TELESP CELLULAR HOLDING CO /ADR/
Form 6-K
June 15, 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 ___X___ 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 ___X____

Telesp Celular Participações S.A.

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

INDEPENDENT AUDITORS’ REPORT

To the Shareholders and Management of
Telesp Celular Participações S.A.
São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Telesp Celular Participações S.A. and subsidiaries as of December 31, 2003 and 2002, and the related statements of operations, changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised:
(a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Telesp Celular Participações S.A. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.

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

São Paulo, February 11, 2004

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Domingos do Prado
Engagement Partner

BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
ASSETS	2003	2002	2003	2002

CURRENT ASSETS				
Cash and cash equivalents	564	477	1.158.849	17.803
Trade accounts receivable, net	-	-	1.212.474	542.476
Receivables from subsidiaries and affiliates	45.899	150.519	22.308	16.256
Inventories	-	-	157.296	147.670
Deferred and recoverable taxes	2.598	127.704	595.745	398.768
Prepaid expenses	3.186	-	92.689	55.422
Derivatives	562.123	13.007	912.612	15.870
Other assets	239	129	82.155	3.904
	614.609	291.836	4.234.128	1.198.169
NONCURRENT ASSETS				
Trade accounts receivable, net	-	-	-	11.867
Receivables from subsidiaries	470.558	442.005	-	-
Deferred and recoverable taxes	207.604	419	893.632	914.833
Derivatives	9.224	531.232	452.677	1.738.242
Prepaid expenses	1.815	-	24.338	11.191
Other assets	1.946	-	74.426	4.427
	691.147	973.656	1.445.073	2.680.560
PERMANENTE ASSSETS				
Investments	6.861.772	5.133.222	2.291.311	722.762
Property, plant and equipment, net	897	906	5.234.280	4.770.670
Deferred charges, net	-	-	268.522	282.224
	6.862.669	5.134.128	7.794.113	5.775.656
TOTAL ASSETS	8.168.425	6.399.620	13.473.314	9.654.385

	Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002	2003	2002
CURRENT LIABILITIES				
Payroll and related accruals	725	490	69.065	37.436
Trade accounts payable	12.942	16.332	1.254.990	546.438
Taxes payable	644	3.338	254.378	141.720
Loans and financing	2.999.963	698.563	3.993.316	2.068.070
Interest on capital and dividends payable	4.595	5.877	107.322	9.570

Reserve for contingencies	51.082	-	126.145	36.590
Derivatives	166.564	20.623	322.854	83.183
Payables to subsidiaries and affiliates	22.841	27.904	27.817	27.904
Deferred revenues	-	-	110.158	4.410
Other liabilities	-	-	27.561	67.499
	3.259.356	773.127	6.293.606	3.022.820
LONG-TERM LIABILITIES				
Loans and financing	1.466.208	1.539.886	2.285.876	2.392.731
Reserve for contingencies	-	-	153.482	100.275
Taxes payable	-	-	182.813	118.720
Payables to subsidiaries and affiliates	15.555	76.497	-	-
Accrued pension plan liability	-	-	3.187	1.750
Derivatives	33.992	-	39.659	-
Other liabilities	-	-	546	7.979
	1.515.755	1.616.383	2.665.563	2.621.455
MINORITY INTEREST	-	-	1.120.705	-
SHAREHOLDERS' EQUITY				
Capital	4.373.661	4.373.661	4.373.661	4.373.661
Capital reserves	1.089.879	1.067.796	1.089.879	1.067.796
Accumulated deficit	(2.070.379)	(1.431.500)	(2.070.379)	(1.431.500)
	3.393.161	4.009.957	3.393.161	4.009.957
FUNDS FOR CAPITALIZATION	153	153	279	153
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8.168.425	6.399.620	13.473.314	9.654.385

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

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In thousands of Brazilian reais - R$, except for per share data)

