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TELE CENTRO OESTE CELULAR PARTICIPACOES

Form 425

December 06, 2005

Filed by Telesp Celular Participações S.A.

pursuant to Rule 425 of the Securities Act of 1933

Subject Companies: Telesp Celular Participações S.A.

Commission File No.: 333 - 09470

Tele Centro Oeste Celular Participações S.A.

Commission File No.: 001-14489

Tele Sudeste Celular Participações S.A.

Commission File No.: 001-14485

Tele Leste Celular Participações S.A.

Commission File No.: 001-14481

Celular CRT Participações S.A.

This communication is not an offering document and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. Investors in American Depositary Shares (ADSs) of Telesp Celular Participações S.A. (TCP), Tele Centro Oeste Celular Participações S.A. (TCO), Tele Sudeste Celular Participações S.A. (TSD) and Tele Leste Celular Participações S.A. (TLE) and U.S. holders of ordinary shares and preferred shares of TCP, TCO, TSD, TLE and Celular CRT Participações S.A. (CRTPart and, together with TCP, TCO, TSD and TLE, the Companies) are urged to read the U.S. prospectus applicable to that Company (or, in the case of holders of ADSs or shares of TCP, other applicable information disseminated by TCP) when it becomes available, because they will contain important information. The U.S. prospectuses prepared for holders of ADSs of TCO, TSD and TLE and for U.S. holders of ordinary shares and preferred shares of TCO, TSD, TLE and CRTPart will be filed with the SEC as part of Registration Statements on Form F-4 of TCP. Investors and security holders may obtain a free copy of the applicable U.S. prospectus (when available) and other documents filed by TCP with the SEC at the SEC s website at www.sec.gov. A copy of the applicable U.S. prospectus (when available) may also be obtained for free from TCP.

This communication may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management s current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words anticipates, believes, estimates, expects, plans and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding business strategies, future synergies, future costs and future liquidity of the Companies are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

* * *

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The following documents relate to the proposed corporate restructuring of the Companies:

1. Deloitte Touche Tohmatsu Book Value Report regarding TCP
2. Deloitte Touche Tohmatsu Book Value Report regarding TCO
3. Deloitte Touche Tohmatsu Book Value Report regarding TSD
4. Deloitte Touche Tohmatsu Book Value Report regarding TLE
5. Deloitte Touche Tohmatsu Book Value Report regarding CRTPart

DELOITTE TOUCHE TOHMATSU BOOK VALUE REPORT REGARDING TCP

Telesp Celular

Participações S.A.

Book Value Report Prepared in Accordance

with the Provisions of Law No. 6,404, of

December 15, 1976

Deloitte Touche Tohmatsu Auditores Independentes

**BOOK VALUE REPORT PREPARED IN ACCORDANCE WITH THE PROVISIONS OF LAW No. 6,404,
OF DECEMBER 15, 1976**

I INTRODUCTION

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES, an accounting firm, with main office in the city of São Paulo, at Rua José Guerra, 127, CNPJ/MF (corporate taxpayer identification number) No. 49.928.567/0001-11, as the assigned appraiser, as provided for in article 8 of Law No. 6,404, of December 15, 1976, in response to your request, performed a review of the net assets as of September 30, 2005 of Telesp Celular Participações S.A., a corporation, located at Avenida Roque Petroni Junior, 1.464, Municipality of São Paulo, State of São Paulo, CNPJ/MF No. 02.558.074/0001-73, hereinafter referred to simply as the Company, for purposes of corporate reorganization and/or restructuring.

II DESCRIPTION OF ASSETS

The net assets, the subject to the review, were determined based on the Company's trial balance as of September 30, 2005 and comprise the following asset and liability balances:

Deloitte Touche Tohmatsu

	R\$, cents omitted
ASSETS	
Cash and banks	30,094
Cash investments	37,833
Interest on capital	62,113,689
Deferred and recoverable taxes	360,246,827
Prepaid expenses	4,346,900
Other assets	16,446,803
Investments	7,360,812,169
Property, plant and equipment, net	321,239
Total assets	7,804,355,554
LIABILITIES	
Payroll and related accruals	944,481
Trade accounts payable	4,734,373
Taxes payable	538,636
Loans and financing	2,885,762,544
Reserve for contingencies	65,364,841
Derivative contracts	508,384,035
Other liabilities	22,707,863
Total liabilities	3,488,436,773
Funds for capitalization	152,379
NET ASSETS	4,315,766,402

The net assets as of September 30, 2005 include a special goodwill reserve in the amount of R\$693,678,308 (six hundred and ninety-three million, six hundred and seventy-eight thousand, three hundred and eight Brazilian reais), which will be capitalized in favor of the controlling shareholders upon the realization of the corresponding tax benefits, and the other shareholders will have preemptive right, according to the provisions of article 171 of Law No. 6,404/76, with any funds arising from the exercise of the preemptive right being paid to the controlling shareholders.

III PROCEDURES APPLIED

In order to ascertain the adequacy of the book values of assets and liabilities, which determine the net assets of the Company as of September 30, 2005, the undersigned performed its examinations by adopting usual procedures for audit of the financial statements applicable in the circumstances, according to standards approved by the Federal Accounting Council. Therefore, the examinations comprised: (a) determining the

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extent of the audit procedures, considering the materiality of the asset and liability balances that make up the net assets; (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 the Company's management.

