

TELESP HOLDING CO
Form 6-K
October 28, 2005

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 October, 2005

Commission File Number: 001-14475

TELESP HOLDING COMPANY

(Translation of registrant's name into English)

Rua Martiniano de Carvalho, 851 - 21th floor

São Paulo, S.P.

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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

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

TELESP HOLDING COMPANY

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1. Press Release entitled "*Telecomunicações de São Paulo S.A. - Telesp Announces the Quarterly Information ended June 30, 2005 with Special Review Report of Independent Auditors* (A free translation of the original report in Portuguese containing Quarterly Information prepared in accordance with the accounting practices emanating from Brazil's Corporation Law)" dated on October 27, 2005.

Quarterly Information

Telecomunicações de São Paulo S.A. -TELESP

Quarter ended June 30, 2005 with Special Review Report of Independent Auditors

(A free translation of the original report in Portuguese containing Quarterly Information prepared in accordance with the accounting practices emanating from Brazil's Corporation Law)

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

QUARTERLY INFORMATION

June 30, 2005

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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) of Telecomunicações de São Paulo S.A and its subsidiaries for the quarter ended June 30, 2005, which comprised the balance sheets, statements of income, the performance report and other relevant information, prepared under responsibility of the Company's 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, 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 individual and consolidated balance sheets as of March 31, 2005, presented for comparative purposes and the individual and consolidated statements of income for the quarter ended March 31, 2005 were reviewed by other independent auditors, who issued an unqualified special review report dated May 2, 2005. The individual and consolidated statements of income for the quarter and six-month period ended June 30, 2004, also presented for comparative purposes, were reviewed by the same independent auditors, who issued an unqualified special review report dated July 26, 2004.

São Paulo (SP), July 22, 2005

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP015199/O-6

Luiz Carlos Marques

Accountant CRC-1SP147.693/O -5

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

June 30 and March 31, 2005

(In thousands of reais □ R\$)

(A free translation of the original issued in Portuguese)

	Company		Consolidated	
	06/30/05	03/31/05	06/30/05	03/31/05
Assets				
Current assets	4,554,219	4,670,215	4,610,792	4,725,698
Cash and cash equivalents	499,349	690,911	541,152	743,971
Trade accounts receivable, net	2,734,019	2,846,822	2,754,269	2,857,437
Deferred and recoverable taxes	903,061	739,677	926,228	759,921
Inventories	85,009	88,965	85,866	90,336
Other recoverable amounts	108,780	114,278	110,520	115,851
Other	224,001	189,562	192,757	158,182
Non-current assets	845,732	767,937	947,186	868,338
Deferred and recoverable taxes	390,558	381,738	420,900	410,068
Escrow deposits	418,584	348,725	419,085	349,222
Other	36,590	37,474	107,201	109,048
Permanent assets	13,069,166	13,399,644	12,980,966	13,306,416
Investments	469,465	492,736	261,106	278,445
Property, plant and equipment, net	12,511,548	12,806,141	12,617,588	12,912,518
Deferred charges	88,153	100,767	102,272	115,453
Total assets	18,469,117	18,837,796	18,538,944	18,900,452

See accompanying notes.

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

June 30 and March 31, 2005

(In thousands of reais □ R\$)

(A free translation of the original issued in Portuguese)

	Company		Consolidated	
	06/30/05	03/31/05	06/30/05	03/31/05
Liabilities and shareholders' equity				
Current liabilities	4,583,629	3,877,928	4,615,550	3,900,089
Loans and financing	322,433	392,272	325,727	396,446
Trade accounts payable	1,262,412	1,269,823	1,292,735	1,296,172
Taxes payable	1,194,523	958,415	1,213,035	972,515
Dividends and interest on capital	890,551	502,596	890,551	502,596
Reserve for contingencies	58,047	54,918	58,105	54,967
Payroll and related charges	145,348	121,392	150,898	125,605
Temporary losses on derivatives	344,287	229,797	346,164	230,737
Other	366,028	348,715	338,335	321,051
Non-current liabilities	3,186,432	3,069,606	3,206,868	3,092,631
Loans and financing	2,221,464	2,121,627	2,239,350	2,142,160
Taxes payable	24,249	25,171	24,249	25,171
Reserve for contingencies	858,069	827,054	858,222	827,235
Other	82,650	95,754	85,047	98,065
Deferred income	-	-	17,470	17,470
Shareholders' equity	10,697,442	11,888,648	10,697,442	11,888,648
Capital	5,978,074	5,978,074	5,978,074	5,978,074
Capital reserves	2,745,529	2,745,386	2,745,529	2,745,386
Profit reserves	659,556	659,556	659,556	659,556
Retained earnings	1,314,283	2,505,632	1,314,283	2,505,632
Funds for capitalization	1,614	1,614	1,614	1,614
Total liabilities and shareholders' equity	18,469,117	18,837,796	18,538,944	18,900,452