	Company		Consolidated (*)	
	2003	2002	2003 (**)	2002
GROSS REVENUES				

Telecommunication services		-	6.300.290	3.634.347
Sales of products		-	1.563.153	717.850
	-	-	7.863.443	4.352.197
Deductions	-	-	(1.817.066)	(937.206)
NET OPERATING REVENUE	-	-	6.046.377	3.414.991
Cost of services provided	-	-	(1.798.240)	(1.190.477)
Cost of products sold	-	-	(1.222.293)	(548.907)
GROSS PROFIT	-	-	3.025.844	1.675.607
OPERATING (EXPENSES) INCOME				
Selling expenses	-	-	(1.264.873)	(526.871)
General and administrative expenses	(18.578)	(10.196)	(561.302)	(343.220)
Other operating expenses	(136.138)	(57)	(329.711)	(75.983)
Other operating income	5.915	15.617	184.364	36.150
Equity pick-up	135.455	(640.215)	-	(890.706)
	(13.346)	(634.851)	(1.971.522)	(1.800.630)
INCOME (LOSS) FROM OPERATIONS BEFORE				
FINANCIAL EXPENSES, NET	(13.346)	(634.851)	1.054.322	(125.023)
Financial expenses	(1.378.327)	(1.250.674)	(2.561.966)	(2.443.391)
Financial income	751.483	915.610	1.334.333	1.634.969
LOSS FROM OPERATIONS	(640.190)	(969.915)	(173.311)	(933.445)
Nonoperating income (expenses), net	(44)	-	(25.658)	10.005
LOSS BEFORE TAXES AND EXTRAORDINARY CHARGE	(640.234)	(969.915)	(198.969)	(923.440)
Extraordinary charge	-	(170.846)	-	(170.846)
LOSS BEFORE TAXES AND MINORITY INTEREST	(640.234)	(1.140.761)	(198.969)	(1.094.286)
Income and social contribution taxes	-	-	(277.945)	(46.475)
Minority interest	-	-	(257.749)	-
LOSS BEFORE REVERSAL OF INTEREST ON CAPITAL	(640.234)	(1.140.761)	(734.663)	(1.140.761)

Reversal of interest on capital	-	-	94.129	-
NET LOSS	(640.234)	(1.140.761)	(640.534)	(1.140.761)
LOSS PER THOUSAND SHARES - R$	(0,5464)	(0,9735)		

(*) As of December 31, 2002, the balances related to Global Telecom S.A. and Tele Centro Oeste Celular Participações S.A. were not
(*) consolidated.
(*) The Company's investment in GT is carried under the equity method. The Company acquired TCO in April 2003.
(**) Includes 12 months of GT's operations and 8 months of TCO's operations.
The acompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In thousands of Brazilian reais - R$)

		Capital reserves			
	Capital	Special premium	Premium	Accumulated deficit	Total
BALANCES DECEMBER 31, 2001	1.873.347	1.065.044	99.710	(295.454)	2.742.647
Capital contribution in cash	2.403.356	-	-	-	2.403.356
Transfer of special premium reserve	96.958	(96.958)	-	-	-
Expired dividends - 1998	-	-	-	4.715	4.715
Net loss	-	-	-	(1.140.761)	(1.140.761)
BALANCES DECEMBER 31, 2002	4.373.661	968.086	99.710	(1.431.500)	4.009.957
Expired dividends - 1999	-	-	-	1.355	1.355
Adjustment of income and social contribution tax rate on special premium reserve	-	22.083	-	-	22.083
Net loss	-	-	-	(640.234)	(640.234)
BALANCES DECEMBER 31, 2003	4.373.661	990.169	99.710	(2.070.379)	3.393.161

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	2.003	2.002	2.003	2.002
SOURCE OF FUNDS				
From operations (see below)	-	-	965.604	792.923
Capital contribution	-	2.403.356	-	2.403.356
From shareholders		2.403.356		2.403.356
Dividends received	415.670	159.992		-
Expired interest on capital and dividends	1.355	4.715	1.355	4.715
Financing of deferred taxes - long term	-	-	58.334	-
Receivables from subsidiary	27.864	448.037	-	-
Loans and financing	1.907.238	-	1.907.238	-
Working capital balances - TCO	-	-	744.716	-
Transfer from permanent to current assets	-	-	-	37.800
Transfer from noncurrent to current assets	464.797	-	1.329.554	26.898
Other sources	2.816.924	612.744	4.041.197	69.413
Total sources	2.816.924	3.016.100	5.006.801	3.265.692
USE OF FUNDS				
In operations (see below)	784.897	247.567	-	-
Other investments	34	35	34	35
Payment of interest on capital and expired dividends to minority shareholders	-	-	92.249	-
Additions to property, plant and equipment	326	93	708.639	327.285
Increase in deferred charges	-	-	235	46.642
Advance for future capital increase	-	319.393	-	319.393
Acquisition of interest in affiliates	395.782	2.310.878	395.782	2.310.878
Premium paid on acquisition of interest in affiliates	1.656.127	290.282	1.656.127	290.282
Acquisition of interest in premium reserve - TCO	25.436	-	25.436	-
Transfer from long-term to current liabilities	1.905.899	-	2.151.190	-
Working capital balances - GT	-	-	-	66.397
Transfer from current to noncurrent assets	4.694	419	4.694	825.368
Credits granted to GT	-	442.005	-	531.439
Deferred taxes	207.185	-	178.581	-
Prepaid expenses	-	-	28.661	-
Total uses	4.980.380	3.610.672	5.241.628	4.717.719