Deloitte Touche Tohmatsu

IV DETERMINATION OF NET ASSETS

The net assets of the Company were determined in accordance with Brazilian accounting practices, which include standards established by Brazilian corporate law, accounting standards and procedures issued by the Brazilian Securities Commission (CVM), and standards applicable to concessionaires of public telecommunications services. The criterion adopted for appraising the net assets of the Company was book value.

V BOOKS AND BOOKKEEPING

The books of the Company meet all legal and tax requirements and were kept in accordance with Brazilian accounting practices, uniformly and consistently applied.

The details of assets, rights and obligations that make up the net assets are in possession of the Company in the form of subsidiary records and analytical reports.

VI INEXISTENCE OF CONFLICT OF INTERESTS AND LIMITATIONS

We confirm that:

- a) In accordance with the professional standards established by the Federal Accounting Council (CFC) through Resolution No. 821/97, we are not aware of any circumstances that represent conflict of interests in relation to the Company or to the Company and its controlling shareholders or to the service previously described. In addition, we have no direct or indirect interest in the Company or in any company related to it.
- b) We are not aware of any action by the controlling shareholder or management of the Company to influence, limit, hamper or perform any acts that have or may have compromised the access, use or knowledge of information, assets, documents or work methodologies relevant to the quality of the conclusion of our work.

VII CONCLUSION

As a result of the examinations and analyses performed, we concluded that the net assets of the Company as of September 30, 2005, computed based on the criteria described above, are R\$4,315,766,402 (four billion, three hundred and fifteen million, seven hundred and sixty-six thousand, four hundred and two Brazilian reais).

Deloitte Touche Tohmatsu

VIII CLOSING

Thus, we have completed our work and sign this appraisal report in three counterparts of equal content for all legal purposes.

São Paulo, December 4, 2005

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

José Domingos do Prado
Engagement Partner

DELOITTE TOUCHE TOHMATSU BOOK VALUE REPORT REGARDING TCO

Tele Centro Oeste Celular
Participações S.A.

Book Value Report Prepared in Accordance
with the Provisions of Law No. 6,404, of
December 15, 1976

Deloitte Touche Tohmatsu Auditores Independentes

**BOOK VALUE REPORT PREPARED
IN ACCORDANCE WITH THE PROVISIONS OF
LAW No. 6,404, OF DECEMBER 15, 1976**

I INTRODUCTION

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES, an accounting firm, with main office in the city of São Paulo, at Rua José Guerra, 127, CNPJ/MF (corporate taxpayer identification number) No. 49.928.567/0001-11, as the assigned appraiser, as provided for in article 8 of Law No. 6,404, of December 15, 1976, in response to your request, performed a review of the net assets as of September 30, 2005 of Tele Centro Oeste Celular Participações S.A., a corporation, located at SCS, Quadra 2, Bloco C, 226, 7º andar, Brasília, Distrito Federal, CNPJ/MF No. 02.558.132/0001-69, hereinafter referred to simply as the Company, for purposes of corporate reorganization and/or restructuring.

II DESCRIPTION OF ASSETS

The net assets, the subject to the review, were determined based on the Company's trial balance as of September 30, 2005 and comprise the following asset and liability balances:

Deloitte Touche Tohmatsu

	R\$, cents omitted
ASSETS	
Cash and banks	1,861,400
Cash investments	93,024,446
Trade accounts receivable, net	125,037,827
Inventories	25,343,212
Advances to suppliers	3,287,765
Interest on capital	161,097,369
Loans and financing	25,152,236
Deferred and recoverable taxes	392,280,867
Prepaid expenses	20,024,532
Other assets	26,323,414
Investments	2,145,128,600
Property, plant and equipment, net	275,579,165
Deferred assets, net	368,958
Total assets	3,294,509,791
LIABILITIES	
Payroll and related accruals	8,391,778
Trade accounts payable	75,826,170
Taxes payable	16,501,578
Loans and financing	23,120,906
Interest on capital	137,685,883
Reserve for contingencies	132,203,471
Derivative contracts	11,598,804
Other liabilities	53,729,488
Total liabilities	459,058,078
Funds for capitalization	125,683
NET ASSETS	2,835,326,030

The net assets as of September 30, 2005 include a special goodwill reserve in the amount of R\$586,625,173 (five hundred and eighty-six million, six hundred and twenty-five thousand, one hundred and seventy-three Brazilian reais), which will be capitalized in favor of the controlling shareholders upon the realization of the corresponding tax benefits, and the other shareholders will have preemptive right, according to the provisions of article 171 of Law No. 6,404/76, with any funds arising from the exercise of the preemptive right being paid to the controlling shareholders.

Deloitte Touche Tohmatsu

III PROCEDURES APPLIED

In order to ascertain the adequacy of the book values of assets and liabilities, which determine the net assets of the Company as of September 30, 2005, the undersigned performed its examinations by adopting usual procedures for audit of the financial statements applicable in the circumstances, according to standards approved by the Federal Accounting Council. Therefore, the examinations comprised: (a) determining the extent of the audit procedures, considering the materiality of the asset and liability balances that make up the net assets; (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 the Company's management.

IV DETERMINATION OF NET ASSETS

The net assets of the Company were determined in accordance with Brazilian accounting practices, which include standards established by Brazilian corporate law, accounting standards and procedures issued by the Brazilian Securities Commission (CVM), and standards applicable to concessionaires of public telecommunications services. The criterion adopted for appraising the net assets of the Company was book value.

V BOOKS AND BOOKKEEPING

The books of the Company meet all legal and tax requirements and were kept in accordance with Brazilian accounting practices, uniformly and consistently applied.

