

TELESP HOLDING CO  
Form 6-K  
April 03, 2006  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 6-K

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Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the month of March, 2006

Commission File Number: 001-14475

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## TELESP HOLDING COMPANY

(Translation of registrant's name into English)

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Rua Martiniano de Carvalho, 851 21andar

São Paulo, S.P.

Federative Republic of Brazil

(Address of principal executive office)

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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  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 *Financial Statements - Telecomunicações de São Paulo S.A. Telesp* dated on December 31, 2005.

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*Financial Statements*

*Telecomunicações de São Paulo S.A. - TELESP*

*December 31, 2005 and 2004*

*with Report of Independent Auditors*

*(A free translation of the original report in Portuguese containing  
Financial Statements prepared in accordance with the accounting  
practices adopted in Brazil)*

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**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

FINANCIAL STATEMENTS

December 31, 2005 and 2004

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**REPORT OF INDEPENDENT AUDITORS**

Board of Directors and Shareholders

**Telecomunicações de São Paulo S.A. - TELESP**

São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Telecomunicações de São Paulo S.A. and subsidiaries as of December 31, 2005, and the related statements of income, shareholders' equity and changes in financial position for the year then ended. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with generally accepted auditing standards in Brazil which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company, (b) the examination, on a test basis, of the documentary evidence and accounting records supporting the amounts and disclosures in the financial statements, and (c) an assessment of the accounting practices used and significant estimates made by management of the Company and subsidiaries, as well as an evaluation of the overall financial statement presentation.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Telecomunicações de São Paulo S.A. - TELESP and subsidiaries at December 31, 2005, the related result of their operations, changes in their shareholders' equity and changes in their financial position for the year then ended, in conformity with the accounting practices adopted in Brazil.
4. The individual (Company) and consolidated financial statements for the year ended December 31, 2004, presented for comparison purposes, were reviewed by other independent auditors, who issued an unqualified opinion dated February 2, 2005.

São Paulo, January 31, 2006

ERNST & YOUNG

Audidores Independentes S.S.

CRC-2SP015199/O-6/S

Luiz Carlos Marques

Accountant CRC-1SP147693/O-5

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## BALANCE SHEETS

December 31, 2005 and 2004

(In thousands of reais)

|                                    | Company           |            | Consolidated      |            |
|------------------------------------|-------------------|------------|-------------------|------------|
|                                    | 2005              | 2004       | 2005              | 2004       |
| <b>Assets</b>                      |                   |            |                   |            |
| Current assets                     | <b>5,065,553</b>  | 4,098,160  | <b>5,112,898</b>  | 4,161,865  |
| Cash and cash equivalents          | <b>440,166</b>    | 172,293    | <b>463,456</b>    | 238,577    |
| Trade accounts receivable, net     | <b>2,757,297</b>  | 2,681,644  | <b>2,783,268</b>  | 2,696,000  |
| Deferred and recoverable taxes     | <b>1,591,214</b>  | 897,546    | <b>1,622,774</b>  | 907,819    |
| Inventories                        | <b>74,896</b>     | 91,462     | <b>75,101</b>     | 93,002     |
| Other recoverable amounts          | <b>46,316</b>     | 91,212     | <b>47,465</b>     | 92,830     |
| Other                              | <b>155,664</b>    | 164,003    | <b>120,834</b>    | 133,637    |
| Non-current assets                 | <b>948,564</b>    | 703,092    | <b>1,046,075</b>  | 805,119    |
| Deferred and recoverable taxes     | <b>429,716</b>    | 325,560    | <b>458,106</b>    | 354,382    |
| Escrow deposits                    | <b>481,266</b>    | 333,407    | <b>481,790</b>    | 333,893    |
| Other                              | <b>37,582</b>     | 44,125     | <b>106,179</b>    | 116,844    |
| Permanent assets                   | <b>12,786,496</b> | 13,884,589 | <b>12,690,169</b> | 13,784,783 |
| Investments                        | <b>479,409</b>    | 509,745    | <b>253,565</b>    | 284,574    |
| Property, plant and equipment, net | <b>12,241,492</b> | 13,261,463 | <b>12,358,023</b> | 13,369,391 |
| Deferred charges                   | <b>65,595</b>     | 113,381    | <b>78,581</b>     | 130,818    |
| <b>Total assets</b>                | <b>18,800,613</b> | 18,685,841 | <b>18,849,142</b> | 18,751,767 |

