

TELESP CELLULAR HOLDING CO /ADR/
Form 6-K
May 19, 2005

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

For the month of May, 2005

Commission File Number 1-14493

TELESP CELULAR PARTICIPAÇÕES S.A.

(Exact name of registrant as specified in its charter)

Telesp Cellular Holding Company

(Translation of Registrant's name into English)

Av. Roque Petroni Jr., no.1464, 6th floor part, "B"building
04707-000 - São Paulo, SP
Federative Republic of Brazil
(Address of principal executive office)

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 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

*(Convenience Translation into English from the Original
Previously Issued in Portuguese)*

Telesp Celular Participações S.A.

Financial Statements

for the Quarter Ended March 31, 2005 and Independent
Auditors' Review Report

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REVIEW REPORT

To the Management and Shareholders of

Telesp Celular Participações S.A.

São Paulo - SP

1. We have performed a special review of the Quarterly Information - ITR of Telesp Celular Participações S.A. and subsidiaries referring to the quarter ended March 31, 2005 , prepared under the responsibility of management and according to Brazilian accounting practices, consisting of the balance sheets, individual and consolidated, the related statements of operations and the performance report.

2. We conducted our review in accordance with the specific standards established by Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, and consisted principally of: (a) inquiries of and discussions with the persons responsible for the accounting, financial and operating areas of the Company and its subsidiaries as to the criteria adopted in preparing the Quarterly Information; and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiaries.

3. Based on our special review, we are not aware of any material modifications that should be made to the above-mentioned Quarterly Information for it to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission, specifically applicable to the preparation of the mandatory Quarterly Information.

4. The individual and consolidated balance sheets as of December 31, 2004 , presented for comparison purposes, were audited by us and our opinion dated February 16, 2005 did not contain any qualification. The individual and consolidated statements of operations for the quarter ended March 31, 2004 , presented for comparison purposes, were reviewed by us, according to a special review report, without qualification, dated April 20, 2004 .

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil .

São Paulo , April 25, 2005

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Domingos do Prado
Engagement Partner

BALANCE SHEETS AS OF MARCH 31, 2005 AND DECEMBER 31, 2004
(In thousands of Brazilian reais - R\$)

ASSETS	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
CURRENT ASSETS				
Cash and cash equivalents	1,289	94,422	978,102	1,180,855
Trade accounts receivable, net	-	-	1,518,185	1,483,819
Inventories	-	-	383,941	456,510
Advances to suppliers	1	1	41,097	44,918
Dividends and interest on shareholders' equity	239,822	532,834	-	-
Deferred and recoverable taxes	119,185	118,824	901,026	871,281
Prepaid expenses	807	1,300	325,022	157,235
Derivative contracts	43	-	93	7,803
Other assets	14,138	18,052	123,226	152,698
	375,285	765,433	4,270,692	4,355,119
NONCURRENT ASSETS				
Deferred and recoverable taxes	214,634	211,481	1,230,235	1,396,835
Derivative contracts	-	-	385,553	385,297
Prepaid expenses	1,184	1,309	27,096	36,119
Other assets	1,946	1,946	74,826	74,504
	217,764	214,736	1,717,710	1,892,755
PERMANENT ASSETS				
Investments	7,569,470	7,524,778	1,960,180	2,056,427
Property, plant and equipment, net	379	553	5,750,635	5,603,004
Deferred charges, net	-	-	212,425	223,864
	7,569,849	7,525,331	7,923,240	7,883,295
TOTAL ASSETS	8,162,898	8,505,500	13,911,642	14,131,169
LIABILITIES AND SHAREHOLDERS' EQUITY				
	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
CURRENT LIABILITIES				
Payroll and related accruals	1,368	1,135	74,014	84,136
Trade accounts payable	13,109	16,419	1,337,267	1,704,483
Taxes payable	684	5,471	302,248	343,366
Loans and financing	1,855,953	1,909,640	3,140,145	2,897,003
	-	-	82,281	82,281

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

Dividends and interest on shareholders' equity

Reserve for contingencies	61,164	58,987	130,083	124,296
Derivative contracts	170,857	169,118	272,624	266,200
Other liabilities	159	20,998	103,063	134,824
	2,103,294	2,181,768	5,441,725	5,636,589

LONG-TERM LIABILITIES

Loans and financing	1,131,594	1,293,647	2,074,978	2,066,169
Reserve for contingencies	-	-	202,612	195,434
Taxes payable	-	-	185,158	189,341
Derivative contracts	118,376	122,611	155,871	153,835
Other liabilities	-	-	39,277	39,278
	1,249,970	1,416,258	2,657,896	2,644,057

