

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

February 24, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15b-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of February, 2005

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant's name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolivar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F T 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 T

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Unaudited Financial Statements for the period ended on December 31, 2004.

IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

Free translation of the

Unaudited Consolidated Financial Statements

For the six-month period ended

December 31, 2004

In comparative format

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Balance Sheets as of December 31, 2004 and June 30, 2004**

In thousand of pesos (Notes 1, 2 and 3)

| | December 31, | June 30, |
|--|-------------------|-------------------|
| | 2004 | 2004 |
| | <u> </u> | <u> </u> |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash and banks | 78,412 | 93,096 |
| Investments (Note 8) | 98,927 | 70,804 |
| Mortgages and leases receivables, net (Note 5) | 54,048 | 34,431 |
| Other receivables (Note 6) | 55,631 | 52,748 |
| Inventories (Note 7) | 16,087 | 10,572 |
| | <u> </u> | <u> </u> |
| Total Current Assets | 303,105 | 261,651 |
| | <u> </u> | <u> </u> |
| <u>NON-CURRENT ASSETS</u> | | |
| Mortgages receivables, net (Note 5) | 3,959 | 2,836 |
| Other receivables (Note 6) | 126,204 | 125,794 |
| Inventories (Note 7) | 40,312 | 19,962 |
| Investments (Note 8) | 553,198 | 524,434 |
| Fixed assets, net (Note 9) | 1,350,615 | 1,265,666 |
| Intangible assets, net | 6,098 | 2,427 |
| | <u> </u> | <u> </u> |
| Subtotal Non-Current Assets | 2,080,386 | 1,941,119 |
| Goodwill, net | (37,389) | 174 |
| | <u> </u> | <u> </u> |
| Total Non-Current Assets | 2,042,997 | 1,941,293 |
| | <u> </u> | <u> </u> |
| Total Assets | 2,346,102 | 2,202,944 |
| | <u> </u> | <u> </u> |
| | December 31, | June 30, |
| | 2004 | 2004 |
| | <u> </u> | <u> </u> |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Trade accounts payable | 59,646 | 43,008 |
| Mortgages payable | 2,234 | 2,218 |
| Customer advances (Note 10) | 32,546 | 25,454 |
| Short term-debt (Note 11) | 174,362 | 135,127 |
| Salaries and social security charges | 7,454 | 7,981 |
| Taxes payable | 19,766 | 11,641 |
| Other liabilities (Note 12) | 35,745 | 30,593 |
| | <u> </u> | <u> </u> |
| Total Current Liabilities | 331,753 | 256,022 |
| | <u> </u> | <u> </u> |

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| NON-CURRENT LIABILITIES | | |
|--|------------------|------------------|
| Trade accounts payable | 2,408 | 2,865 |
| Customer advances (Note 10) | 33,697 | 28,802 |
| Long term-debt (Note 11) | 458,796 | 468,807 |
| Taxes payable | 12,343 | 6,207 |
| Other liabilities (Note 12) | 36,523 | 10,150 |
| Total Non-Current Liabilities | 543,767 | 516,831 |
| Total Liabilities | 875,520 | 772,853 |
| Minority interest | 430,009 | 470,237 |
| SHAREHOLDERS EQUITY | 1,040,573 | 959,854 |
| Total Liabilities and Shareholders Equity | 2,346,102 | 2,202,944 |

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

Saúl Zang

Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Statements of Income**

For the six month periods beginning on

July 1, 2004 and 2003

and ended December 31, 2004 and 2003

In thousand of pesos, except earnings per share (Notes 1, 2 and 3)