See accompanying notes.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP
STATEMENTS OF INCOME

Quarter ended June 30, 2005 and 2004

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

(A free translation of the original issued in Portuguese)

	Company		Consolidated	
	06/30/05	06/30/04	06/30/05	06/30/04
Telecommunications services	4,919,960	4,362,805	4,989,488	4,390,893
Revenue deductions	(1,429,889)	(1,214,042)	(1,456,425)	(1,219,965)
Net operating revenue	3,490,071	3,148,763	3,533,063	3,170,928
Cost of services provided	(1,893,337)	(1,764,261)	(1,923,796)	(1,771,646)
Gross profit	1,596,734	1,384,502	1,609,267	1,399,282
Operating expenses	(664,000)	(653,499)	678,073)	(669,659)
Selling	(414,248)	(355,909)	(425,569)	(376,116)
General and administrative	(206,438)	238,072)	(216,987)	(238,199)
Equity in subsidiaries	(19,234)	1,635	(12,852)	4,331
Other, net	(24,080)	(61,153)	(22,665)	(59,675)
Income from operations before financial expenses, net	932,734	731,003	931,194	729,623
Financial expenses, net	(480,469)	(408,698)	(482,315)	(409,546)
Nonoperating income, net	452,265	322,305	448,879	320,077
	20,364	7,866	20,428	7,881
Income before taxes	472,629	330,171	469,307	327,958
Income and social contribution taxes	(163,978)	(107,814)	(160,656)	(105,601)
Reversal of interest on capital	359,000	295,800	359,000	295,800
Net income	667,651	518,157	667,651	518,157

Number of shares outstanding at the end

of quarter (in thousands)	493,592	493,592,279
Earning per thousand shares □ R\$	1.35264	0.00105

See accompanying notes.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**STATEMENTS OF INCOME**

Six-month period ended June 30, 2005 and 2004

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

(A free translation of the original issued in Portuguese)

	Company		Consolidated	
	06/30/05	06/30/04	06/30/05	06/30/04
Telecommunications services	9,643,159	8,860,225	9,770,623	8,911,312
Revenue deductions	(2,804,130)	(2,464,284)	(2,852,595)	(2,474,221)
Net operating revenue	6,839,029	6,395,941	6,918,028	6,437,091
Cost of services provided	(3,750,657)	(3,601,825)	(3,788,109)	(3,614,591)
Gross profit	3,088,372	2,794,116	3,129,919	2,822,500
Operating expenses	(1,309,895)	(1,346,035)	(1,354,505)	(1,379,144)
Selling	(798,483)	(741,909)	(838,820)	(785,911)
General and administrative	(404,301)	(474,324)	(428,499)	(477,529)
Equity in subsidiaries	(36,915)	(9,936)	(16,181)	3,123
Other, net	(70,196)	(119,866)	(71,005)	(118,827)
Income from operations before financial expenses, net	1,778,477	1,448,081	1,775,414	1,443,356
Financial expenses, net	(581,934)	(490,240)	(586,763)	(491,980)
Nonoperating income, net	1,196,543	957,841	1,188,651	951,376
	28,721	17,055	29,108	17,102
Income before taxes	1,225,264	974,896	1,217,759	968,478
Income and social contribution taxes	(426,711)	(333,958)	(419,206)	(327,540)
Reversal of interest on capital	359,000	295,800	359,000	295,800
Net income	1,157,553	936,738	1,157,553	936,738

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Number of shares outstanding at the end of the six-month period (in thousands)	493,592	493,592,279
Earning per thousand shares □ R\$	2.34516	0.00190

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION

June 30, 2005

(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 June 30, 2005, holds directly and indirectly 84.71% of the common shares and 88.90% 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 in effect until December 31, 2005 may be renewed, upon the Concessionaire's request, on a chargeable basis, only once for another 20 years, provided the Concessionaire meets the requirements of the agreement. The new agreement can contain new requirements and establish new universalization and quality targets, based on the conditions in force at the time of the renewal.