DECREASE IN WORKING CAPITAL	(2.163.456)	(594.572)	(234.827)	(1.452.027)
REPRESENTED BY				
Current assets:				
Beginning of year	291.836	189.851	1.198.169	947.145
End of year	614.609	291.836	4.234.128	1.198.169
Increase	322.773	101.985	3.035.959	251.024
Current liabilities:				
Beginning of year	773.127	76.570	3.022.820	1.319.769
End of year	3.259.356	773.127	6.293.606	3.022.820
Increase	2.486.229	696.557	3.270.786	1.703.051
DECREASE IN WORKING CAPITAL	(2.163.456)	(594.572)	(234.827)	(1.452.027)
FUNDS PROVIDED BY (USED IN) OPERATIONS				
Net loss	(640.234)	(1.140.761)	(640.234)	(1.140.761)
Equity pick-up	(135.455)	640.215	-	890.706
Minority interest	-	-	257.749	-
Depreciation and amortization	95.129	130	1.220.731	685.315
Monetary and exchange variations on long-term liabilities	(75.016)	618.533	(118.260)	816.419
Exchange variation on noncurrent assets	(40.978)	(531.133)	198.271	(676.772)
Expired dividends (subsidiary)	(4.494)	(5.397)	-	-
Increase (decrease) in provision for contingencies	-	-	(56.165)	8.644
Interest on long-term derivatives	15.755	-	15.755	-
Increase (decrease) in accrued pension plan liability	-	-	(1.373)	444
Deferred taxes	-	-	46.440	24.948
Disposal of property, plant and equipment	276	-	42.690	13.134
Income from merger of holding companies	120	-	-	-
Provision for losses on investments	-	170.846	-	170.846
Items not affecting working capital	(144.663)	893.194	1.605.838	1.933.684
Total	(784.897)	(247.567)	965.604	792.923

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Amounts in thousands of Brazilian reais - R$, unless otherwise indicated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

1. OPERATIONS

Telesp Celular Participações S.A. ("TCP" or the "Company") is a publicly-traded company which, as of December 31, 2003, is owned by Brasilcel N.V. (57.26% of total capital) and Portelcom Participações S.A. (7.86% of total capital), which is wholly-owned by Brasilcel N.V.

Brasilcel N.V. is controlled 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, as of December 27, 2002, Global Telecom S.A. ("GT"), which provide, through authorizations or concessions, wireless communication services in the States of São Paulo, Paraná and Santa Catarina, including related services.

The Company is also the controlling shareholder of Tele Centro Oeste Celular Participações S.A. ("TCO"), which in turn is the controlling shareholder of the following operators:

Operator	Interest held by TCO - %	Operating area	Expiration dateof concession/authorization
Telegoiás Celular S.A.	97.14	Góias and Tocantins	10/29/08
Telemat Celular S.A.	97.83	Mato Grosso	03/30/09
Telems Celular S.A.	98.54	Mato Grosso do Sul	09/28/09
Teleron Celular S.A.	97.23	Rondônia	07/21/09
Teleacre Celular S.A.	98.35	Acre	07/15/09
Norte Brasil Telecom S.A. (NBT)	100.00	Amazonas, Roraima, Amapá, Pará and Maranhão	11/29/13

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

Telecommunications services provided by the subsidiaries, including related services and tariffs, 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.

Migration from SMC to SMP

On December 10, 2002 and February 3, 2003, ANATEL and the subsidiaries TC, GT and TCO and their subsidiaries signed a document authorizing Personal Mobile Service (SMP), effective from the date of publication in the Federal Official Gazette on December 12, 2002 and February 5, 2003.