| | December 31, 2004 | December 31, 2003 |
|--|------------------------------|------------------------------|
| Sales, leases and services | 185,245 | 124,081 |
| Cost of sales, leases and services | (80,373) | (68,473) |
| Gross profit | 104,872 | 55,608 |
| Selling expenses | (16,531) | (9,436) |
| Administrative expenses | (29,900) | (21,492) |
| Subtotal | (46,431) | (30,928) |
| Net gain (loss) in credit card trust | 882 | (210) |
| Operating income (Note 4) | 59,323 | 24,470 |
| Amortization of goodwill | (981) | (1,485) |
| Financial results generated by assets: | | |
| Interest income | 1,912 | 2,931 |
| Interest on discount by assets | 117 | 654 |
| Gain on financial operations | 18,880 | 74,299 |
| Exchange gains | 1,215 | 14,130 |
| Subtotal | 22,124 | 92,014 |
| Financial results generated by liabilities: | | |
| Interest on discount by liabilities | (132) | (263) |
| Exchange losses | (4,070) | (25,295) |
| Financial expenses | (27,666) | (32,486) |
| Subtotal | (31,868) | (58,044) |
| Financial results, net | (9,744) | 33,970 |
| Equity gain (loss) from related parties | 49,502 | (8,909) |
| Other income (expenses), net (Note 13) | (4,939) | 195 |
| Income before taxes and minority interest | 93,161 | 48,241 |
| Income tax and asset tax | (29,609) | (14,427) |
| Minority interest | (6,792) | (1,401) |
| Net Income for the period | 56,760 | 32,413 |
| Earnings per share | | |

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| | | |
|-------------------|-------|-------|
| Basic (Note 23) | 0.224 | 0.152 |
| Diluted (Note 23) | 0.121 | 0.101 |

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

Saúl Zang

Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima
and subsidiaries

Unaudited Consolidated Statements of Cash Flows (1)

For the six month periods beginning on

July 1, 2004 and 2003

and ended December 31, 2004 and 2003

In thousand of pesos (Notes 1, 2 and 3)

| | <u>December 31,</u> <u>2004</u> | <u>December 31,</u> <u>2003</u> |
|---|------------------------------------|------------------------------------|
| CHANGES IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents as of beginning of year | 122,913 | 193,057 |
| Cash and cash equivalents as of end of period | 104,391 | 134,622 |
| Net decrease in cash and cash equivalents | (18,522) | (58,435) |
| CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income for the period | 56,760 | 32,413 |
| Plus income tax and asset tax accrued for the period | 29,609 | 14,427 |
| Adjustments to reconcile net income to cash flows from operating activities: | | |
| Equity in earnings of affiliated companies | (49,502) | 8,909 |
| Minority interest in related companies | 6,792 | 1,401 |
| Allowances and provisions | 5,194 | (115) |
| Accrual for director's fees | 3,562 | |
| Amortization and depreciation | 35,975 | 34,586 |
| Financial results | (8,634) | (39,487) |
| Results from sale of fixed assets | | (19) |
| Results from sale of inventories | (15,501) | |
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in current investments | (20,179) | 4,223 |
| Increase in non-current investments | | (640) |
| Increase in mortgages and leases receivables | (23,700) | (10,272) |
| Decrease (Increase) in other receivables | 13,676 | (5,379) |
| (Increase) Decrease in inventory | (3,366) | 4,233 |
| Increase in intangible assets | (1,821) | (179) |
| Increase in taxes payable, salaries and social security payable and customer advances | 411 | 6,431 |
| Increase in accounts payable | 12,832 | 7,201 |
| Increase in accrued interest | 5,941 | 2,075 |
| Decrease in other liabilities | (9,697) | (9,429) |
| Net cash provided by operating activities | 38,352 | 50,379 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| (Increase) Decrease from equity interest in subsidiary companies | (4,163) | 618 |
| Increase in non-current investments | (13,772) | (11,801) |
| Decrease in minority shareholding | (16,698) | |
| Purchase of shares of Banco Hipotecario | | (91,124) |

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| | | |
|--|-----------------|-----------------|
| Sale of Banco Hipotecario S.A. shares | | 28,577 |
| Payment for acquisition of undeveloped parcels of land | (261) | (126) |
| Sale of fixed assets and intangible assets | | 24 |
| Purchase and improvements of fixed assets | (34,230) | (6,306) |
| Net cash used in investing activities | (69,124) | (80,138) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in short-term and long-term debt | 51,972 | |
| Payment of short-term and long-term debt | (52,014) | (37,162) |
| Dividends paid to minority shareholders | (8,256) | (4,536) |
| Court - ordered deposit on loan | (788) | |
| Cash contribution from minority shareholders | | (2,123) |
| Payment for seller financing | | (1,150) |
| Issuance of common stock | 21,336 | 16,295 |
| Net cash provided by (used in) financing activities | 12,250 | (28,676) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (18,522) | (58,435) |

(1) Includes cash and banks and investments with a realization term not exceeding three months.