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|   | Company           |            | Consolidated      |            |
|---|-------------------|------------|-------------------|------------|
|   | 2005              | 2004       | 2005              | 2004       |
| <b>Liabilities and shareholders' equity</b> |                   |            |                   |            |
| Current liabilities                         | <b>5,402,917</b>  | 4,138,548  | <b>5,431,401</b>  | 4,163,806  |
| Loans and financing                         | <b>244,856</b>    | 526,132    | <b>246,755</b>    | 529,930    |
| Trade accounts payable                      | <b>1,476,235</b>  | 1,172,604  | <b>1,506,971</b>  | 1,194,781  |
| Taxes payable                               | <b>1,778,152</b>  | 1,155,720  | <b>1,794,138</b>  | 1,165,734  |
| Dividends and interest on capital           | <b>903,356</b>    | 506,116    | <b>903,356</b>    | 506,116    |
| Reserve for contingencies                   | <b>67,733</b>     | 52,806     | <b>67,791</b>     | 52,847     |
| Payroll and related charges                 | <b>155,627</b>    | 138,628    | <b>162,161</b>    | 143,312    |
| Temporary losses on derivatives             | <b>294,255</b>    | 235,918    | <b>294,255</b>    | 235,918    |
| Other                                       | <b>482,703</b>    | 350,624    | <b>455,974</b>    | 335,168    |
| Non-current liabilities                     | <b>3,191,875</b>  | 3,147,047  | <b>3,194,450</b>  | 3,170,245  |
| Loans and financing                         | <b>2,150,853</b>  | 2,205,762  | <b>2,150,853</b>  | 2,226,313  |
| Taxes payable                               | <b>22,709</b>     | 26,007     | <b>22,709</b>     | 26,007     |
| Reserve for contingencies                   | <b>931,907</b>    | 800,244    | <b>932,078</b>    | 800,382    |
| Other                                       | <b>86,406</b>     | 115,034    | <b>88,810</b>     | 117,543    |
| Deferred income                             |                   |            | <b>17,470</b>     | 17,470     |
| Shareholders' equity                        | <b>10,204,207</b> | 11,398,632 | <b>10,204,207</b> | 11,398,632 |
| Capital                                     | <b>5,978,074</b>  | 5,978,074  | <b>5,978,074</b>  | 5,978,074  |
| Capital reserves                            | <b>2,686,973</b>  | 2,745,272  | <b>2,686,973</b>  | 2,745,272  |
| Legal reserves                              | <b>659,556</b>    | 659,556    | <b>659,556</b>    | 659,556    |
| Retained earnings                           | <b>879,604</b>    | 2,015,730  | <b>879,604</b>    | 2,015,730  |
| Funds for capitalization                    | <b>1,614</b>      | 1,614      | <b>1,614</b>      | 1,614      |
| Total liabilities and shareholders' equity  | <b>18,800,613</b> | 18,685,841 | <b>18,849,142</b> | 18,751,767 |

See accompanying notes.



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

## STATEMENTS OF INCOME

Years ended December 31, 2005 and 2004

(In thousands of reais, except earnings per share)