The details of assets, rights and obligations that make up the net assets are in possession of the Company in the form of subsidiary records and analytical reports.

VI INEXISTENCE OF CONFLICT OF INTERESTS AND LIMITATIONS

We confirm that:

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- a) In accordance with the professional standards established by the Federal Accounting Council (CFC) through Resolution No. 821/97, we are not aware of any circumstances that represent conflict of interests in relation to the Company or to the Company and its controlling shareholders or to the service previously described. In addition, we have no direct or indirect interest in the Company or in any company related to it.
- b) We are not aware of any action by the controlling shareholder or management of the Company to influence, limit, hamper or perform any acts that have or may have compromised the access, use or knowledge of information, assets, documents or work methodologies relevant to the quality of the conclusion of our work.

Deloitte Touche Tohmatsu

VII CONCLUSION

As a result of the examinations and analyses performed, we concluded that the net assets of the Company as of September 30, 2005, computed based on the criteria described above, are R\$2,835,326,030 (two billion, eight hundred and thirty-five million, three hundred and twenty-six thousand and thirty Brazilian reais).

VIII CLOSING

Thus, we have completed our work and sign this appraisal report in three counterparts of equal content for all legal purposes.

São Paulo, December 4, 2005

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Domingos do Prado
Engagement Partner

DELOITTE TOUCHE TOHMATSU BOOK VALUE REPORT REGARDING TSD

Tele Sudeste Celular
Participações S.A.

Book Value Report Prepared in Accordance
with the Provisions of Law No. 6,404, of
December 15, 1976

Deloitte Touche Tohmatsu Auditores Independentes

**BOOK VALUE REPORT PREPARED IN ACCORDANCE WITH THE PROVISIONS OF LAW No. 6,404,
OF DECEMBER 15, 1976**

I INTRODUCTION

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES, an accounting firm, with main office in the city of São Paulo, at Rua José Guerra, 127, CNPJ/MF (corporate taxpayer identification number) No. 49.928.567/0001-11, as the assigned appraiser, as provided for in article 8 of Law No. 6,404, of December 15, 1976, in response to your request, performed a review of the net assets as of September 30, 2005 of Tele Sudeste Celular Participações S.A., a corporation, located at Praia de Botafogo, 501 7º andar, Municipality of Rio de Janeiro, State of Rio de Janeiro, CNPJ/MF No. 02.558.129/0001-45, hereinafter referred to simply as the Company, for purposes of corporate reorganization and/or restructuring.

II DESCRIPTION OF ASSETS

The net assets, the subject to the review, were determined based on the Company's trial balance as of September 30, 2005 and comprise the following asset and liability balances:

Deloitte Touche Tohmatsu

	R\$, cents omitted
ASSETS	
Cash and banks	75,247
Cash investments	56,588,394
Interest on capital	28,002,038
Deferred and recoverable taxes	59,827,524
Other assets	1,255,445
Investments	1,990,421,442
Property, plant and equipment, net	107,587
Total assets	2,136,277,677
LIABILITIES	
Payroll and related accruals	445,221
Trade accounts payable	4,822,762
Taxes payable	2,581,708
Interest on capital	35,495,646
Reserve for contingencies	2,242
Other liabilities	44,103,694
Total liabilities	87,451,273
Funds for capitalization	131,401
NET ASSETS	2,048,695,003

The net assets as of September 30, 2005 include a special goodwill reserve in the amount of R\$166,859,893 (one hundred and sixty-six million, eight hundred and fifty-nine thousand, eight hundred and ninety-three Brazilian reais), which will be capitalized in favor of the controlling shareholders upon the realization of the corresponding tax benefits, and the other shareholders will have preemptive right, according to the provisions of article 171 of Law No. 6,404/76, with any funds arising from the exercise of the preemptive right being paid to the controlling shareholders.

III PROCEDURES APPLIED

In order to ascertain the adequacy of the book values of assets and liabilities, which determine the net assets of the Company as of September 30, 2005, the undersigned performed its examinations by adopting usual procedures for audit of the financial statements applicable in the circumstances, according to standards approved by the Federal Accounting Council. Therefore, the examinations comprised: (a) determining the extent of the audit procedures, considering the materiality of the asset and liability balances that make up the net assets; (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 the Company's management.

Deloitte Touche Tohmatsu

IV DETERMINATION OF NET ASSETS

The net assets of the Company were determined in accordance with Brazilian accounting practices, which include standards established by Brazilian corporate law, accounting standards and procedures issued by the Brazilian Securities Commission (CVM), and standards applicable to concessionaires of public telecommunications services. The criterion adopted for appraising the net assets of the Company was book value.

V BOOKS AND BOOKKEEPING

The books of the Company meet all legal and tax requirements and were kept in accordance with Brazilian accounting practices, uniformly and consistently applied.

The details of assets, rights and obligations that make up the net assets are in possession of the Company in the form of subsidiary records and analytical reports.

VI INEXISTENCE OF CONFLICT OF INTERESTS AND LIMITATIONS

We confirm that:

- a) In accordance with the professional standards established by the Federal Accounting Council (CFC) through Resolution No. 821/97, we are not aware of any circumstances that represent conflict of interests in relation to the Company or to the Company and its controlling shareholders or to the service previously described. In addition, we have no direct or indirect interest in the Company or in any company related to it.
- b) We are not aware of any action by the controlling shareholder or management of the Company to influence, limit, hamper or perform any acts that have or may have compromised the access, use or knowledge of information, assets, documents or work methodologies relevant to the quality of the conclusion of our work.