Authorizations granted to the subsidiaries TC and GT are valid for the remaining periods of the concessions previously granted and currently replaced, to August 5, 2008 and April 8, 2013, respectively, and may be renewed once for 15 years, on a chargeable basis.

Authorizations granted to TCO and its subsidiaries are valid for the remaining period of the concessions previously granted and currently replaced, and may be renewed once for 15 years, on a chargeable basis. The concession previously granted to TCO expires on July 24, 2006 (see expiration dates of concession of TCO's subsidiaries in the table above).

On July 6, 2003, the wireless operators implemented the Carriers Selection Code (CSP) on national (VC2 and VC3) and international long distance calls, according to 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.

Acquisition of equity interests - TCO

On April 25, 2003, under the terms of the Contract for Purchase and Sale of Shares, the control of TCO was transferred to the Company. As of that date, TCP became the holder of 64.03% of the voting capital and 20.69% of the total capital of TCO.

The price of the controlling shares, plus interest provided for under the final contract, was approximately R$1,506 million, equivalent to R$19.48719845 per thousand common shares, of which approximately R$1,356 million was paid to the sellers and the remaining balance will be paid in installments under the terms and conditions of the final contract.

On September 30, 2003, the Brazilian Securities Commission (CVM) approved the purchase of common shares of TCO in an operation concluded on November 18, 2003, which resulted in the acquisition of 26.70% of the voting capital of TCO (8.62% of total capital) for the amount of R$538.8 million. After this acquisition, TCP became the holder of 90.73% of the voting capital of TCO (29.31% of total capital).

Merger of GT's holding companies

On December 27, 2002, the Company purchased the remaining 51% of the common shares (17% of total capital) of the holding companies Daini do Brasil S.A. (Daini), Globaltelcom Telecomunicações S.A. (Globaltelcom) and GTPS S.A. Participações em Investimentos de Telecomunicações (GTPS) which together held the controlling interest in Global Telecom S.A.

As of March 31, 2003, the Company, seeking to minimize administrative and financial costs, merged these holding companies into GT, in which the merged net assets amounted to R$276 million. With this operation, the Company became the direct owner of Global Telecom S.A.

2. PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements include:

• As of December 31, 2003, balances and transactions of the subsidiaries TC and GT (which became a subsidiary on December 27, 2002), of TCO (which became a subsidiary on April 25, 2003) and of the indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas. TCO's results for the year comprise only the months from May to December 2003.

• As of December 31, 2002, balances and transactions of the subsidiary TC and indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas. GT's results for the year are reflected in the statement of operations under the equity method.
In consolidation, all intercompany balances and transactions have been eliminated.
The financial statements as of December 31, 2002 have been reclassified, where applicable, for comparability.

3. SUMMARY OF PRINCIPAL ACCOUNTING PRACTICES

a) Cash and cash equivalents

Represent available balances in cash and banks and all highly liquid temporary cash investments, stated at cost plus income earned to the balance sheet date.

b) Trade accounts receivable

Amounts billed are calculated at the tariff rate in effect on the date the services were rendered. Trade accounts receivable also include services provided to customers to the balance sheet date, but not yet invoiced, as well as accounts receivable from the sale of cellular handsets and accessories.

c) Allowance for doubtful accounts

Allowance is made for those receivables for which recoverability is considered remote.

d) Foreign currency transactions

Recorded at the exchange rate in effect on the date of the related transactions. Foreign currency-denominated assets and liabilities are translated using the exchange rate at the balance sheet date. Exchange variations and premiums related to derivative contracts are calculated and recorded monthly regardless of the settlement period.

e) Inventories

Consist of cellular handsets and accessories stated at average acquisition cost. An allowance was recognized to adjust, to net realizable value, the cost of handsets and accessories considered obsolete or in quantities greater than those usually sold in a reasonable period of time.

f) Prepaid expenses

Stated at amounts disbursed for expenses not yet incurred.

g) Other assets

Effective 2003, the subsidy on sales of terminals to dealers has been deferred and recorded in income as terminal activation occurs, generating a positive effect on income of approximately R$15 million, net of taxes.

h) Investments

Permanent investments in affiliates and subsidiaries are accounted for under the equity method. The financial statements of indirect subsidiaries based abroad are converted at the exchange rate as of the balance sheet date. The accounting practices of direct and indirect subsidiaries are consistent with those applied by the Company.

i) Property, plant and equipment

Stated at acquisition or construction cost, less accumulated depreciation calculated under the straight-line method based on the estimated useful lives of these assets. Interest on loans for financing construction in progress is capitalized as part of the cost of the asset. Costs incurred for repairs and maintenance that represent improvements, increase capacity or extend the useful life of the assets are capitalized. All other routine costs are charged to income.

j) Deferred charges

Preoperating expenses were recorded as formation cost of GT, NBT and TCO IP, amortized under the straight-line method over a period of ten years for GT and NBT, and five years for TCP IP.