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Statements of Cash Flows (Continued)**

For the six month periods beginning on

July 1, 2004 and 2003

and ended December 31, 2004 and 2003

In thousand of pesos (Notes 1, 2 and 3)

| | December 31, | December 31, |
|--|---------------------|---------------------|
| | 2004 | 2003 |
| Supplemental cash flow information | | |
| Cash paid during the period for: | | |
| Interest | 25,816 | 21,876 |
| Income tax | 640 | 510 |
| Non-cash activities: | | |
| Increase in fixed assets through a decrease in inventory | 123 | |
| Increase in inventory through a decrease in fixed assets | 4,604 | 2,606 |
| Increase in intangible assets through a decrease in fixed assets | 2,108 | |
| Issues of certificates | | |
| Liquidation of certificates | | 1,322 |
| Increase in fixed assets through a decrease in undeveloped parcels of lands | | 51,501 |
| Increase in inventory through a decrease in undeveloped parcels of lands | 25,979 | |
| Increase in other liabilities through an increase in other receivables | | |
| Increase in other receivables through a decrease in inventory | | 5,890 |
| Increase in other receivables through a decrease in investments | | 7,078 |
| Retained interest in credit card receivables | (7,245) | |
| Liquidation of interest in credit card receivables | 3,370 | |
| Decrease in short-term and long-term debt through an increase in other liabilities | | 1,326 |
| Increase in fixed assets through a decrease in other receivables | 103 | |
| Attached funds offset by allowances for contingencies | 185 | |
| Increase in fixed assets through a decrease a long - term investments | 596 | |
| Conversion of negotiable obligations into ordinary shares | 2,623 | 14,148 |

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IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Statements of Cash Flows (Continued)**

For the six month periods beginning on

July 1, 2004 and 2003

and ended December 31, 2004 and 2003

In thousand of pesos (Notes 1, 2 and 3)

| | December 31, | December 31, |
|---|---------------------|---------------------|
| | 2004 | 2003 |
| | <u> </u> | <u> </u> |
| Acquisitions of subsidiary companies: | | |
| Mortgages and leases receivables | 1,489 | |
| Other receivables | 4,761 | |
| Fixed assets | 86,931 | |
| Intangible assets | 12 | |
| Trade accounts payable | (983) | |
| Customer advances | (3,325) | |
| Short-term and long-term debt | (38,178) | |
| Related parties | (3,133) | |
| Salaries and social security charges | (203) | |
| Taxes payable | (754) | |
| Dividends payable (includes \$ 75,000 payable to Alto Palermo (APSA)) | (300) | |
| Other liabilities | (16,182) | |
| Allowances | (4,458) | |
| | <u> </u> | <u> </u> |
| Net non-cash assets acquired | 25,677 | |
| | <u> </u> | <u> </u> |
| Cash and cash equivalents acquired | 1,239 | |
| | <u> </u> | <u> </u> |
| Net assets acquired | 26,916 | |
| | <u> </u> | <u> </u> |
| Minority interest | (8,398) | |
| Equity value before the acquisition | (5,087) | |
| Higher value of fixed assets acquired | 1,558 | |
| | <u> </u> | <u> </u> |
| Purchase price of acquired subsidiary companies | 14,989 | |
| | <u> </u> | <u> </u> |
| Cash and cash equivalents acquired | (1,239) | |
| Seller financing | (9,587) | |
| | <u> </u> | <u> </u> |
| | 4,163 | |
| | <u> </u> | <u> </u> |