VII CONCLUSION

As a result of the examinations and analyses performed, we concluded that the net assets of the Company as of September 30, 2005, computed based on the criteria described above, are R\$2,048,695,003 (two billion, forty-eight million, six hundred and ninety-five thousand and three Brazilian reais).

Deloitte Touche Tohmatsu

VIII CLOSING

Thus, we have completed our work and sign this appraisal report in three counterparts of equal content for all legal purposes.

São Paulo, December 4, 2005

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

José Domingos do Prado

Engagement Partner

DELOITTE TOUCHE TOHMATSU BOOK VALUE REPORT REGARDING TLE

Tele Leste Celular
Participações S.A.

Book Value Report Prepared in Accordance
with the Provisions of Law No. 6,404, of
December 15, 1976

Deloitte Touche Tohmatsu Auditores Independentes

BOOK VALUE REPORT PREPARED
IN ACCORDANCE WITH THE PROVISIONS OF
LAW No. 6,404, OF DECEMBER 15, 1976

I INTRODUCTION

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES, an accounting firm, with main office in the city of São Paulo, at Rua José Guerra, 127, CNPJ/MF (corporate taxpayer identification number) No. 49.928.567/0001-11, as the assigned appraiser, as provided for in article 8 of Law No. 6,404, of December 15, 1976, in response to your request, performed a review of the net assets as of September 30, 2005 of Tele Leste Celular Participações S.A., a corporation, located at Rua Silveira Martins, 435, Municipality of Salvador, State of Bahia, CNPJ/MF No. 02.558.144/0001-93, hereinafter referred to simply as the Company, for purposes of corporate reorganization and/or restructuring.

II DESCRIPTION OF ASSETS

The net assets, the subject to the review, were determined based on the Company's trial balance as of September 30, 2005 and comprise the following asset and liability balances:

Deloitte Touche Tohmatsu

	R\$, cents omitted
ASSETS	
Cash and banks	96,594
Cash investments	9,258
Interest on capital	2,889,854
Deferred and recoverable taxes	13,292,087
Other assets	209,766
Investments	310,990,493
Total assets	327,488,052
LIABILITIES	
Payroll and related accruals	106,522
Trade accounts payable	447,486
Taxes payable	197,378
Loans and financing	617,172
Derivative contracts	25,726
Interest on capital	443,388
Other liabilities	5,583,048
Total liabilities	7,420,720
Funds for capitalization	37,372
NET ASSETS	320,029,960

The net assets as of September 30, 2005 include a special goodwill reserve in the amount of R\$126,419,373 (one hundred and twenty-six million, four hundred and nineteen thousand, three hundred and seventy-three Brazilian reais), which will be capitalized in favor of the controlling shareholders upon the realization of the corresponding tax benefits, and the other shareholders will have preemptive right, according to the provisions of article 171 of Law No. 6,404/76, with any funds arising from the exercise of the preemptive right being paid to the controlling shareholders.

III PROCEDURES APPLIED

In order to ascertain the adequacy of the book values of assets and liabilities, which determine the net assets of the Company as of September 30, 2005, the undersigned performed its examinations by adopting usual procedures for audit of the financial statements applicable in the circumstances, according to standards approved by the Federal Accounting Council. Therefore, the examinations comprised: (a) determining the

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extent of the audit procedures, considering the materiality of the asset and liability balances that make up the net assets; (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 the Company's management.

Deloitte Touche Tohmatsu

IV DETERMINATION OF NET ASSETS

The net assets of the Company were determined in accordance with Brazilian accounting practices, which include standards established by Brazilian corporate law, accounting standards and procedures issued by the Brazilian Securities Commission (CVM), and standards applicable to concessionaires of public telecommunications services. The criterion adopted for appraising the net assets of the Company was book value.

V BOOKS AND BOOKKEEPING

The books of the Company meet all legal and tax requirements and were kept in accordance with Brazilian accounting practices, uniformly and consistently applied.

The details of assets, rights and obligations that make up the net assets are in possession of the Company in the form of subsidiary records and analytical reports.

VI INEXISTENCE OF CONFLICT OF INTERESTS AND LIMITATIONS

We confirm that:

- a) In accordance with the professional standards established by the Federal Accounting Council (CFC) through Resolution No. 821/97, we are not aware of any circumstances that represent conflict of interests in relation to the Company or to the Company and its controlling shareholders or to the service previously described. In addition, we have no direct or indirect interest in the Company or in any company related to it.
- b) We are not aware of any action by the controlling shareholder or management of the Company to influence, limit, hamper or perform any acts that have or may have compromised the access, use or knowledge of information, assets, documents or work methodologies relevant to the quality of the conclusion of our work.

VII CONCLUSION

As a result of the examinations and analyses performed, we concluded that the net assets of the Company as of September 30, 2005, computed based on the criteria described above, are R\$320,029,960 (three hundred and twenty million, twenty-nine thousand, nine hundred and sixty Brazilian reais).

Deloitte Touche Tohmatsu

VIII CLOSING

Thus, we have completed our work and sign this appraisal report in three counterparts of equal content for all legal purposes.

São Paulo, December 4, 2005

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

José Domingos do Prado

Engagement Partner

DELOITTE TOUCHE TOHMATSU BOOK VALUE REPORT REGARDING

CRTPART

Celular CRT

Participações S.A.