The goodwill recognized on the acquisition of Ceterp Celular S.A. by TC on November 27, 2000 is being amortized over ten years.

Goodwill amounts related to own stores were recorded as deferred charges and amortized over the term of the agreements.

k) Income and social contribution taxes

Calculated and recorded based on the tax rates in effect on the balance sheet date, on the accrual basis. Deferred taxes attributable to temporary differences and tax loss carryforwards are recorded by the subsidiaries TC and TCO as assets, based on the assumption of future realization.

l) Loans and financing

Updated for monetary and/or exchange variations plus interest accrued to the balance sheet date.

m) FISTEL fee

FISTEL (Telecommunication Inspection Fund) fees related to activations of new customers, paid monthly during the year, are deferred and amortized over a period of 24 months, the estimated customer “loyalty” period.

n) Reserve for contingencies

Recognized based on the opinions of legal counsel and management as to the likely outcome of the outstanding matters, updated to the balance sheet date for the amounts of probable losses considering the nature of each case.

o) Accrued pension plan

Actuarial liabilities are calculated under the projected unit credit method and plan assets are stated at fair market value. Actuarial gains and losses were recorded in income (Note 28).

p) Revenue recognition

Revenues from services are recognized when services are provided and are billed on a monthly basis. Unbilled revenues from billing date to monthend are estimated and recognized as revenues during the month in which the service is provided. Revenues from sales of prepaid cellular minutes are deferred and recognized in income as they are used, except in 2002, when they were recognized upon sale. The effect of this change had a negative impact on income for 2003 of approximately R$ 62 million.

q) Financial income (expenses)

Represents interest earned (incurred) and monetary and exchange variations resulting from temporary cash investments, loans and financing obtained or granted. Exchange gains and losses on forward contracts and swaps are included.

r) Derivatives

The Company and its subsidiaries have certain foreign exchange forward and swap contracts in order to manage exposure to fluctuations in exchange rates and interest rates for cash flows in foreign currency. These derivatives are recorded at the exchange rates in effect on the date of the balance sheet; the premiums paid or received in advance are deferred for amortization over the period of the respective contracts. Gains and losses, realized and unrealized, are estimated exclusively based on the contractual conditions and recorded as financial income or expenses.

s) Profit sharing

Provisions are recorded for employee profit sharing.

t) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting periods. Actual results could differ from the estimates.

u) Loss per thousand shares

Calculated based on the number of shares outstanding at the balance sheet date.

4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2003	2002	2003	2002
Cash and banks	564	477	94,800	15,853

Temporary cash investments	-	-	1,064,049	1,950
Total	564	477	1,158,849	17,803

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

5. TRADE ACCOUNTS RECEIVABLE, NET

	Consolidated	
	2003	2002
Unbilled amounts	204,302	111,206
Billed amounts	447,387	214,958
Interconnection	353,272	143,899
Products sold	343,354	204,415
Allowance for doubtful accounts	(135,841)	(120,135)
Total	1,212,474	554,343
Current	1,212,474	542,476
Noncurrent	-	11,867

As of December 31, 2002 , noncurrent receivables refer to receivables from sales of "Peg&Fale" (take and talk) sets. These receivables are realized through card renewals by "Peg&Fale" service customers and are shown net of the allowance for doubtful accounts, calculated based on past card renewals.