ADVANCE FOR FUTURE CAPITAL INCREASE

	-	1,999,941	-	1,999,941
--	---	-----------	---	-----------

MINORITY INTERESTS

	-	-	1,002,261	942,923
--	---	---	-----------	---------

SHAREHOLDERS' EQUITY

Capital	6,427,557	4,373,661	6,427,557	4,373,661
Capital reserves	1,035,991	1,089,879	1,035,991	1,089,879
Accumulated deficit	(2,654,067)	(2,556,160)	(2,654,067)	(2,556,160)
	4,809,481	2,907,380	4,809,481	2,907,380

FUNDS FOR CAPITALIZATION

	153	153	279	279
--	-----	-----	-----	-----

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

	8,162,898	8,505,500	13,911,642	14,131,169
--	-----------	-----------	------------	------------

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS

FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004

(In thousands of Brazilian reais - R\$, except for loss thousand shares)

	Company		Consolidated	
	03.31.05	03.31.04	03.31.05	03.31.04
GROSS OPERATING REVENUE				
Telecommunications services	-	-	1,936,363	1,866,355
Sales of products	-	-	336,207	397,529
	-	-	2,272,570	2,263,884
Deductions	-	-	(588,529)	(545,282)
NET OPERATING REVENUE	-	-	1,684,041	1,718,602
Cost of services provided	-	-	(425,403)	(391,789)
Cost of products sold	-	-	(264,953)	(339,701)
GROSS PROFIT	-	-	993,685	987,112

OPERATING (EXPENSES) REVENUES

Selling expenses	-	-	(453,717)	(386,830)
General and administrative expenses	(2,628)	(1,731)	(142,663)	(146,882)
Other operating expenses	(89,530)	(45,769)	(141,240)	(84,038)
Other operating income	120	-	58,454	33,938
Equity pick-up	133,473	160,599	-	-
	41,435	113,099	(679,166)	(583,812)

INCOME FROM OPERATIONS BEFORE
FINANCIAL

INCOME (EXPENSES)	41,435	113,099	314,519	403,300
Financial expenses	(153,140)	(250,119)	(298,880)	(376,180)
Financial income	13,776	99,115	76,343	157,314

INCOME (LOSS) FROM OPERATIONS	(97,929)	(37,905)	91,982	184,434
Nonoperating income, net	22	2,628	2,960	649

INCOME (LOSS) BEFORE TAXES
AND MINORITY INTEREST

AND MINORITY INTEREST	(97,907)	(35,277)	94,942	185,083
Income and social contribution taxes	-	-	(133,620)	(148,388)
Minority interest	-	-	(59,229)	(71,972)

NET LOSS	(97,907)	(35,277)	(97,907)	(35,277)
----------	----------	----------	----------	----------

LOSS PER THOUSAND SHARES - R\$	(0.062)	(0.0301)		
--------------------------------	---------	----------	--	--

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2005

(Amounts stated in thousands of Brazilian reais - R\$, except when mentioned otherwise)

1. OPERATIONS

Telesp Celular Participações S.A. ("TCP" or "the Company") is a publicly-traded company which, as of March 31, 2005, is owned by Brasilcel N.V. (59.883% of total capital) and Portelcom Participações S.A. (5.821% of total capital), which is a wholly-owned subsidiary of Brasilcel N.V.

Brasilcel N.V. is owned by Telefónica Móviles, S.A. (50% of total capital), PT Móveis, Serviços de Telecomunicações, SGPS, S.A. (49.999% of total capital) and Portugal Telecom, SGPS, S.A. (0.001% of total capital).

TCP is the Parent Company of the operators Telesp Celular S.A. ("TC"), Global Telecom S.A. ("GT") and Tele Centro Oeste Celular Participações S.A. ("TCO"), which provide mobile telephone services in the States of São Paulo,

Paraná and Santa Catarina and the Federal District, respectively, including activities necessary or useful to perform the services, in accordance with the licenses granted to them.

The licenses granted to TC, GT and TCO are valid until August 5, 2008, April 8, 2013 and July 24, 2006, respectively, and are renewable once only for a 15-year period, by means of the payment of charges equivalent to approximately 1% of the annual billing of the operators.