*Book Value Report Prepared in Accordance
with the Provisions of Law No. 6,404, of
December 15, 1976*

Deloitte Touche Tohmatsu Auditores Independentes

**BOOK VALUE REPORT PREPARED IN ACCORDANCE WITH THE PROVISIONS OF LAW No. 6,404,
OF DECEMBER 15, 1976**

I INTRODUCTION

DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES, an accounting firm, with main office in the city of São Paulo, at Rua José Guerra, 127, CNPJ/MF (corporate taxpayer identification number) No. 49.928.567/0001-11, as the assigned appraiser, as provided for in article 8 of Law No. 6,404, of December 15, 1976, in response to your request, performed a review of the net assets as of September 30, 2005 of Celular CRT Participações S.A., a corporation, located at Rua José Bonifácio, 245, Municipality of Porto Alegre, State of Rio Grande do Sul, CNPJ/MF No. 03.010.016/0001-73, hereinafter referred to simply as the Company, for purposes of corporate reorganization and/or restructuring.

Deloitte Touche Tohmatsu

II DESCRIPTION OF ASSETS

The net assets, the subject to the review, were determined based on the Company's trial balance as of September 30, 2005 and comprise the following asset and liability balances:

	R\$, cents omitted
ASSETS	
Cash and cash equivalents	81,772
Cash investments	2,646,229
Interest on capital	74,255,131
Deferred income taxes	65,196,371
Other current assets	486,301
Investments	1,155,674,882
Total assets	1,298,340,686
LIABILITIES	
Payroll and related accruals	200,234
Trade accounts payable	634,535
Taxes payable	68,226,523
Reserve for contingencies	309,011
Other current liabilities	4,811,596
Total liabilities	74,181,899
NET ASSETS	1,224,158,787

The net assets as of September 30, 2005 include a special goodwill reserve in the amount of R\$83,048,909 (eighty-three million, forty-eight thousand, nine hundred and nine Brazilian reais), which will be capitalized in favor of the controlling shareholders upon the realization of the corresponding tax benefits, and the other shareholders will have preemptive right, according to the provisions of article 171 of Law No. 6,404/76, with any funds arising from the exercise of the preemptive right being paid to the controlling shareholders.

III PROCEDURES APPLIED

In order to ascertain the adequacy of the book values of assets and liabilities, which determine the net assets of the Company as of September 30, 2005, the undersigned performed its examinations by adopting usual procedures for audit of the financial statements applicable in the circumstances, according to standards approved by the Federal Accounting Council. Therefore, the examinations comprised: (a) determining the extent of the audit procedures, considering the materiality of the asset and liability balances that make up the net assets; (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 the Company's management.

Deloitte Touche Tohmatsu

IV DETERMINATION OF NET ASSETS

The net assets of the Company were determined in accordance with Brazilian accounting practices, which include standards established by Brazilian corporate law, accounting standards and procedures issued by the Brazilian Securities Commission (CVM), and standards applicable to concessionaires of public telecommunications services. The criterion adopted for appraising the net assets of the Company was book value.

V BOOKS AND BOOKKEEPING

The books of the Company meet all legal and tax requirements and were kept in accordance with Brazilian accounting practices, uniformly and consistently applied.

The details of assets, rights and obligations that make up the net assets are in possession of the Company in the form of subsidiary records and analytical reports.

VI INEXISTENCE OF CONFLICT OF INTERESTS AND LIMITATIONS

We confirm that:

- a) In accordance with the professional standards established by the Federal Accounting Council (CFC) through Resolution No. 821/97, we are not aware of any circumstances that represent conflict of interests in relation to the Company or to the Company and its controlling shareholders or to the service previously described. In addition, we have no direct or indirect interest in the Company or in any company related to it.

- b) We are not aware of any action by the controlling shareholder or management of the Company to influence, limit, hamper or perform any acts that have or may have compromised the access, use or knowledge of information, assets, documents or work methodologies relevant to the quality of the conclusion of our work.

VII CONCLUSION

As a result of the examinations and analyses performed, we concluded that the net assets of the Company as of September 30, 2005, computed based on the criteria described above, are R\$1,224,158,787 (one billion, two hundred and twenty-four million, one hundred and fifty-eight thousand, seven hundred and eighty-seven Brazilian reais).

Deloitte Touche Tohmatsu

VIII CLOSING

Thus, we have completed our work and sign this appraisal report in three counterparts of equal content for all legal purposes.

São Paulo, December 4, 2005

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

n-top: 0; text-align: center; margin-bottom: 0; font: 10pt Times New Roman, Times, Serif">The accompanying notes are an integral part of these condensed financial statements.

José Domingos do Prado

Engagement Partner

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three Month and Six Month Periods Ended April 30, 2018 and 2017 (Unaudited)

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly Innovative Designs, Inc.'s financial position as of April 30, 2018, the changes therein for the three and six month periods then ended and the results of operations for the three and six month periods ended April 30, 2018 and 2017.

The financial statements included in the Form 10-Q are presented in accordance with the requirements of the Form and do not include all of the disclosures required by accounting principles generally accepted in the United States of America. For additional information, reference is made to the Innovative Designs, Inc.'s annual report on Form 10-K for the fiscal year ended October 31, 2017. The results of operations for the three and six month periods ended April 30, 2018 and 2017 are not necessarily indicative of operating results for the full year.

NOTE 3. ACCOUNTS RECEIVABLE

Management evaluates its receivables on a quarterly basis to assess the validity of remaining receivables. During the quarter ended April 30, 2018 management has determined that there is significant doubt regarding the remaining receivable balance of \$8,026 and as such applied a 100 percent allowance on the receivable balance. No allowance was deemed necessary for the fiscal year ended October 31, 2017.