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IRSA Inversiones y Representaciones Sociedad Anónima
and subsidiaries

Notes to the Unaudited Consolidated Financial Statements

For the six month periods beginning on

July 1, 2004 and 2003

and ended December 31, 2004 and 2003

In thousand of pesos

NOTE 1: BASIS OF CONSOLIDATION - CORPORATE CONTROL

a. Basis of consolidation

The Company has consolidated its balance sheets at December 31, 2004 and June 30, 2004 and the statements of income and cash flows for the six-month periods ended December 31, 2004 and 2003 line by line with the financial statements of its controlled companies, following the procedure established in Technical Pronouncement No. 21 of the Argentine Federation of Professional Councils in Economic Sciences and approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires and by the National Securities Commission.

The consolidated financial statements for the six-month periods ended December 31, 2004 and 2003 have not been audited. The Company's management considers that they include all the necessary adjustments to fairly present the results for the periods referred to.

The consolidated results for the six-month periods ended December 31, 2004 and 2003 do not necessarily reflect proportionality the Company's consolidated results for the complete fiscal years.

All significant intercompany balances and transactions have been eliminated in consolidation.

The following table shows the data concerning the corporate control:

| DIRECT OR INDIRECT % OF CAPITAL | | DIRECT OR INDIRECT % OF VOTING SHARES | |
|---------------------------------------|------------------|---|------------------|
| December 31, 2004 | June 30, 2004 | December 31, 2004 | June 30, 2004 |
| | | | |

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| COMPANIES | | | | |
|--|--------|--------|--------|--------|
| Ritelco S.A. | 100,00 | 100,00 | 100,00 | 100,00 |
| Palermo Invest S.A. | 66,67 | 66,67 | 66,67 | 66,67 |
| Abril S.A. | 83,33 | 83,33 | 83,33 | 83,33 |
| Pereiraola S.A. | 83,33 | 83,33 | 83,33 | 83,33 |
| Baldovinos S.A. | 83,33 | 83,33 | 83,33 | 83,33 |
| Hoteles Argentinos S.A. | 80,00 | 80,00 | 80,00 | 80,00 |
| Llao LLao Resorts S.A. | 50,00 | 50,00 | 50,00 | 50,00 |
| Buenos Aires Trade & Finance Center S.A. | 100,00 | 100,00 | 100,00 | 100,00 |
| Alto Palermo S.A. (APSA) | 60,68 | 53,81 | 60,68 | 53,81 |

(*) The above holdings do not contemplate the effects on the proportional equity value from the conversion of irrevocable contributions into shares.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 1: (Continued)

- (1) In accordance with Technical Pronouncement No. 21 adopted by the Company during the year ended on June 30, 2004, the Company started to consolidate this subsidiary on a line-by-line basis, taking into account other indicators that must be analyzed to determine whether control exists. The financial statements presented in comparative form were restated accordingly.

b. Acquisition and consolidation of related companies

On September 29, 2004, Alto Palermo (APSA) entered into a purchase-sale agreement for the purchase of 49.9% of the capital stock of Perez Cuesta S.A.C.I. The operation was approved by the National Commission for the Defense of Competition on November 17, 2004. As a result of this acquisition, Alto Palermo S.A. (APSA) holds 68.8% of the capital stock of that company, the main activity of which is the operation of the Mendoza Plaza Shopping mall in the city of Mendoza.

Until the date of the above transaction, the Company held a 18.90% participation in the capital stock of Perez Cuesta S.A.C.I.

For purchase details, see note 26.

NOTE 2: CONSIDERATION OF THE EFFECTS OF INFLATION

The financial statements have been prepared in constant monetary units, reflecting the overall effects of inflation through August 31, 1995. From that date and until December 31, 2001 the government discontinued the restatement of the financial statements due to a period of monetary stability. From January 1, 2002 up to February 28, 2003 the effects of inflation were recognized due to the existence of an inflationary period. As from that date, the restatement of the financial statements was discontinued.