In addition, TCO fully controls the following operators:

Operator	Interest of TCO - %	Operating area	Term of license
Telegoiás Celular S.A.	100	Goiás and Tocantins	10.29.08
Telemat Celular S.A.	100	Mato Grosso	03.30.09
Telems Celular S.A.	100	Mato Grosso do Sul	09.28.09
Teleron Celular S.A.	100	Rondônia	07.21.09
Teleacre Celular S.A.	100	Acre	07.15.09
Norte Brasil Telecom S.A. - NBT	100	Amazonas, Roraima, Amapá, Pará and Maranhão	11.29.13

The businesses of the subsidiaries, including the additional services that they are able to provide, are regulated by the National Telecommunications Agency - ANATEL, the telecommunications regulatory agency, according to Law No. 9,472, dated July 16, 1997, and respective regulations, decrees, rulings and plans.

Increase in the interest in TCO

On October 8, 2004, the Voluntary Public Stock Offer ("OPA") was completed for the acquisition of TCO's preferred shares by TCP. The total settlement of the OPA represented 32.76% of all preferred shares, the amount of R\$ 901.5 million having been paid. As a result of this acquisition, TCP now holds 90.22% of the voting capital of TCO (51.42% of total capital).

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The individual (Company) and consolidated quarterly information ("ITRs") is presented in thousands of reais and was prepared according to accounting practices adopted in Brazil, which include the accounting practices derived from Brazilian corporation law, regulations applicable to the public telecommunications service concessionaires and accounting regulations and procedures established by the Brazilian Securities Commission ("CVM").

The consolidated ITRs include, in addition to the Company's balances and transactions, the balances and transactions of TC, GT and TCO and subsidiaries and the indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas.

In the consolidations, all the balances and transactions between the companies stated above were eliminated.

These ITRs were prepared according to principles, practices and criteria consistent with those adopted in preparing the financial statements of the last fiscal year and should be analyzed together with those statements.

The financial statements referring to December 31 and March 31, 2004 were reclassified, where applicable, for comparison purposes.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
Cash and banks	1,009	1,231	39,310	111,324
Temporary cash investments	280	93,191	938,792	1,069,531
Total	1,289	94,422	978,102	1,180,855

Temporary cash investments refer principally to fixed-income investments which are indexed to interbank deposit (CDI) rates.

4. TRADE ACCOUNTS RECEIVABLE, NET

	Consolidated	
	03.31.05	12.31.04
Unbilled amounts	203,062	182,690
Billed amounts	703,121	707,609
Interconnection	554,620	389,021
Products sold	217,189	374,184
Allowance for doubtful accounts	(159,807)	(169,685)
Total	1,518,185	1,483,819

There are no customers that have contributed with more than 10% of the net accounts receivable as of March 31, 2005 and December 31, 2004 , except for the amounts receivable from Telecomunicações de São Paulo S.A. - TELESP, which represented approximately 21% and 11% of the net consolidated accounts receivable on those dates.

The movements of the allowance for doubtful accounts are as follows:

	Consolidated	
	2005	2004
Beginning balance	169,685	135,841
Additions in the first quarter	52,988	33,645
Write-offs for the first quarter	(62,866)	(27,891)
Balance as of March 31	159,807	141,595
Additions in the second, third and fourth quarters		149,864
Write-offs for the second, third and fourth quarters		(121,774)
Balance as of December 31		169,685

VC2 and VC3 and international calls are recorded in accounts receivable - amounts receivable from services billed - which as of March 31, 2005 amounted to R\$ 253,134, that were sent for co-billing by the long-distance operators, according to the co-billing agreements between both companies, the balancing item to which is "Amounts to be passed on SMP", under "Trade payables" and "Accounts payable". The Company did not make any provision for losses on the amounts, considering that these amounts will only be passed on when effectively collected.

5. INVENTORIES

	Consolidated	
	03.31.05	12.31.04
Digital handsets	394,452	460,674
Accessories and others	25,757	26,567
(-) Allowance for obsolescence	(36,268)	(30,731)
Total	383,941	456,510

6. DEFERRED AND RECOVERABLE TAXES

	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
Prepaid income and social contribution taxes	295,874	188,743	405,367	303,217
Withholding income	335	101,162	60,319	220,945
Recoverable ICMS (State VAT)	-	-	248,109	245,447
PIS and COFINS (taxes on revenue) and others	37,191	39,981	140,594	140,171
Total of recoverable taxes	333,400	329,886	854,389	909,780
ICMS on unbilled sales	-	-	18,680	21,055
Deferred income and social contribution taxes	419	419	1,258,192	1,337,281
Total	333,819	330,305	2,131,261	2,268,116