NOTE 4. INVENTORY

Inventory consists principally of purchased apparel inventory and House Wrap which is manufactured by the Company. Inventory is stated at the lower of cost or net realizable value on a first-in, first-out basis. Innovative Designs, Inc. (the "Company") has decided to discontinue the selling of its hunting and swimming line of apparel. The Company has booked a reserve against this inventory at April 30, 2018 and October 31, 2017 of \$51,000. Management will continue to evaluate its obsolete inventory reserve throughout the year and make adjustments as needed.

NOTE 5. EARNINGS PER SHARE

The Company calculates net income (loss) per share in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 260 “*Earnings per Share*”. Basic earnings (loss) per share is calculated by dividing income (loss) by the weighted average number of common shares outstanding for the period. During the periods presented, the Company only has common stock outstanding. As a result, diluted earnings per share was not calculated.

NOTE 6. INCOME TAXES

The Company accounts for income taxes in accordance with ASC Topic 740 “*Income Taxes*”, which requires an asset and liability approach for financial reporting purposes.

Deferred income taxes are provided for differences between the tax bases of assets and liabilities and the financial reporting amounts at the end of the period, and for net operating loss and tax credit carryforwards available to offset future taxable income. Changes in enacted tax rates or laws result in adjustments to recorded deferred tax assets and liabilities in the periods in which the tax laws are enacted or tax rates are changed. The Company will continue to evaluate its income tax obligation throughout the year and will record a tax provision when it is necessary.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three Month and Six Month Periods Ended April 30, 2018 and 2017 (Unaudited)

NOTE 7. SHIPPING AND HANDLING COSTS

The Company pays shipping and handling costs on behalf of customers for purchased apparel merchandise. These costs are billed back to the customer through the billing invoice. The shipping and handling costs associated with merchandise ordered by the Company are included as part of inventory as these costs are allocated across the merchandise received. With House Wrap orders, the customer pays the shipping cost. The shipping and handling costs associated with customer orders was approximately \$9,000 and \$11,000 for the six month periods ended April 30, 2018 and 2017, respectively.

NOTE 8. COMMON STOCK

During the six-month period ended April 30, 2018, the Company sold 707,250 shares of common stock to three investors for total proceeds of \$216,560. The stock was issued for prices from \$0.25 - \$0.32 per share. In addition, the Company issued 105,000 shares to two individuals for services performed during the period. The shares issued were valued at \$0.18 and \$0.40 per share for a total price of \$29,900. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

During the six-month period ended April 30, 2017, the Company issued 30,000 shares to one director for services performed during the period. The shares issued were valued at \$0.25 per share for a price of \$7,500. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

NOTE 9. DEPOSITS ON EQUIPMENT

On July 12, 2015 the Company reached an agreement with Ketut Jaya to purchase the machinery and equipment utilized to produce the INSULTEX material. The purchase price is \$700,000 which was to be paid in four installments. The first installment of \$300,000 was to be paid at the execution of the agreement. The second installment of \$200,000 was to be paid when the machinery and equipment is ready to be shipped to the United States. The third installment of \$100,000 is to be paid once the machinery and equipment is producing INSULTEX, and the fourth and final installment of \$100,000 is to be made after the first commercial production run of INSULTEX is completed. As of April 30, 2018, the Company has made payments of \$500,000 in accordance with the agreement and made a \$100,000 pre-payment as the machine is not yet producing INSULTEX. Additionally, the Company has incurred \$17,000 of additional expenses related to shipping, site improvements and installation of the equipment.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three Month and Six Month Periods Ended April 30, 2018 and 2017 (Unaudited)NOTE 10. SEGMENT
INFORMATION

We have organized our operations into two segments. We rely on an internal management reporting process that provides segment information for purposes of making financial decisions and allocating resources.

The following tables present our business segment information for the six month period ended April 30, 2018 and 2017:

	2018	2017
Revenues:		
Apparel	\$96,172	\$157,861
House Wrap	37,194	50,511
Total Revenues	\$133,366	\$208,372
Assets:		
Apparel	\$556,343	\$776,593
House Wrap	1,227,436	1,238,063
Total	\$1,783,779	\$2,014,656
Capital Expenditures:		
Apparel	\$4,258	\$—
Housewrap	—	\$10,000
Total	\$4,258	\$10,000
Depreciation:		
Apparel	\$6,039	\$1,640
House Wrap	11,717	13,653
Total	\$17,756	\$15,293

NOTE 11. LEGAL PROCEEDINGS

On November 4, 2016, the Federal Trade Commission (FTC) filed a complaint against the Company in the U.S. District Court Western District of Pennsylvania, number 16-1669. In the complaint, the FTC alleges, that, among other matters, the Company does not have substantiation of claims made by the Company regarding the R value and energy efficiency of its INSULTEX House Wrap products. The complaint asks as redress of rescission of revenue the Company received from the sale of House Wrap and a permanent injunction. The parties are currently in the expert discovery phase. Expert depositions were completed in June 2018.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three Month and Six Month Periods Ended April 30, 2018 and 2017 (Unaudited)

The Company strongly denies the allegation and intends to vigorously defend itself. It is the Company's belief that the complaint is based on improper testing of the INSULTEX products using the wrong type of testing equipment.

NOTE 12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events in accordance with ASC Topic 855, "*Subsequent Events*", through June 12, 2018, which is the date financial statements were available to be issued. The Company identified the below subsequent events.

