

TELESP CELLULAR HOLDING CO /ADR/
Form 6-K
June 23, 2004

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 June, 2004

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. and Subsidiaries

Interim Financial Statements for the

Quarter Ended March 31, 2004 and

Independent Accountants' Review Report

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and Management of

Telesp Celular Participações S.A.

São Paulo - SP

1. We have made a special review of the accompanying interim financial statements of Telesp Celular Participações S.A. and subsidiaries (Company and Consolidated), consisting of the balance sheets as of March 31, 2004, the statements of operations for the quarter then ended, and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and 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 interim financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards issued by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. We had previously audited the Company and consolidated balance sheets as of December 31, 2003, presented for comparative purposes, and issued an unqualified opinion thereon, dated February 11, 2004. The Company and consolidated statements of operations for the quarter ended March 31, 2003, presented for comparative purposes, were reviewed by us and our review report thereon, dated April 25, 2003, was unqualified.
5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, April 20, 2004

DELOITTE TOUCHE TOHMATSU
Auditores IndependentesJosé Domingos do Prado
Engagement Partner

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

TELESP CELULAR PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF MARCH 31, 2004 AND DECEMBER 31, 2003

(In thousands of Brazilian reais - R\$)

ASSETS	Company		Consolidated	
	2004	2003	2004	2003
CURRENT ASSETS				
Cash and cash equivalents	49.594	564	984.162	1.158.849
Trade accounts receivable, net	-	-	1.249.730	1.212.474
Receivables from subsidiaries and affiliates	45.875	45.899	20.589	22.308
Inventories	-	-	191.126	157.296
Deferred and recoverable taxes	7.007	2.598	569.848	595.745
Prepaid expenses	1.602	3.186	188.848	92.689
Derivatives	476.825	504.742	997.109	1.008.244
Other assets	212	239	75.090	82.155
	581.115	557.228	4.276.502	4.329.760
NONCURRENT ASSETS				
Receivables from subsidiaries	476.486	470.558	-	-
Deferred and recoverable taxes	216.326	207.604	876.627	893.632
Derivatives	1.433	635	453.447	444.088
Prepaid expenses	1.690	1.815	31.266	24.338
Other assets	1.946	1.946	46.049	74.426
	697.881	682.558	1.407.389	1.436.484
PERMANENT ASSETS				
Investments	6.979.108	6.861.772	2.255.064	2.291.311
Property, plant and equipment, net	825	897	5.099.627	5.234.280
Deferred charges, net	-	-	256.826	268.522
	6.979.933	6.862.669	7.611.517	7.794.113
TOTAL ASSETS	8.258.929	8.102.455	13.295.408	13.560.357

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

TELESP CELULAR PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF MARCH 31, 2004 AND DECEMBER 31, 2003

(In thousands of Brazilian reais - R\$)

(continued)

	Company		Consolidated	
	2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Payroll and related accruals	742	725	46.453	69.065
Trade accounts payable	7.957	12.942	1.181.013	1.254.990
Taxes payable	641	644	234.329	254.378
Loans and financing	2.933.479	2.999.963	3.729.723	3.993.316
Interest on capital and dividends payable	4.570	4.595	107.297	107.322
Reserve for contingencies	54.568	51.082	139.234	126.145
Derivatives	112.475	109.183	340.355	418.486
Payables to subsidiaries and affiliates	22.990	22.841	29.256	27.817
Deferred revenues	-	-	66.187	110.158
Other liabilities	-	-	18.545	27.561
	3.137.422	3.201.975	5.892.392	6.389.238
LONG-TERM LIABILITIES				
Loans and financing	1.708.993	1.466.208	2.485.721	2.295.848
Reserve for contingencies	-	-	154.865	153.482
Taxes payable	-	-	186.118	172.841
Payables to subsidiaries	15.592	15.555	-	-
Accrued pension plan liability	-	-	3.200	3.187
Derivatives	38.885	25.403	45.552	31.070
Other liabilities	-	-	544	546
	1.763.470	1.507.166	2.876.000	2.656.974
MINORITY INTEREST	-	-	1.168.853	1.120.705
SHAREHOLDERS' EQUITY				
Capital	4.373.661	4.373.661	4.373.661	4.373.661
Capital reserves	1.089.879	1.089.879	1.089.879	1.089.879

Accumulated deficit	(2.105.656)	(2.070.379)	(2.105.656)	(2.070.379)
	3.357.884	3.393.161	3.357.884	3.393.161
FUNDS FOR CAPITALIZATION	153	153	279	279
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8.258.929	8.102.455	13.295.408	13.560.357

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

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

TELESP CELULAR PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE QUARTERS ENDED MARCH 31, 2004 AND 2003

(In thousands of Brazilian reais - R\$, except for per share data)