Current	119,185	118,824	901,026	871,281
Noncurrent	214,634	211,481	1,230,235	1,396,835

Deferred income and social contribution taxes are comprised of:

	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
Merged tax credit (corporate restructuring)	-	-	932,465	985,155
Allowance/reserve for:				
Inventory obsolescence	-	-	10,059	8,388
Contingencies	-	-	78,187	74,842
Doubtful accounts	-	-	36,600	42,688
Other	-	-	37,107	67,671
Tax loss carryforwards	419	419	163,774	158,537
Total of deferred taxes	419	419	1,258,192	1,337,281
Current	419	419	349,595	237,924
Noncurrent	-	-	908,597	1,099,357

Deferred taxes have been recorded based on the assumption of their future realization, as follows:

a) Tax loss carryforwards, principally of the subsidiary TC, will be offset up to a limit of 30% per year of taxable income for the next few years. The subsidiary, based on projections of future results, estimates that its tax loss carryforwards will be fully utilized in two years.

b) The merged tax credit consists of the net balance of goodwill and reserve for maintaining the integrity of shareholders' equity (see Note 28) and is realized proportionally to the amortization of the goodwill at the subsidiaries, the period of which is between five and ten years. Outside consultants' studies used in the corporate restructuring process support the tax credit recovery within that period.

c) Temporary differences will be realized upon payments of the accruals, effective losses on bad debts and realization of inventories.

At the end of the fiscal year the Company prepared technical feasibility studies, approved by the Board of Directors, which indicate full recovery of the deferred taxes recognized as determined by CVM Resolution No. 371, of December 13, 2000 . Management did not identify any change that could affect the conclusion of these studies on March 31, 2005 .

The Company and its subsidiaries GT and TCO IP did not recognize deferred income and social contribution on tax losses and temporary differences, due to the lack of projections of taxable income to be generated in the short term.

7. PREPAID EXPENSES

	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
FISTEL fees	-	-	271,925	103,422
Financial charges	1,991	2,609	3,114	4,034
Commercial incentives	-	-	6,519	8,689
Advertising	-	-	57,721	63,085
Insurance premium	-	-	396	1,035
Rentals	-	-	6,101	9,323
Others	-	-	6,342	3,766
Total	1,991	2,609	352,118	193,354
Current	807	1,300	325,022	157,235
Noncurrent	1,184	1,309	27,096	36,119

8. OTHER ASSETS

	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
Prepaid subsidies for products	-	-	32,631	55,596
Advance for purchase of shares	-	-	15,584	15,584
Credits with suppliers	-	-	21,358	23,518
Escrow deposits	-	-	77,193	76,501
Tax incentives	-	-	30	30
Advances to employees	109	70	11,698	4,865
Receivables from subsidiaries and affiliates	13,695	13,612	25,291	33,162
Other assets	2,280	6,316	14,267	17,946
Total	16,084	19,998	198,052	227,202
Current	14,138	18,052	123,226	152,698
Noncurrent	1,946	1,946	74,826	74,504

9. INVESTMENTS

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

a) Investments in subsidiaries

Investees	Common stock interest - %	Preferred stock interest - %	Total interest - %
Telesp Celular S.A.	100.00	-	100.00
Global Telecom S.A.	100.00	100.00	100.00
Tele Centro Oeste Celular Participações S.A.	90.22	32.76	51.42

The interest in TCO is calculated considering capital less treasury shares.

b) Number of shares held

Investees	(Stated in thousands)		
	Common	Preferred	Total
Telesp Celular S.A.	83,155,768	-	83,155,768
Global Telecom S.A.	3,810	7,621	11,431
Tele Centro Oeste Celular Participações S.A.	37,194	28,084	65,278

c) Information on subsidiaries

Investees	Shareholders' equity		Net income (loss) for the quarter ended	
	03.31.05	12.31.04	2005	2004
Telesp Celular S.A.	3,080,627	2,966,517	114,110	184,484
Global Telecom S.A.	1,067,992	1,111,313	(43,321)	(53,200)
Tele Centro Oeste Celular Participações S.A.	2,563,638	2,441,502	121,913	99,559

d) Components and changes

The Company's investments include the equity interests in the direct subsidiaries, goodwill, advance for future capital increase and reserve for losses on investments and other investments, as shown below:

	Company		Consolidated	
	03.31.05	12.31.04	03.31.05	12.31.04
Investments in subsidiaries	5,192,850	5,059,262	-	-
Goodwill paid investment acquisitions, net	2,294,369	2,397,880	2,385,428	2,498,874
Advance for future capital increase	517,148	517,148	8,288	5,704
Provision for investment losses (*)	(435,000)	(449,615)	(435,000)	(449,615)
Other investments	103	103	1,464	1,464
Balance of investments	7,569,470	7,524,778	1,960,180	2,056,427

(*) Reserves for investment losses were recorded due to GT's accumulated deficit and indebtedness as of December 31, 2002 and 2001.