In May 2018, the Company sold 25,000 shares to an individual for \$5,000. The shares were valued at \$0.20 per share. The Company issued 5,000 shares to one individual for services valued at \$1,000.

In May 2018, the Company entered into a loan agreement with an individual for \$50,000. The loan and \$5,000 in interest will be paid on or before June 1, 2019. The individual can convert all principal and interest to shares of Company stock at \$0.20 per share.

INNOVATIVE DESIGNS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following information should be read in conjunction with the financial statements and the notes thereto and in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended October 31, 2017.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Reform Act of 1995. All statements other than statements of historical fact, including statements regarding future results of operation, made in this Quarterly Report on Form 10-Q are forward-looking statements. We use words such as expects, believes, intends, and similar expressions to identify forward-looking statements. Forward looking-looking statements reflect management's current expectations and are inherently uncertain. Actual results could differ materially for a variety of reasons, including, among others, an adverse outcome in our legal matter with the Federal Trade Commission, competition in our cold weather markets, our inability to secure sufficient funding to maintain and/or expand our current level of operations and the seasonality of our cold weather product line. These risks and uncertainties, as well as other risks and uncertainties that could cause our actual results to differ significantly from management's expectations, are described in greater detail in our Annual Report on Form 10-K for the fiscal year ended October 31, 2017. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise except as required by law.

Background

Innovative Designs, Inc. (hereinafter referred to as the "Company", "we" or "our") was formed on June 25, 2002. We market and sell clothing products such as outdoor apparel, and cold weather gear called "Arctic Armor" that are made from INSULTEX, a material with buoyancy, scent block and thermal resistant properties. We also market our House Wrap product line which is a building material with thermal qualities. House Wrap is also made from INSULTEX. We obtain INSULTEX through a license agreement with the owner and manufacturer of the material. Since our formation we have devoted our efforts to:

Completing the development, design and prototypes of our products,

Obtaining retail stores or sales agents to offer and sell our products,

Developing our website to sell more of our products.

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INNOVATIVE DESIGNS, INC.**Results of Operations**Comparison of the Three Month Period Ended April 30, 2018 with the Three Month Period Ended April 30, 2017.

	Three Month Period Ended April 30, 2018	% of Sales	Three Month Period Ended April 30, 2017	% of Sales	Increase (Decrease)	% Change
REVENUE - NET	\$17,163	100.00 %	\$39,162	100.00 %	\$ (21,999)	-56.17 %
OPERATING EXPENSES						
Cost of sales	18,080	105.34 %	25,568	65.29 %	(7,488)	-29.29 %
Selling, general and administrative expenses	154,888	902.45 %	170,741	435.99 %	(15,853)	-9.28 %
Loss from operations	(155,805)	-907.80 %	(157,147)	-401.27 %	1,342	-0.85 %
OTHER EXPENSE						
Miscellaneous expense	487	2.84 %	—	0.00 %	487	
Interest expense	1,731	10.09 %	3,604	9.20 %	(1,873)	-51.97 %
Total other expense	2,218	12.92 %	3,604	9.20 %	(1,386)	-38.46 %
Net loss	\$(158,023)	-920.72 %	\$(160,751)	-410.48 %	\$ (531)	0.33 %

Revenues for the three month period ended April 30, 2018 were \$17,163 compared to revenues of \$39,162 for the three month period ended April 30, 2017. The decrease in revenue is attributable to the FTC matter with regard to our House Wrap products as we no longer advertise the insulating quality of these products. The decrease in revenue for our apparel products is attributable, in part, to the fact that we are devoting significant portion of our limited resources to the FTC matter and the fact that this period is normally a slow period for apparel sales on account of the season. See Note 10 of the Notes to the Condensed Financial Statements appearing elsewhere in this Report for a description of our segment products sales. Our net loss for the three month period ended April 30, 2018 was (\$158,023).

Our selling, general and administrative expenses were \$154,888 for the three month period ended April 30, 2018 compared to \$170,741 for the three month period ended April 30, 2017. Professional fees for the period ended April

30, 2018 were \$32,099 compared to \$84,894 for the three month period ended April 30, 2017. The majority of our professional fees relate to the legal fees incurred in connection to the FTC matter. We expect our professional fees to continue to be substantial during the course of this legal matter.

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INNOVATIVE DESIGNS, INC.Comparison of the Six Month Period Ended April 30, 2018 with the Six Month Period Ended April 30, 2017.

The following table shows a comparison of the results of operations between the six-month periods ended April 30, 2018 and April 30, 2017:

	Six Month Period Ended April 30, 2018	% of Sales	Six Month Period Ended April 30, 2017	% of Sales	Increase (Decrease)	% Change
REVENUE - NET	\$ 133,366	100.00 %	\$ 208,372	100.00 %	\$ (75,006)	-36.00 %
OPERATING EXPENSES						
Cost of sales	82,462	61.83 %	106,074	50.91 %	(23,612)	-22.26 %
Selling, general and administrative expenses	345,699	259.21 %	378,212	181.51 %	(32,513)	-8.60 %
Loss from operations	(294,795)	-221.04 %	(275,914)	-132.41 %	(18,881)	6.84 %
OTHER EXPENSE						
Miscellaneous expense	1,034	0.78 %	3,424	1.64 %	(2,390)	-69.80 %
Interest expense	8,443	6.33 %	10,653	5.11 %	(2,210)	-20.75 %
Net loss	\$(304,272)	-228.15 %	\$(289,991)	-139.17 %	\$(14,281)	4.92 %

Revenues for the six month period ended April 30, 2018 were \$133,366 compared to revenues of \$208,372 for the six month period ended April 30, 2017. The decrease is caused, by the decrease in our apparel sales and the sales in our House Wrap product line. The apparel sales were adversely affected by warm weather. In December 2016, we voluntarily ceased advertising our House Wrap products as a result of the legal action brought by the Federal Trade Commission ("FTC"). See Note 9 of the Notes to the Condensed Financial Statements appearing elsewhere in this Report for a description of our segment product sales. During the six month period ended April 30, 2018 House Wrap sales totaled \$37,194 in comparison with \$50,511 during the six month period ended April 30, 2017. Our net loss for the six month period ended April 30, 2018 was (\$304,272).