Changes in the allowance for doubtful accounts were as follows:

	Consolidated	
	2003	2002
Beginning balance	120,135	103,642
Provision for doubtful accounts charged to selling expense	85,460	68,329
Inclusion of Global Telecom S.A.	-	10,302
Inclusion of Tele Centro Oeste Celular Participações S.A.	29,597	-
Write-offs	(99,351)	(62,138)
Ending balance	135,841	120,135

6. INVENTORIES

	Consolidated

	2003	2002
Digital handsets	167,100	169,248
Other	19,184	2,442
Allowance for obsolescence	(28,988)	(24,020)
Total	157,296	147,670

7. DEFERRED AND RECOVERABLE TAXES

	Company		Consolidated	
	2003	2002	2003	2002
Prepaid income and social contribution taxes	146,759	11,302	229,481	50,097
Withholding income tax	61,021	116,402	116,216	117,193
Recoverable ICMS (State VAT)	-	-	140,536	104,776
Recoverable PIS and COFINS (taxes on revenue) and other	2,003	-	2,679	1,645
Recoverable taxes	209,783	127,704	488,912	273,711
ICMS on sales to be recognized	-	-	30,635	-
Deferred income and social contribution taxes	419	419	969,830	1,039,890
Total	210,202	128,123	1,489,377	1,313,601
Current	2,598	127,704	595,745	398,768
Noncurrent	207,604	419	893,632	914,833

Deferred income and social contribution taxes are comprised of:

	Company		Consolidated	
	2003	2002	2003	2002
Merged tax credit (corporate restructuring)	-	-	642,272	728,742
Merged TCO tax credit	-	-	21,943	-
Tax loss carryforwards	419	419	157,817	116,114
Allowance reserve for:				
Inventory obsolescence	-	-	8,005	7,123
Contingencies	-	-	59,125	42,631
Doubtful accounts	-	-	31,628	29,030
Network costs and customer discounts - Peg&Fale	-	-	-	16,619
Deferred sales	-	-	6,478	-

Derivative transactions	-	-	7,211	90,690
Profit sharing program	-	-	6,845	4,904
Other	-	-	28,506	4,037
Total deferred taxes	419	419	969,830	1,039,890
Current	-	-	351,648	173,323
Noncurrent	419	419	618,182	866,567

Deferred taxes have been recorded based on the assumption of 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 as goodwill is amortized, over a period of ten years. 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. The Company expects to recover the tax credits as follows:

Year	Consolidated
2004	351,648
2005	163,479
2006	137,672
2007	108,553
2008 and 2009	208,478
Total	969,830

CVM Resolution No. 371 determines that periodic studies must be carried out to support maintaining 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 projected taxable income to be generated in the short term.

8. PREPAID EXPENSES

	Company		Consolidated	
	2003	2002	2003	2002

FISTEL fees	-	-	49,223	30,457
Financial charges	5,001	-	7,142	712
Commercial incentives	-	-	13,123	34,504
Advertising	-	-	35,239	-
Rentals	-	-	9,222	-
Other	-	-	3,078	940
Total	5,001	-	117,027	66,613
Current	3,186	-	92,689	55,422
Noncurrent	1,815	-	24,338	11,191

9. OTHER ASSETS

	Company		Consolidated	
	2003	2002	2003	2002
Prepaid subsidies for products	-	-	22,448	-
Advance for purchase of shares	-	-	44,461	-
Credits with suppliers	-	-	49,491	1,535
Escrow deposits	-	-	27,964	4,277
Tax incentives	-	-	30	30
Advances to employees	-	81	5,695	1,132
Other	2,185	48	6,492	1,357
Total	2,185	129	156,581	8,331
Current	239	129	82,155	3,904
Noncurrent	1,946	-	74,426	4,427

10. INVESTMENTS

a) Investments in subsidiaries

Investee	Common stock interest (%)	Preferred stock interest (%)	Total interest (%)
Telesp Celular S.A.	100	-	100
Global Telecom S.A.	100	100	100

Tele Centro Oeste Celular Participações S.A.	90.73	-	29.31

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

b) Number of shares held

	In thousands		
Investee	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.	109,462,233	-	109,462,233

c) Information on subsidiaries

Investee	Shareholders' equity - 12.31.03	Shareholders' equity - 12.31.02	Net income (loss) for the year ended 12.31.03	Net income (loss) for the year ended 12.31.02
Telesp Celular S.A.	3,417,322	3,274,152	495,172	250,491
Global Telecom S.A.	988,686	911,935	(436,020)	(771,143)
Daini	-	397,526	-	(582,669)
Globaltelcom	-	74,455	-	(121,316)
GTPS	-	29,839	-	(67,340)
TCO	1,556,086	-	463,408	-

d) Components and changes

The Company’s investments are comprised of equity interests in the capital of the subsidiaries TC, GT and TCO, as well as goodwill and advances for future capital increase, reserve for investment losses and other investments, as shown below:

	Company		Consolidated	
	2003	2002	2003	2002
Investments in subsidiaries	4,647,772	4,111,464	-	-
Goodwill paid on investment acquisitions	2,638,076	875,830	2,740,632	1,172,308
Advances for future capital increase	25,436	595,474	-	-
Reserve for investment losses (*)	(449,615)	(449,615)	(449,615)	(449,615)
Other investments	103	69	294	69
Investment balance	6,861,772	5,133,222	2,291,311	722,762

(*) As a result of the operating losses incurred by GT and its negative net assets as of December 31, 2002 and 2001, TCP recognized a reserve for losses on investments in the amount of R$449,615.

Changes in investment balances for the years ended December 31, 2003 and 2002 are as follows:

	Company			
	2003		2002	
	Investment	Reserve for excess of liabilities over assets	Investment	Reserve for excess of liabilities over assets
Investments, net of reserve for loss	5,133,222	-	3,761,150	(582,860)
Equity pick-up (*)	135,455	-	250,491	(890,706)
Interest on capital and dividends	(415,670)	-	(159,992)	-
Goodwill paid on investment acquisitions	1,656,127	-	290,282	-
Amortization of goodwill paid on investment acquisitions	(95,071)	-	-	-
Advances for future capital increase	25,436	-	319,393	-
Investments in subsidiaries	395,782	-	837,312	1,473,566
Interest on capital and expired dividends (subsidiary)	4,494	-	5,397	-
Reserve for investment losses	-	-	(170,846)	-
Other investments	34	-	35	-
Increase in investment in subsidiary	22,083	-	-	-
Merger of holding companies	(120)	-	-	-
Ending balance	6,861,772	-	5,133,222	-

(*) In 2002, equity pick-up refers to 100% of the results of TC and GT.

In 2003, equity pick-up refers to 100% of the results of TC and GT, 20.69% of the results of TCO from May to October 2003, and 29.61% of the results of TCO from November to December 2003.

The goodwill paid on the acquisition of GT, in the amount of R$1,077,022, will be amortized over ten years based on future profitability, to commence when profitable operations are achieved, which is expected to occur in 2005.

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

The goodwill paid on the acquisition of TCO amounted to R$1,656,127, of which R$1,478,458 was based on the expectation of future profitability and will be amortized over ten years. The remaining balance was based on asset appreciation of real properties and operating licenses and will be amortized over the remaining useful life of these assets.

11. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rate - %	Consolidated			
		2003			2002
		Cost	Accumulated depreciation	Net book value	Net book value
Transmission equipment	4 to 20	4,007,341	(2,328,027)	1,679,314	1,596,833
Switching equipment	10 to 16.67	1,548,860	(753,871)	794,989	717,369
Infrastructure	2.86 to 20	1,227,225	(438,993)	788,232	740,053
Land	-	47,937	-	47,937	39,851
Software use rights	20	1,005,943	(457,785)	548,158	511,818
Buildings	2.86 to 4	165,928	(29,863)	136,065	110,133
Terminals	50 to 66.67	200,982	(133,155)	67,827	54,510
Concession license	6.67	976,476	(368,586)	607,890	625,913
Other assets	4 to 20	328,359	(170,095)	158,264	167,277
Assets and construction in progress	-	405,604	-	405,604	206,913
Total		9,914,655	(4,680,375)	5,234,280	4,770,670

Starting January 1, 2003, the useful life of terminals was reduced to 18 months, in order to better reflect the state of operations. The effect of this reduction in 2003 represented an increase in depreciation expense of R$34,854, compared to the previous year.

In 2003, financial expenses in the amount of R$1,655 (R$10,331 in 2002) on loans and financing for construction in progress were capitalized.

12. DEFERRED CHARGES

	Consolidated		
	Annual amortization rate - %	2003	2002
Preoperating costs:			
Amortization of licenses	10	80,496	80,496
Financial expenses	10	201,131	184,430
General and administrative expenses	10	71,624	43,633

Total

		353,251	308,559
Goodwill - Ceterp Celular S.A.	10	84,265	84,265
Goodwill (commercial locations)	(*)	12,109	10,460
		4	

Total