,066	65,595	73,486	78,581
Total assets	18,477,939	18,800,613	18,537,707	18,849,142

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	Parent Company		Consolidated	
	03/31/06	12/31/05	03/31/06	12/31/05
Liabilities and shareholders equity				
Current liabilities	4,529,758	5,402,917	4,569,316	5,431,401
Loans and financing	215,952	244,856	217,354	246,755
Trade accounts payable	1,193,467	1,476,235	1,240,272	1,506,971
Taxes payable	1,140,864	1,778,152	1,167,709	1,794,138
Dividends and interest on capital	901,226	903,356	901,226	903,356
Reserve for contingencies	69,399	67,733	69,461	67,791
Payroll and related charges	118,486	155,627	122,722	162,161
Temporary losses on derivatives	352,385	294,255	352,385	294,255
Other	537,979	482,703	498,187	455,974
Non-current liabilities	3,156,885	3,193,489	3,159,625	3,196,064
Loans and financing	2,059,006	2,150,853	2,059,006	2,150,853
Taxes payable	22,016	22,709	22,016	22,709
Reserve for contingencies	983,581	931,907	983,763	932,078
Other	92,282	88,020	94,840	90,424
Deferred income			17,470	17,470
Shareholders equity	10,791,296	10,204,207	10,791,296	10,204,207
Capital	5,978,074	5,978,074	5,978,074	5,978,074
Capital reserves	2,687,061	2686973	2,687,061	2686973
Profit reserves	659,556	659,556	659,556	659,556
Retained earnings	1,466,605	879,604	1,466,605	879,604
Total liabilities and shareholders equity	18,477,939	18,800,613	18,537,707	18,849,142

See accompanying notes.

Table of Contents**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

STATEMENTS OF INCOME

Quarter ended March 31, 2006 and 2005

(In thousands of reais R\$, except earnings per share)

(A free translation of the original issued in Portuguese)

	Parent Company		Consolidated	
	03/31/06	03/31/05	03/31/06	03/31/05
Telecommunications services	5,013,088	4,723,199	5,110,937	4,781,135
Revenue deductions	(1,460,018)	(1,374,241)	(1,493,114)	(1,396,170)
Net operating revenue	3,553,070	3,348,958	3,617,823	3,384,965
Cost of services provided	(1,932,349)	(1,857,320)	(1,954,180)	(1,864,313)
Gross profit	1,620,721	1,491,638	1,663,643	1,520,652
Operating expenses	(667,632)	(645,895)	(706,079)	(676,432)
Selling	(454,746)	(409,388)	(470,198)	(438,404)
General and administrative	(227,038)	(197,863)	(239,271)	(211,512)
Equity in subsidiaries	9,826	(17,681)	(2,716)	(3,329)
Other, net	4,326	(20,963)	6,106	(23,187)
Income from operations before financial expenses, net	953,089	845,743	957,564	844,220
Financial expenses, net	(86,443)	(101,465)	(87,678)	(104,448)
Nonoperating income, net	5,905	8,357	5,916	8,680
Income before taxes	872,551	752,635	875,802	748,452
Income and social contribution taxes	(285,550)	(262,733)	(288,801)	(258,550)
Reversal of interest on capital				
Net income	587,001	489,902	587,001	489,902
Number of shares outstanding at the end of quarter (in thousands)	492.030	493.592.279		
Earning per thousand shares R\$	1.19302	0.00099		

See accompanying notes.

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TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO QUARTERLY INFORMATION

March 31, 2006

(In thousands of reais, unless otherwise stated)

(A free translation of the original issued in Portuguese)

1. Operations and Background

a) Ownership control and operations

Telecomunicações de São Paulo S.A. - Telesp, hereinafter referred to as the Company or Telesp, is controlled by Telefónica S.A. that, as of March 31, 2006, holds directly and indirectly 85,36% of the common shares and 88.98% of the preferred shares of the Company.

The Company is registered with the Brazilian Securities Commission (CVM) as a publicly held company and its shares are traded on the São Paulo Stock Exchange (BOVESPA). The Company is also registered with the US Securities and Exchange Commission (SEC) and its American Depository Shares (ADSs - level II) are traded on the New York Stock Exchange (NYSE).

The Company's activities are regulated by Brazil's telecommunications regulator (ANATEL), in accordance with the terms of the concession granted by the Brazilian Government.

The Company is a concessionaire of the fixed switch telephone service (STFC) in Region 3, which comprises the State of São Paulo, in Sectors 31, 32 and 34 established in the General Concession Plan (PGO).

The STFC Concession Agreement was extended at December 22, 2005, for a period of 20 years, and may be amended at December 31, 2010, December 31, 2015 and December 31, 2020. This condition allows ANATEL to establish new conditions and new universalization and quality goals, under the conditions prevailing at the time.

Every two years, over the twenty years of the new period, STFC companies shall pay a renewal fee equivalent to 2% (two per cent) of the STFC income for the year prior to payment, net of taxes payable thereon.

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TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO QUARTERLY INFORMATION (Continued)

March 31, 2006

(In thousands of reais, unless otherwise stated)

(A free translation of the original issued in Portuguese)

1. Operations and Background (Continued)

b) Telecommunications service providers and subsidiaries

A. Telecom S.A.: new corporate name of Assist Telefônica S.A., still a wholly-owned subsidiary and closely-held company, including in its business purpose the rendering of services related to: electronic monitoring, including sale, rent, installation, operation and maintenance; billing and collection of voice and data communication services; automated voice services, providing access to information and services through fixed telephones, mobiles or public telephones, using voice and text recognition and authentication; administration and exploration of service stores and other similar or related services, including administration of franchises; production of property items in connection with equipment, devices and telecommunications and IT networks in general, in addition to installation services already rendered; operation and maintenance of telephony, data and IT internal networks; value-added services, including services related to internet content, connection and access, technology services and all necessary support referring to worldwide computer network; installation, operation and maintenance of internet, intranet and extranet solutions; sale, rent and maintenance of telecommunications and IT equipment and devices in general.