As provided for in the agreement, at June 30, 2003, the Company declared to Anatel an interest in the renewal of the concession. As such, as from January 1, 2006, Telesp will be governed by a concession agreement, which was submitted in 2002 to a Public Inquiry, showing the Company's comments and pronouncements.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

1. Operations and Background (Continued)

b) Telecommunications service providers and subsidiaries

Assist Telefônica S.A.: this wholly-owned subsidiary is a closely-held company engaged primarily in providing the following services: technical assistance for installation, operation and maintenance of internal telephone, data and IT networks; value-added services, including those related to internet content, connection and access, as well as technology services and internet support; installation, operation and maintenance of internet, intranet and extranet solutions; sale, rent and maintenance of telecommunications and IT equipment and devices in general.

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: on June 30, 2001, Telesp paid up an equity interest of 32% in this company. In November and December 2003, this company underwent a corporate restructuring process that increased Telesp equity interest to 50%.

Santo Genovese Participações Ltda.: on December 24, 2004, the Company acquired all the shares of Santo Genovese Participações Ltda., a limited liability company, which holds an equity interest in Atrium Telecomunicações Ltda., a company that provides telecommunication management services for corporate clients in Brazil (industries, companies and condominiums), internet and

intranet services, and sale, rent and representation of telecommunication systems and related equipment.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

2. Presentation of the Quarterly Information

The individual (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 subsidiaries Assist Telefônica S.A. and Santo Genovese Participações Ltda. 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.

The interim financial statements have been reclassified, when applicable, for comparability purposes, as shown in Note 22.

3. Summary of Principal Accounting Practices

The interim financial statements as of June 30, 2005 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.

4. Cash and Cash Equivalents

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Cash and banks	8,477	8,489	19,842	21,484
Temporary cash investments	490,872	682,422	521,310	722,487
Total	499,349	690,911	541,152	743,971

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

5. Trade Accounts Receivable, Net

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Billed amounts	2,225,143	2,398,410	2,245,400	2,407,337
Unbilled amounts	1,068,610	1,005,204	1,074,069	1,011,778
Gross accounts receivable	3,293,753	3,403,614	3,319,469	3,419,115
Allowance for doubtful accounts	(559,734)	(556,792)	(565,200)	(561,678)
Total	2,734,019	2,846,822	2,754,269	2,857,437
Current	2,141,749	2,249,726	2,139,116	2,246,687
Past-due ☐ 1 to 30 days	462,164	461,554	473,383	470,643
Past-due ☐ 31 to 60 days	130,677	129,905	136,658	132,466
Past-due ☐ 61 to 90 days	64,215	65,101	66,186	66,099
Past-due ☐ 91 to 120 days	31,316	34,659	33,044	35,766
Past-due ☐ more than 120 days	463,632	462,669	471,082	467,454
Total	3,293,753	3,403,614	3,319,469	3,419,115

The Company has accounts receivable and payable under negotiation with Embratel ☐ Empresa Brasileira de Telecomunicações S.A. (long-distance operator). Amounts receivable and payable are recorded based on estimates prepared by the Company; significant changes to such amounts are not expected. Amounts receivable under discussion with Embratel, in the amount of R\$68,258 as of March 31, 2005, are shown as current in the table above.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