Our selling, general and administrative expenses were \$345,699 for the six months ended April 30, 2018 compared to \$378,212 for the six month period ended April 30, 2017. The decrease was a result, in part, by lower seasonal help

expense and less advertising and promotional expense and a significant decrease in professional fees. We do not expect our seasonal help expense or advertising and promotional expenses to increase in the current fiscal year ending October 31, 2018.

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INNOVATIVE DESIGNS, INC.

Liquidity and Capital Resources

During the period ended April 30, 2018, we funded our operations from revenues from sales and sale of our common stock. During the three month period ended April 30, 2018 we sold our common stock in private transactions and raised \$105,000 from the sales.

Subsequent to the period, in May we sold our common stock in a private transaction and raised \$5,000. Also, in May we entered into a loan agreement for \$50,000. See Note 12 of the Notes to the Financials Statements appearing elsewhere in this Report.

Short Term: We will continue to fund our operations from sales and the sale of our securities. We continue to pay our creditors when payments are due. We will require more funds to be able to order the material for our INSULTEX products and to purchase equipment needed for the manufacture of the INSULTEX product. The Company reached an agreement with the manufacturer of the INSULTEX material to purchase a machine capable of producing the INSULTEX material. Also included in the proposed agreement will be the propriety formula that creates INSULTEX. The Company took delivery of the equipment in December 2015. The Company will have to have the machine installed and ensure that it can be operated in compliance with all environmental rules and regulations. The Company has not made an estimate of the cost required for bringing the operation of the machine into compliance with the environmental regulations but it is considered to be a substantial amount. We are in the permitting stage relating to environmental issues necessary to begin the installation of the equipment. However, given our current limited financial resources we are not devoting the resources needed to complete the permitting process. The Company has currently made deposits of \$600,000 on the equipment. The Company has incurred \$17,000 of additional expenses related to shipping. The Company will produce INSULTEX under its own brand name. See Note 9 of the Notes to the Condensed Financial Statements.

Long Term: The Company will continue to fund its operations from revenues, borrowings from private parties and the possible sale of our securities. Should we not be able to rely on the private sources for borrowing and /or increased sales, our operations would be severely affected as we would not be able to fund our purchase orders to our suppliers for finished goods and our efforts to produce our own INSULTEX would be delayed.

INNOVATIVE DESIGNS, INC.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDING

The Company is engaged in a matter with the Federal Trade Commission. A Form 8-K filed November 4, 2016, describing this matter is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the six-month period ended April 30, 2018, the Company sold 707,250 shares of common stock to three investors for total proceeds of \$216,560. The stock was issued for prices from \$0.25 - \$0.32 per share. In addition, the Company issued 105,000 shares to two individuals for services performed during the period. The shares issued were valued at \$0.18 and \$0.40 per share for a total price of \$29,900. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

In May 2018, the Company sold 25,000 shares to an individual for \$5,000. The shares were valued at \$0.20 per share. The Company issued 5,000 shares to one individual for services valued at \$1,000. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information otherwise required by this Item.

ITEM 4T. CONTROLS AND PROCEDURES

Management has developed and implemented a policy and procedures for reviewing, on a quarterly basis, our disclosure controls and procedures. During the period ended April 30, 2018, our principle executive/financial officer concluded that these controls and procedures were ineffective. At this time we do not have the financial resources to employ a financial staff with accounting and financial expertise. Once we have the necessary financial resources, we plan to hire and designate an individual responsible for identifying reportable developments and to implement procedures designed to remediate the material weakness by focusing additional attention and resources in our internal accounting functions. During the first and second quarters of 2018, the Company was not able to close the books and records in a timely fashion. Consequently, the Company was unable to file its Form 10-Q for the period ended January 31, 2018 and April 30, 2018 within the timeline established by the SEC and was required to seek an extension for filing the form.

Changes in Internal Control Over Financial Reporting

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INNOVATIVE DESIGNS, INC.

During the most recent fiscal quarter, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13(a)-15 or 15d-15 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Until the Company has the financial resources to employ a financial staff with accounting and financial expertise, to be able to properly account for internal financial reporting, errors that may have a material effect on the financial statements have the potential to occur.

INNOVATIVE DESIGNS, INC.

ITEM 6. EXHIBITS

*3.1 Revised Certificate of Incorporation

**3.2 By-Laws

31.1 Rule 13a - 14a Certification of Chief Executive Officer and Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

*Incorporated by reference to the Company's Form 10-K filed February 12, 2015

**Incorporated by reference to the Company's registration statement on Form SB-2, filed March 11, 2003

99***Incorporated by reference to the Company's Current Report on Form 8-k, filed November 4, 2016

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Innovative Designs, Inc.
Registrant

Date: June 12, 2018 by: /s/ Joseph Riccelli
Joseph Riccelli, Chief Executive Officer and Chief Financial Officer