On March 1, 2006 the then subsidiary Santo Genovese Participações Ltda., after having merged into its subsidiary Atrium Telecomunicações Ltda., was acquired by A.Telecom S.A., ceasing to exist as a result of such operation. A. Telecom remained a wholly-owned subsidiary of Telesp, and also began carrying out the activities formerly performed by Atrium.

The Company believes that the acquisition of Santo Genovese by A.Telecom meets the interests of the shareholders, members and customers, and will allow the maximization of synergies through the unification of activities within a single company. It will also help rationalize the management, simplify the corporate and administrative structure and, at the same time, offer its customers more integrated services with strengthened commercial structure.

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TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO QUARTERLY INFORMATION (Continued)

March 31, 2006

(In thousands of reais, unless otherwise stated)

(A free translation of the original issued in Portuguese)

1. Operations and Background (Continued)

b) Telecommunications service providers and subsidiaries (Continued)

Aliança Atlântica Holding B.V.: this company headquartered in Amsterdam, Netherlands, is a 50-50 joint venture formed in 1997 between Telebrás and Portugal Telecom. With the spin-off of Telebrás in February 1998, Telebrás' equity interest in Aliança Atlântica was transferred to the Company. Currently, 50% of Aliança Atlântica is owned by the Company and 50% by Telefónica S.A.

Companhia AIX de Participações: this company is engaged in both direct and indirect development of activities related to the construction, conclusion and operation of underground fiber optic networks. Currently, Telesp holds 50% interest in this company.

Companhia ACT de Participações: the business purpose is to participate in Refibra Consortium, render technical advisory services for preparation of projects for the conclusion of the Refibra Network, making the necessary studies to render them economically feasible, as well as monitoring of status of activities related to the Consortium. Currently, Telesp holds 50% interest in this company.

2. Presentation of the Quarterly Information

The individual (Parent Company) and consolidated interim financial statements have been prepared in accordance with Brazilian accounting practices, rules applicable to concessionaires of public telecommunications services, and accounting procedures and standards established by the Brazilian Securities Commission (CVM).

The consolidated interim financial statements include the accounts of the subsidiary A. Telecom S.A. and of the jointly-owned subsidiaries Aliança Atlântica Holding B.V., Companhia AIX de Participações and Companhia ACT de Participações, which were fully or proportionally consolidated in accordance with CVM Instruction No. 247/96.

In consolidation, all assets, liabilities, revenues and expenses resulting from intercompany transactions have been eliminated.

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NOTES TO QUARTERLY INFORMATION (Continued)

March 31, 2006

(In thousands of reais, unless otherwise stated)

(A free translation of the original issued in Portuguese)

2. Presentation of the Quarterly Information (Continued)

The March 2005 Statement of Income has been reclassified, when applicable, for comparability purposes. However, the values of such reclassification are immaterial in relation to the quarterly information and, therefore, they were not published in full detail.

3. Summary of Principal Accounting Practices

The interim financial statements as of March 31, 2006 have been prepared in accordance with the principles, practices and criteria consistently applied to the financial statements for the prior year and should be analyzed together with those financial statements.

Beginning 2006, the Company has been recording a provision for the concession renewal fee on an accrual basis. Exceptionally, the first payment of this biannual fee will be in April 2007 based on the 2006 net income. Since this fee refers to two years, the Company will recognize 1% of the annual net income as cost of services in the net income for each year.

4. Cash and Cash Equivalents

	Parent Company		Consolidated	
	Mar/2006	Dec/2005	Mar/2006	Dec /2005
Cash and banks	58,151	36,281	63,067	38,997
Temporary cash investments	1,042,333	403,885	1,065,289	424,459
Total	1,100,484	440,166	1,128,356	463,456

Temporary cash investments are liquid investments restated based on the Interbank Deposit Certificate (CDI) rate variation and are held with first-rated banks.

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NOTES TO QUARTERLY INFORMATION (Continued)

March 31, 2006

(In thousands of reais, unless otherwise stated)

(A free translation of the original issued in Portuguese)

5. Trade Accounts Receivable, Net

	Parent Company		Consolidated	
	Mar/2006	Dec /2005	Mar/2006	Dec /2005
Billed amounts	2,274,813	2,178,028	2,318,449	2,204,490
Unbilled amounts	1,162,962	1,146,055	1,162,953	1,153,231
Gross accounts receivable	3,437,775	3,324,083	3,481,402	3,357,721
Allowance for doubtful accounts	(584,177)	(566,786)	(594,620)	(574,453)
Total	2,853,598	2,757,297	2,886,782	2,783,268
Current	2,114,495	2,176,410	2,122,791	2,172,579
Past-due 1 to 30 days	512,167	461,827	517,687	473,348
Past-due 31 to 60 days	187,899	121,943	193,662	127,630
Past-due 61 to 90 days	85,006	55,175	89,520	59,693
Past-due 91 to 120 days	53,696	35,393	57,442	40,306
Past-due more than 120 days	484,512	473,335	500,300	484,165
Total	3,437,775	3,324,083	3,481,402	3,357,721

6. Deferred and Recov