6. Deferred and Recoverable Taxes

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Withholding taxes	40,410	32,317	41,473	33,254
Prepaid income tax	269,566	160,216	270,968	161,154
Prepaid social contribution tax	97,025	56,006	97,371	56,031
Deferred taxes	669,397	643,042	711,967	683,576
Tax loss carryforwards □ Income tax	-	-	22,245	20,762
Tax loss carryforwards □ Social contribution tax	-	-	8,009	7,475
Reserve for contingencies	298,044	286,435	298,115	286,513
Postretirement benefit plans	15,255	15,218	15,290	15,251
Income tax on other temporary differences	261,837	251,021	270,815	259,982
Social contribution tax on other temporary differences	94,261	90,368	97,493	93,593
ICMS (state VAT) (*)	216,001	229,404	223,474	234,931
Other	1,220	430	1,875	1,043
Total	1,293,619	1,121,415	1,347,128	1,169,989
Current	903,061	739,677	926,228	759,921
Non current	390,558	381,738	420,900	410,068

(*) Refers to tax credits derived from the purchase of fixed assets, available for offset in 48 months.

Deferred income and social contribution taxes

Considering the existence of taxable income in the last five fiscal years and the expected generation of future taxable income discounted to present value based on a technical

feasibility study, as provided for in CVM Instruction No. 371/2002, the Company estimates the realization of the deferred taxes as of June 30, 2005 as follows:

Year	Company	Consolidated
2005	200,390	211,627
2006	181,012	183,259
2007	65,292	71,342
2008	65,292	74,119
2009 and thereafter	157,411	171,620
Total	669,397	711,967

The recoverable amounts above are based on projections subject to changes in the future.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

7. Other Reverable Amounts

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Advances to employees	14,748	5,914	15,173	6,069
Advances to suppliers	31,999	42,470	32,523	43,065
Other recoverable amounts	62,033	65,894	62,824	66,717
Total current	108,780	114,278	110,520	115,851

The balance of other recoverable amounts comprises the amount of R\$42,597 referring to recoverable FUST □ Contribution for the Fund for Universal Access to pronouncement 280/2004 issued by Anatel. The tax credit realization is expected to occur in less than 12 months.

8. Inventories

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Consumption materials	97,233	102,089	97,280	102,138
Resale items	109,382	122,963	110,432	129,360
Public telephone prepaid cards	10,467	8,362	10,467	8,362
Scraps	918	543	918	543
Allowance for reduction to market value and obsolescence	(132,991)	(144,992)	(133,231)	(150,067)
Total current	85,009	88,965	85,866	90,336

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**NOTES TO THE QUARTERLY INFORMATION (Continued)**

June 30, 2005

(In thousands of reais, unless otherwise stated)

9. Other

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Prepaid expenses	106,442	85,540	104,123	82,395
Receivables from Barramar S.A. (*)	-	-	73,772	75,138
Intercompany receivables - current	102,425	105,836	70,336	75,327
Onlending of foreign currency loans	3,620	4,098	3,620	4,098
Tax incentives, net of allowance	411	411	411	411
Amounts linked to National Treasury securities	8,640	8,449	8,640	8,449
Receivables - sale of scraps	25,004	4,720	25,004	4,720
Other assets	3,907	8,419	4,549	7,628
Total	250,449	217,473	290,455	258,166
Current	224,001	189,562	192,757	158,182
Non current	26,448	27,911	97,698	99,984

(*) Refer to receivables from Barramar S.A., recorded by Companhia AIX de Participações, net of allowance for doubtful accounts.

10. Escrow Deposits

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Civil litigation	39,619	37,416	39,655	37,452
Tax litigation	292,529	232,483	292,890	232,841
Labor claims	86,436	78,826	86,540	78,929

Total non current	<u>418,584</u>	<u>348,725</u>	<u>419,085</u>	<u>349,222</u>
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TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

11. Investments

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Investments carried under the equity method	281,628	299,607	-	-
Aliança Atlântica Holding B.V.	61,978	72,381	-	-
Assist Telefônica S.A.	151,133	157,412	-	-
Companhia AIX de Participações	68,491	69,789	-	-
Companhia ACT de Participações	26	25	-	-
Negative and positive goodwill on acquisition of investments	96,359	99,355	113,829	116,825
Negative goodwill on acquisition of shares □ Companhia AIX de Participações	(17,470)	(17,470)	-	-
Goodwill on acquisition □ Santo Genovese Participações Ltda.	119,820	119,820	119,820	119,820
Amortization of goodwill □ Santo Genovese Participações Ltda.	(5,991)	(2,995)	(5,991)	(2,995)
Investments carried at cost	91,478	93,774	147,277	161,620
Portugal Telecom	75,362	75,362	131,161	143,209
Other companies	26,840	29,136	26,840	29,135
Other investments	3,359	3,359	3,359	3,359
Tax incentives	15,164	15,164	15,164	15,164
Allowance for losses	(29,247)	(29,247)	(29,247)	(29,247)
Total	469,465	492,736	261,106	278,445