|   | Company            |             | Consolidated       |             |
|---|--------------------|-------------|--------------------|-------------|
|   | 2005               | 2004        | 2005               | 2004        |
| Gross operating revenue   | <b>20,068,302</b>  | 18,327,071  | <b>20,350,920</b>  | 18,425,674  |
| Telecommunications services   | <b>20,068,302</b>  | 18,327,071  | <b>20,350,920</b>  | 18,425,674  |
| Revenue deductions  | <b>(5,852,413)</b> | (5,102,017) | <b>(5,955,819)</b> | (5,117,044) |
| Net operating revenue   | <b>14,215,889</b>  | 13,225,054  | <b>14,395,101</b>  | 13,308,630  |
| Cost of services provided   | <b>(7,600,605)</b> | (7,449,067) | <b>(7,716,723)</b> | (7,496,010) |
| Gross profit  | <b>6,615,284</b>   | 5,775,987   | <b>6,678,378</b>   | 5,812,620   |
| Operating expenses  | <b>(2,786,991)</b> | (2,511,773) | <b>(2,842,551)</b> | (2,543,294) |
| Selling   | <b>(1,789,100)</b> | (1,528,467) | <b>(1,810,377)</b> | (1,606,645) |
| General and administrative  | <b>(814,258)</b>   | (763,222)   | <b>(863,920)</b>   | (746,802)   |
| Equity in subsidiaries  | <b>(32,486)</b>    | (84,932)    | <b>(17,829)</b>    | (461)       |
| Other, net  | <b>(151,147)</b>   | (135,152)   | <b>(150,425)</b>   | (189,386)   |
| Income from operations before financial expenses, net               | <b>3,828,293</b>   | 3,264,214   | <b>3,835,827</b>   | 3,269,326   |
| Financial expenses, net   | <b>(1,431,155)</b> | (1,285,753) | <b>(1,440,332)</b> | (1,292,808) |
| Operating income  | <b>2,397,138</b>   | 1,978,461   | <b>2,395,495</b>   | 1,976,518   |
| Non-operating income, net   | <b>37,310</b>      | 39,982      | <b>37,799</b>      | 40,102      |
| Income before taxes   | <b>2,434,448</b>   | 2,018,443   | <b>2,433,294</b>   | 2,016,620   |
| Income tax and social contribution                                  | <b>(872,501)</b>   | (725,894)   | <b>(871,347)</b>   | (724,071)   |
| Reversal of interest on capital                                     | <b>980,000</b>     | 888,600     | <b>980,000</b>     | 888,600     |
| Net income  | <b>2,541,947</b>   | 2,181,149   | <b>2,541,947</b>   | 2,181,149   |
| Number of shares outstanding at the balance sheet date in thousands | <b>492,030</b>     | 493,592,279 |                    |             |
| Earnings per share - R\$  | <b>5.1662</b>      | 0.0044      |                    |             |

See accompanying notes

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## STATEMENTS OF SHAREHOLDERS EQUITY

Years ended December 31, 2005 and 2004

(In thousands of reais)

|   | Capital reserves |                  |                |                   |                |                | Retained earnings  | Total shareholders equity |
|---|------------------|------------------|----------------|-------------------|----------------|----------------|--------------------|---------------------------|
|   | Capital          | Share premium    | Treasury stock | Investment grants | Tax incentives | Legal reserve  |                    |                           |
| Balances at December 31, 2003                             | 5,978,074        | 2,737,087        |                | 6,756             | 188            | 550,498        | 2,996,457          | 12,269,060                |
| Investment grants   |                  |                  |                | 1,241             |                |                |                    | 1,241                     |
| Unclaimed dividends and interest on capital, net of taxes |                  |                  |                |                   |                |                | 45,472             | 45,472                    |
| Net income for the year                                   |                  |                  |                |                   |                |                | 2,181,149          | 2,181,149                 |
| Proposed allocation of income:                            |                  |                  |                |                   |                |                |                    |                           |
| Dividends   |                  |                  |                |                   |                |                | (2,209,690)        | (2,209,690)               |
| Legal reserve   |                  |                  |                |                   |                | 109,058        | (109,058)          |                           |
| Interest on capital                                       |                  |                  |                |                   |                |                | (755,310)          | (755,310)                 |
| Income tax on interest on capital                         |                  |                  |                |                   |                |                | (133,290)          | (133,290)                 |
| Balances at December 31, 2004                             | <b>5,978,074</b> | <b>2,737,087</b> |                | <b>7,997</b>      | <b>188</b>     | <b>659,556</b> | <b>2,015,730</b>   | <b>11,398,632</b>         |
| Investment grants   |                  |                  |                | <b>593</b>        |                |                |                    | <b>593</b>                |
| Unclaimed dividends and interest on capital, net of taxes |                  |                  |                |                   |                |                | <b>91,927</b>      | <b>91,927</b>             |
| Purchase of own shares after reverse split of shares      |                  |                  |                | <b>(58,892)</b>   |                |                |                    | <b>(58,892)</b>           |
| Net income for the year                                   |                  |                  |                |                   |                |                | <b>2,541,947</b>   | <b>2,541,947</b>          |
| Proposed allocation of income:                            |                  |                  |                |                   |                |                |                    |                           |
| Dividends   |                  |                  |                |                   |                |                | <b>(2,790,000)</b> | <b>(2,790,000)</b>        |
| Interest on capital                                       |                  |                  |                |                   |                |                | <b>(833,000)</b>   | <b>(833,000)</b>          |
| Income tax on interest on capital                         |                  |                  |                |                   |                |                | <b>(147,000)</b>   | <b>(147,000)</b>          |