Changes in investment balances as of March 31, 2005 and 2004 are as follows:

Investments in subsidiaries	TC	03.31.05		Total	03.31.04
		GT	TCO		Total
Opening balance	2,966,517	1,111,313	981,432	5,059,262	4,647,772

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

Increase in interest	-	-	-	-	11,669
Donations	-	-	115	115	-
Equity pick-up	114,110	(43,321)	62,684	133,473	160,599
Ending balance	3,080,627	1,067,992	1,044,231	5,192,850	4,820,040

	03.31.05		03.31.04	
Goodwill paid on investment acquisitions, net	GT	TCO	Total	Total
Opening balance	1,077,020	1,320,860	2,397,880	2,638,076
Increase in premium on purchase of interest	-	-	-	9,172
Write-off of goodwill	-	-	-	(1,260)
Amortization of goodwill	(29,599)	(73,912)	(103,511)	(43,767)
Ending balance	1,047,421	1,246,948	2,294,369	2,602,221

	03.31.05		03.31.04
Advance for future capital increase	TCO	Total	Total
Opening balance	517,148	517,148	25,436
Increase in the capital of TCO due to tax benefit realized	-	-	(19,077)
Ending balance	517,148	517,148	6,359

	03.31.05		03.31.04
Reserve for losses	GT	Total	Total
Opening balance	(449,615)	(449,615)	(449,615)
Amortization of losses of GT	14,615	14,615	-
Closing balance	(435,000)	(435,000)	(449,615)

As from January 1, 2005, the goodwill paid on the acquisition of GT that was based on future profitability, to the total amount of R\$ 1,077,020, began to be amortized over a ten-year period as from the acquisition date.

TC has investments in Telesp Celular International Ltd. and Telesp Celular Overseas, companies located abroad, for the purpose of obtaining funding through foreign loans. These subsidiaries are dormant companies.

As of May 31, 2004, the tax benefit derived from the goodwill paid on the acquisition of TCO was transferred to that company and its subsidiaries. As a result R\$ 510,790 (net of the loss in participation of R\$ 271) was transferred as an advance for future capital increase, since shares will be issued in favor of TCP when this benefit is realized by TCO and its subsidiaries. The remaining goodwill, in the amount of R\$ 992,060, was based on future profitability and is being amortized over five years.

On March 30, 2004, TCP increased its investment in TCO using part of the advance for future capital increase. The participation of minority shareholders in this capital increase resulted in the reimbursement of R\$ 1,132 for TCP.

10. PROPERTY, PLANT AND EQUIPMENT, NET

a) Composition

	Annual depreciation rates - %	Cost	Consolidated		12.31.04 Net book value
			03.31.05 Accumulated depreciation	Net book value	
Transmission equipment	10.00 to 20.00	3,820,525	2,253,280	1,567,245	1,534,730
Switching equipment	10.00 to 20.00	1,759,575	820,339	939,236	903,873
Infrastructure	4.00 to 20.00	1,286,617	546,883	739,734	769,915
Land	-	48,264	-	48,264	48,264
Software use rights	20.00	1,291,287	732,579	558,708	538,676
Buildings	2.86 to 4.00	176,167	36,196	139,971	136,315
Terminals	10.00 to 66.67	407,905	274,575	133,330	126,348
Concession license	-	1,014,909	466,611	548,298	542,449
Other assets	6.67 to 20.00	465,250	222,036	243,214	211,398
Assets and construction in progress	-	832,635	-	832,635	791,036
Total		11,103,134	5,352,499	5,750,635	5,603,004

During the quarter ended March 31, 2005, financial expenses in the amount of R\$ 3,629 (R\$ 1,317 in the equivalent period of 2004) were capitalized in construction in progress.

11. DEFERRED CHARGES, NET

	Annual amortization rates - %	Consolidated	
		03.31.05	12.31.04
Preoperating expenses:			
Amortization of license	10	80,496	80,496
Financial expenses	10	201,131	201,131
General and administrative expenses	10	71,624	