The negative goodwill on the acquisition of shares of Companhia AIX de Participações recorded by the Company was allocated to Deferred Income in the consolidated balance sheet, according to Art.26 of CVM Instruction No. 247/96.

Investment acquisition - Santo Genovese Participações Ltda.

On December 24, 2004, the Company acquired control of Santo Genovese Participações Ltda., parent company of Atrium Telecomunicações Ltda. (Atrium), which is engaged in telecommunication services management.

Santo Genovese Participações Ltda. (Santo Genovese) is a holding company which holds 99.99% of Atrium as its only assets. The acquisition price was R\$113,440.

Such operation will allow extending the offer of higher value-added services in the domestic market, through the management of the rendering of telecommunication services.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

11. Investments (Continued)

The goodwill, based on Atrium's future profitability, is calculated as follows:

	Amounts
Acquisition price	113,440
Acquisition costs	2,435
(-) Book value of investment	(3,945)
Total goodwill	119,820

The principal financial information on the subsidiaries as of June 30, 2005 and March 31, 2005 is as follows:

	June 2005				
	Aliança Atlântica	Assist Telefônica	Companhia AIX	Companhia ACT	Santo Genovese (a)
Paid-up capital	113,834	254,000	460,929	1	51,850
Capital reserves	-	-	-	-	450
Retained earnings (accumulated deficit)	10,122	(102,867)	(323,948)	50	(61,180)
Shareholders' equity	123,956	151,133	136,981	51	(8,880)
Shares (million)					
Number of subscribed and paid-up shares	88	367,977	298,562	1,000	51,850
Number of common shares owned	44	367,977	149,281	500	51,850
Ownership percentage	50%	100%	50%	50%	100%

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

11. Investments (Continued)

March 2005

	Aliança Atlântica	Assist Telefônica	Companhia AIX	Companhia ACT	Santo Genovese (a)
Paid-up capital	138,413	254,000	460,929	1	51,850
Capital reserves	-	-	-	-	450
Retained earnings (accumulated deficit)	6,349	(96,588)	(321,351)	50	(59,926)
Shareholders' equity	144,762	157,412	139,578	51	(7,626)
Shares (million)					
Number of subscribed and paid-up shares	88	367,977	298,562	1,000	51,850
Number of common shares owned	44	367,977	149,281	500	51,850
Ownership percentage	50%	100%	50%	50%	100%

- a) The Company recorded a provision for shareholders' deficit in the amount of R\$8,880 (R\$7,626 as of March 31, 2005), under the caption "Other liabilities".

	June 2005				June 2004			
	Aliança Atlântica	Assist Telefônica	Cia AIX	Cia ACT (c)	Santo Genovese (b) (c)	Aliança Atlântica	Assist Telefônica	Cia AIX
Net profit (loss) in the period	4,909	(15,062)	(6,385)	1	(4,934)	3,970	(12,812)	(4,464)

- b) Santo Genovese's loss includes the result of December 2004, because the consolidated balance sheet for 2004 was prepared based on Santo Genovese's balance sheet as of November 2004. The current consolidated balance sheet has been prepared with the same month basis.
- c) Companhia ACT de Participações and Santo Genovese Participações Ltda. were consolidated from December 2004.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**NOTES TO THE QUARTERLY INFORMATION (Continued)**

June 30, 2005

(In thousands of reais, unless otherwise stated)

11. Investments (Continued)

The Company's equity in subsidiaries is as follows:

	<u>June 2005</u>	<u>June 2004</u>
Aliança Atlântica	(13,726)	5,108
Assist Telefônica	(15,062)	(12,812)
Companhia AIX de Participações	(3,193)	(2,232)
Santo Genovese Participações Ltda.	(4,934)	-
	<u>(36,915)</u>	<u>(9,936)</u>