	Company		Consolidated	
	2004	2003	2004	2003
GROSS REVENUES				
Telecommunication services	-	-	1.866.355	993.848
Sales of products	-	-	397.529	182.691
	-	-	2.263.884	1.176.539
Deductions	-	-	(545.282)	(249.281)
NET OPERATING REVENUE	-	-	1.718.602	927.258
Cost of services provided	-	-	(391.789)	(358.298)
Cost of products sold	-	-	(339.701)	(135.056)
GROSS PROFIT	-	-	987.112	433.904
OPERATING (EXPENSES) INCOME				
Selling expenses	-	-	(386.830)	(209.501)
General and administrative expenses	(1.731)	(8.068)	(146.882)	(115.893)
Other operating expenses	(45.769)	(17)	(84.038)	(26.353)
Other operating income	-	1.022	33.938	76.857
Equity pick-up	160.599	(26.158)	-	-
	113.099	(33.221)	(583.812)	(274.890)
INCOME (LOSS) FROM OPERATIONS BEFORE				
FINANCIAL EXPENSES	113.099	(33.221)	403.300	159.014
Financial expenses	(250.119)	(226.781)	(376.180)	(494.304)

Financial income	99.115	128.436	157.314	241.868
LOSS FROM OPERATIONS	(37.905)	(131.566)	184.434	(93.422)
Nonoperating income (expenses), net	2.628	-	649	(105)
	(35.277)	(131.566)	185.083	(93.527)
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	(35.277)	(131.566)	185.083	(93.527)
Income and social contribution taxes	-	-	(148.388)	(38.039)
Minority interest	-	-	(71.972)	-
	(35.277)	(131.566)	(35.277)	(131.566)
NET LOSS	(35.277)	(131.566)	(35.277)	(131.566)
LOSS PER THOUSAND SHARES - R\$	(0,0301)	(0,2870)		

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

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

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2004

(Amounts in thousands of Brazilian reais - R\$, unless otherwise indicated)

1. OPERATIONS

Telesp Celular Participações S.A. ("TCP" or the "Company") is a publicly-traded company which, as of March 31, 2004, is owned by Brasilcel N.V. (57.26% of total capital) and Portelcom Participações S.A. (7.86% of total capital), which is a wholly-owned subsidiary of Brasilcel N.V.

Brasilcel N.V. is owned by Telefónica Móviles, S.A. (50.00% 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).

The Company owns 100% of Telesp Celular S.A. ("TC") and Global Telecom S.A. ("GT"), which provide, through authorizations or concessions valid until August 5, 2008 ("TC") and April 8, 2013 ("GT"), mobile telephone services in the States of São Paulo, Paraná and Santa Catarina, including related services.

Since April 25, 2003, the Company is also the controlling shareholder of Tele Centro Oeste Celular Participações S.A. ("TCO"), which provides mobile telephone services in Distrito Federal through an authorization valid until July 24, 2006. Additionally, TCO is the controlling shareholder of the following operators:

Operator		Operation area	
----------	--	----------------	--

Consolidated

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

	Interest held by TCO - %		Expiration date of concession/ authorization
Telegoiás Celular S.A.	97.21	State of Góias and Tocantins	10/29/08
Telemat Celular S.A.	97.90	State of Mato Grosso	03/30/09
Telems Celular S.A.	98.61	State of Mato Grosso do Sul	09/28/09
Teleron Celular S.A.	97.31	State of Rondônia	07/21/09
Teleacre Celular S.A.	98.41	State of Acre	07/15/09
Norte Brasil Telecom S.A. ("NBT")	100.00	States of Amazonas, Roraima, Amapá, Pará and Maranhão	11/29/13

Authorizations granted to the subsidiaries may be renewed once for 15 years, on a chargeable basis.

On July 6, 2003, the wireless operators implemented the Carrier Selection Code (CSP) on national (VC2 and VC3) and international long distance calls, in accordance with the Personal Mobile Service (SMP) rules. The operators no longer receive VC2 and VC3 revenues; instead, they receive interconnection revenues for the use of their networks on these calls.

TCO also owns TCO IP S.A. ("TCO IP"), which provides telecommunications services, Internet access, solutions and other.

Telecommunications services provided by the subsidiaries, including related services, are regulated by the Federal regulatory authority, the National Telecommunications Agency (ANATEL), as authorized by Law No. 9,472 of July 16, 1997, and the respective regulations, decrees, decisions and plans.

2. PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements include:

- As of March 31, 2004 and December 31, 2003, balances and transactions of the subsidiaries TC, GT and TCO and the indirect subsidiaries Telegoiás Celular, Telemat Celular, Telems Celular, Teleron Celular, Teleacre Celular, NBT, Telesp Celular International Ltd. and Telesp Celular Overseas.
- As of March 31, 2003, balances and transactions of the subsidiaries TC, GT and the indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas.

In consolidation, all intercompany balances and transactions have been eliminated.

The financial statements as of December 31, 2003 and March 31, 2003 have been reclassified, where applicable, for comparability purposes.

3. SUMMARY OF PRINCIPAL ACCOUNTING PRACTICES

The interim financial statements are expressed in thousands of Brazilian reais (R\$) and have been prepared in accordance with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), which do not provide for the recognition of inflation effects beginning January 1, 1996.