12. Property, Plant and Equipment, Net

	<u>Company</u>				
			<u>June 2005</u>		
	<u>Annual depreciation %</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Cost</u>
Property, plant and equipment in service		38,287,016	(26,140,361)	12,146,655	38,002,562
Switching and transmission equipment	12.50	15,616,085	(11,881,161)	3,734,924	15,503,214
Transmission equipment, overhead, underground and building cables, teleprinters, PABX, energy equipment and furniture	10.00	11,343,823	(8,088,546)	3,255,277	11,316,598
Transmission equipment - modems	20.00	574,550	(430,313)	144,237	559,093
Underground and undersea cables, poles and towers	5.00 to 6.67	389,188	(206,932)	182,256	388,883
Subscriber, public and booth equipment	12.50	1,871,391	(1,089,103)	782,288	1,840,791
IT equipment	20.00	470,279	(401,653)	68,626	465,948

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Buildings and underground cables	4.00	6,343,427	(3,285,564)	3,057,863	6,322,154
Vehicles	20.00	47,793	(35,781)	12,012	47,406
Land	-	257,645	-	257,645	258,185
	10.00 to				
Other	20.00	1,372,835	(721,308)	651,527	1,300,290
Property, plant and equipment in progress	-	364,893	-	364,893	321,765
		<hr/>	<hr/>	<hr/>	<hr/>
Total		38,651,909	(26,140,361)	12,511,548	38,324,327
		<hr/>	<hr/>	<hr/>	<hr/>
Average annual depreciation rates - %		10.55			10.55
		<hr/>			<hr/>
Assets fully depreciated		13,116,022			12,698,535
		<hr/>			<hr/>

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**NOTES TO THE QUARTERLY INFORMATION (Continued)**

June 30, 2005

(In thousands of reais, unless otherwise stated)

12. Property, Plant and Equipment, Net (Continued)

Consolidated					
June 2005					
	Annual depr. rates %	Cost	Accumulated depreciation	Net book value	Cost
Property, plant and equipment in service		38,447,312	(26,196,612)	12,250,700	38,150,646
Switching and transmission equipment	12.50	15,619,450	(11,881,447)	3,738,003	15,503,264
Transmission equipment, overhead, underground and building cables, teleprinters, PABX, energy equipment and furniture	10.00	11,361,151	(8,090,128)	3,271,023	11,327,731
Transmission equipment - modems	20.00	594,431	(440,227)	154,204	578,025
Underground and undersea cables, poles and towers	5.00 to 6.67	402,220	(207,862)	194,358	401,915
Subscriber, public and booth equipment	12.50	1,871,397	(1,089,106)	782,291	1,840,797
IT equipment	20.00	480,163	(404,952)	75,211	469,348
Buildings and underground cables	4.00	6,343,478	(3,285,581)	3,057,897	6,322,205
Vehicles	20.00	48,279	(35,888)	12,391	47,745
Land	-	257,686	-	257,686	258,225
Other	10.00 to 20.00	1,469,057	(761,421)	707,636	1,401,391
Property, plant and equipment in progress	-	366,888	-	366,888	329,795
Total		38,814,200	(26,196,612)	12,617,588	38,480,441
Average annual depreciation rates - %		10.59			10.58
Assets fully depreciated		13,118,096			12,699,731

Returnable assets

Pursuant to the Concession Agreement, all assets pertaining to the Company's equity and indispensable to the provision of the services described in said agreement are considered returnable and are part of the concession assets. These assets will be automatically returned to ANATEL upon expiration of the Concession Agreement. As of June 30, 2005, the net book value of such returnable assets is estimated at R\$9,607,947 (9,953,474 as of March 31, 2005), comprised of switching and transmission equipment, public use terminals, external network equipment, energy equipment, and system and operation support equipment.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

13. Deferred Charges

Deferred charges as of June 30 and March 31, 2005 are as follows:

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Pre-operating expenses	20,456	23,245	26,472	29,499
Cost	55,788	55,788	65,279	65,279
Accumulated amortization	(35,332)	(32,543)	(38,807)	(35,780)
Merged goodwill □ Ceterp S.A.	13,276	21,287	13,276	21,287
Cost	187,951	187,951	187,951	187,951
Accumulated amortization	(174,675)	(166,664)	(174,675)	(166,664)
Goodwill on acquisition of the IP network	54,421	56,235	54,421	56,235
Cost	72,561	72,561	72,561	72,561
Accumulated amortization	(18,140)	(16,326)	(18,140)	(16,326)
Other	-	-	8,103	8,432
Cost	-	-	12,059	12,059
Accumulated amortization	-	-	(3,956)	(3,627)
Total	88,153	100,767	102,272	115,453

Pre-operating expenses refer to costs incurred in the pre-operating stage of long-distance services; amortization began in May 2002, over a period of 60 months.

The goodwill paid on the acquisition of Ceterp S.A. is presented in deferred charges due to that company's merger on November 30, 2000. This goodwill, based on the expectation of future profitability, is being amortized over 60 months.

The goodwill on acquisition of the IP network in December 2002 refers to the acquisition of the assets for the Switched IP and Speedy Link services of Telefônica Empresas S.A. The portion considered as goodwill and recorded in deferred charges corresponds to the customer portfolio of the business. According to an appraisal report, the economic grounds of the goodwill is the expected future profitability, for an amortization period of 120 months.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

14. Loans, Financing and Debentures

	Consolidated			Balance as of June 2005		
	Currency	Annual interest rate %	Maturity	Current	Long-term	Total
Mediocrédito	US\$	1.75%	2014	7,525	56,555	64,080
CIDA	CAN\$	3.00%	2005	1,361	-	1,361
Loans in local currency	R\$	6% + 3.75% spread and CDI + 0.40% per month	Through 2006	2,977	846	3,823
Loans in foreign currency			Through 2009	290,387	681,949	972,336
Debentures	R\$	103.50% of CDI	Through 2007	23,477	1,500,000	1,523,477
Total				325,727	2,239,350	2,565,077

	Consolidated			Balance as of March 2005		
	Currency	Annual interest rate %	Maturity	Current	Long-term	Total
Mediocrédito	US\$	1.75%	2014	8,218	64,154	72,372
CIDA	CAN\$	3.00%	2005	1,566	-	1,566
Loans in local currency	R\$	6% + 3.75% spread and CDI + 0.40% per month	Through 2006	3,486	1,339	4,825
Loans in foreign currency			Through 2009	360,641	576,667	937,308
Debentures	R\$	103.50% of CDI	through 2007	22,535	1,500,000	1,522,535

Total				396,446	2,142,160	2,5
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Loans in foreign currency are as follows:

<u>Consolidated</u>	<u>Currency</u>	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance as of June 2005</u>
Resolution 2770	USD	3.00% to 6.90%	469,998	9,200	479,198
□Untied Loan□ □JBIC	JPY	Libor + 1.25%	473,090	2,692	475,782
DEG □ Deutschdnvestitions	USD	Libor + 6%	15,865	1,491	17,356
			<u>958,953</u>	<u>13,383</u>	<u>972,336</u>

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**NOTES TO THE QUARTERLY INFORMATION (Continued)**

June 30, 2005

(In thousands of reais, unless otherwise stated)

14. Loans, Financing and Debentures (Continued)

<u>Consolidated</u>	<u>Currency</u>	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance as of March 2005</u>
		2.00% to			
Resolution 2770	USD	6.90%	312,021	13,739	325,760
Resolution 2770	JPY	1.40%	22,126	-	22,126
		8.62% to			
Debt assumption	USD	27.50%	8,611	4,356	12,967
		Libor +			
Untied Loan □ JBIC	JPY	1.25%	555,257	1,316	556,573
DEG □ Deutsche					
Investitions	USD	Libor + 6%	17,997	1,885	19,882
			<u>916,012</u>	<u>21,296</u>	<u>937,308</u>

Loans and financing with Mediocrédito are guaranteed by the Federal Government.

Long-term debt maturities

<u>Year</u>	<u>Amount</u>
2006	56,946
2007	1,629,241
2008	409,151
2009	112,200
Thereafter	31,812
	<u>2,239,350</u>
Total	2,239,350

Debentures

On September 3, 2004, the Company announced a Securities Distribution Program (□Program□) and, under the Program, the first issue of Telesp debentures (□Offering□). The Program amounts to R\$3.0 billion for a period of two years from the filing with the CVM on October 15, 2004, and contemplates the issuance of simple nonconvertible debentures, unsecured or subordinated, and/or promissory notes. The Offering consisted of the issue of

150,000 simple nonconvertible unsecured debentures, with a face value of R\$10, in the total amount of R\$1,500,000, of a single series, maturing on September 1, 2010 (six years). The debentures bear interest with quarterly payments, equivalent to 103.5% of the DI (interbank deposit) average daily rate calculated and published by the CETIP (Clearing House for the Custody and Financial Settlement of Securities).

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

14. Loans, Financing and Debentures (Continued)

The adjustment to the interest rate of debentures is estimated for September 1, 2007. On a conservative basis, the Company included, in the consolidated schedule of long-term debt maturities shown above, the principal of the debentures in the year 2007, date of adjustment of interest rates.

15. Taxes Payable

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Taxes on income				
Income tax	351,678	211,252	351,854	212,436
Social contribution tax	126,996	76,119	127,061	76,549
Deferred taxes				
Income tax	19,582	20,260	19,582	20,260
Social contribution tax	7,048	7,292	7,048	7,292
Indirect taxes				
ICMS (state VAT)	621,898	586,560	634,604	593,228
PIS and COFINS (taxes on revenue)	70,733	65,464	74,000	69,383
Other	20,837	16,639	23,135	18,538
Total	1,218,772	983,586	1,237,284	997,686
Current	1,194,523	958,415	1,213,035	972,515
Non current	24,249	25,171	24,249	25,171

16. Payroll and Related Charges

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005

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Salaries and fees	17,800	22,374	19,167	23,259
Payroll charges	79,265	66,276	82,772	68,845
Accrued benefits	3,768	3,452	3,809	3,736
Employee profit sharing	44,515	29,290	45,150	29,765
Total	145,348	121,392	150,898	125,605

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

17. Consignments on Behalf of Third Parties

	Company		Consolidated	
	June 2005	March 2005	June 2005	March 2005
Collateral for deposits	1,853	1,899	1,853	1,899
Amounts charged to users	95,896	91,287	86,146	81,369
Retentions	67,663	79,214	68,634	80,121
Other consignments	1,138	1,601	1,138	1,601
Total	166,550	174,001	157,771	164,990

18. Dividends and Interest on Own Capital

	Company/Consolidated	
	June 2005	March 2005
Interest on own capital	503,050	198,954
Telefônica Internacional S.A.	203,825	-
SP Telecomunicações Holding Ltda.	63,428	-
Minority shareholders	235,797	198,954
Dividends	387,501	303,642
Minority shareholders	387,501	303,642
Total	890,551	502,596

The interest on own capital and dividends payable to minority shareholders refer to declared but unclaimed amounts.

TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

NOTES TO THE QUARTERLY INFORMATION (Continued)

June 30, 2005

(In thousands of reais, unless otherwise stated)

19. Provision for Contingencies

The Company, as an entity and also as the successor to the merged companies, and its subsidiaries are involved in labor, tax and civil lawsuits filed with different courts. The Company's management, based on the opinion of its legal counsel, recognized reserves for those cases in which an unfavorable outcome is considered probable and prudently for certain cases with possible risk of loss, as follows:

Consolidated	Nature			Total
	Labor	Tax	Civil	
Balances as of March 31, 2005	290,553	551,342	40,307	882,202
Additions	13,165	2,843	9,447	25,455
Write-offs	(8,876)	(2,181)	(1,598)	(12,655)
Monetary restatement	10,300	10,346	679	21,325
Balances as of June 30, 2005	305,142	562,350	48,835	916,327
Current	34,346	16,198	7,561	58,105
Non current	270,796	546,152	41,274	858,222

19.1 Labor contingencies

The Company has various labor contingencies and recorded a provision of R\$305,142, consolidated, to cover probable losses. The amounts involved and respective degrees of risk are as follows:

Risk	Amount Involved		
	Telesp	Assist	Total
Remote	1,806,650	3,595	1,810,245
Possible	94,317	-	94,317
Probable			