The accompanying interim financial statements have been prepared in accordance with principles, practices and criteria applied consistently with those used to prepare the financial statements presented at last yearend and should be analyzed together with those financial statements.

4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	03/31/04	12/31/03	03/31/04	12/31/03
Cash and banks	754	564	10,377	94,800
Temporary cash investments	48,840	-	973,785	1,064,049
Total	49,594	564	984,162	1,158,849

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

5. TRADE ACCOUNTS RECEIVABLE, NET

	Consolidated	
	03/31/04	12/31/03
Unbilled amounts	168,217	204,302
Billed amounts	502,994	447,387
Interconnection	443,604	353,272
Products sold	276,510	343,354
Allowance for doubtful accounts	(141,595)	(135,841)
Total	1,249,730	1,212,474

Changes in the allowance for doubtful accounts were as follows:

	Consolidated	
	03/31/04	12/31/03
Beginning balance	135,841	120,135
Additions in the first quarter	33,645	6,906

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

Write-offs for the first quarter	(27,891)	(19,977)
Balance as of March 31	141,595	107,064
Additions in the second, third and fourth quarters	-	78,554
Write-offs for second, third and fourth quarters	-	(79,374)
Initial consolidation of TCO	-	29,597
Balance as of December 31, 2003		135,841

6. INVENTORIES

	Consolidated	
	03/31/04	12/31/03
Digital handsets	208,250	167,100
Other	18,345	19,184
Allowance for obsolescence	(35,469)	(28,988)
Total	191,126	157,296

7. DEFERRED AND RECOVERABLE TAXES

	Company		Consolidated	
	03/31/04	12/31/03	03/31/04	12/31/03
Prepaid income and social contribution taxes	212,112	146,759	285,199	229,481
Withholding income tax	4,353	61,021	84,534	116,216
Recoverable ICMS (State VAT)	-	-	131,415	140,536
Recoverable PIS and COFINS (taxes on revenue) and other	6,449	2,003	12,394	2,679
Recoverable taxes	222,914	209,783	513,542	488,912
ICMS on unbilled sales	-	-	16,916	30,635
Deferred income and social contribution taxes	419	419	916,017	969,830
Total	223,333	210,202	1,446,475	1,489,377
Current	7,007	2,598	569,848	595,745
Noncurrent	216,326	207,604	876,627	893,632

Deferred income and social contribution taxes are comprised of:

	Company	Consolidated
--	---------	--------------

	03/31/04	12/31/03	03/31/04	12/31/03
Merged tax credit (corporate restructuring)	-	-	615,134	642,272
Merged tax credit - TCO	-	-	16,457	21,943
Tax loss carryforwards	419	419	139,601	157,817
Allowance/Reserve for:				
Inventory obsolescence	-	-	8,452	8,005
Contingencies	-	-	62,582	59,125
Doubtful accounts	-	-	36,249	31,628
Deferred sales	-	-	9,902	6,478
Derivative transactions	-	-	6,123	7,211
Profit sharing program	-	-	1,727	6,845
Other	-	-	19,790	28,506
Total deferred taxes	419	419	916,017	969,830
Current	-	-	324,080	351,648
Noncurrent	419	419	591,937	618,182

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 the reserve for maintenance of integrity of shareholders' equity (Note 29) and is realized proportionally to the amortization of the goodwill a ten-year period. Outside consultants' studies used in the corporate restructuring process support the tax credit recovery within that period. The merged tax credit of the subsidiary TCO is being realized proportionally to the goodwill amortization and will be recovered by December 2004.
- c) Temporary differences will be realized upon payment of the accruals, effective losses on bad debts and realization of inventories.

Technical feasibility studies, approved by the Board of Directors, indicate full recovery of the deferred taxes recognized as determined by CVM Resolution No. 371 of December 13, 2000. Realization of the tax credits is estimated as follows:

Period	Consolidated
1 year	324,080
2 years	164,390
3 years	137,653
4 years	108,553
5 and 6 years	181,341

Total	916,017
-------	---------

CVM Resolution No. 371/00 determines that periodic studies must be carried out to support the maintenance of the amounts recorded. The Company and its subsidiaries GT and TCO IP did not recognize deferred income and social contribution taxes on tax losses and temporary differences, due to the lack of projections of taxable income to be generated in the short term.

8. PREPAID EXPENSES

	Company		Consolidated	
	03/31/04	12/31/03	03/31/04	12/31/03
FISTEL fees	-	-	157,805	49,223
Financial charges	3,292	5,001	4,665	7,142
Commercial incentives	-	-	15,379	13,123
Advertising	-	-	34,618	35,239
Rentals	-	-	5,511	9,222
Other	-	-	2,136	3,078
Total	3,292	5,001	220,114	117,027
Current	1,602	3,186	188,848	92,689
Noncurrent	1,690	1,815	31,266	24,338

9. OTHER ASSETS

--