This criterion is not in line with current professional accounting standards, which establish that the financial statements must be restated through September 30, 2003. However, due to the low materiality of inflation rates during the period from March to September 2003, this deviation has not had a material effect on the consolidated financial statements taken as a whole.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 2: (Continued)

The rate used for restatement of items is the domestic wholesale price index published by the National Institute of Statistics and Census.

Comparative information

Balance sheet items at June 30, 2004 shown in these unaudited consolidated financial statements for comparative purposes arise from the audited annual consolidated financial statements corresponding to the year then ended.

The balances at December 31, 2004 of the Statements of Income, Changes in Shareholders' Equity and Cash Flows are disclosed in comparative format with the previous financial year.

Certain amounts in the financial statements at June 30, 2004 and at December 31, 2003 were reclassified for disclosure on a comparative basis with those for the period ended December 31, 2004.

NOTE 3: **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the subsidiaries mentioned in Note 1, have been prepared on a consistent basis with those applied by IRSA Inversiones y Representaciones Sociedad Anónima. Note 1 to the basic financial statements details the most significant accounting policies. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that note.

a. Shares of Banco Hipotecario S.A.

Since June 30, 2004, as a consequence of the situation described in Note 16, the Company and Ritelco S.A. value the shares of Banco Hipotecario S.A. by the equity method of accounting.

b. Revenue recognition

The Company's revenues mainly stem from office rental, shopping center operations, development and sale of real estate, hotel operations and, to a lesser extent, from e-commerce activities.

See Note 4 for details on the Company's Operating business segments. As discussed in Note 1, the consolidated statements of income were prepared following the guidelines of Technical Resolution No. 21 of the F.A.C.P.C.E.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 3: (Continued)

b. (Continued)

Leases and services from shopping center operations

Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent, which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant's monthly gross retail sales (the Percentage Rent) (which generally ranges between 4% and 8% of tenant's gross sales).

Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 4% and 7% each year during the term of the lease. Minimum rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions, which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. The Company determines the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, these contingent rents are not recognized until the required thresholds are exceeded.

Generally, the Company's lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months, upon not less than 60 days' written notice, subject to penalties which vary from one to one and a half months rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease. The Company also charges its tenants a monthly administration fee, prorated among the tenants according to their leases, which varies from shopping center to shopping center, relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations.

Administration fees are recognized monthly when earned. In addition to rent, tenants are generally charged admission rights, that tenants may be required to pay upon entering into a lease and upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements. Furthermore, the lease agreements generally provide for the reimbursement of real estate taxes, insurance, advertising and certain common area maintenance costs. These additional rents and tenant reimbursements are accounted for on the accrual basis.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 3: (Continued)

b. (Continued)

Credit card operations

Revenues derived from credit card transactions consist of commissions and financing income. Commissions are recognized at the time the merchants' transactions are processed, while financing income is recognized when earned.

Hotel operations

The Company recognizes revenues from its rooms, catering, and restaurant facilities as earned on the close of each business day.

c. Intangible assets, net

Intangible assets are carried at cost adjusted for inflation as mentioned in Note 2, less accumulated amortization. Included in the Intangible Assets caption are the following:

Trademarks

Trademarks include the expenses and fees related to their registration.

Pre-operating expenses

This item reflects expenses generated by the opening of new shopping malls. Those expenses are amortized by the straight-line method in periods ranging from 2 to 3 years for each shopping mall, beginning as from the date of inauguration.

Property development expenses

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Expenses incurred in relation to the selling of development properties, including advertising, commissions and other expenses, are charged to the results for the period in which the corresponding income is accrued, based on the percentage of completion method.

d. Goodwill

Negative goodwill represents the market value of net assets of the subsidiaries at the percentage participation acquired in excess of acquisition cost. Negative goodwill has been restated following the guidelines mentioned in Note 1.4. to the basic financial statements and amortization has been calculated by the straight-line method based on an estimated useful life of 20 years, considering the weighted-average of the remaining useful life of identifiable assets acquired subject to depreciation.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 3: (Continued)

d. (Continued)

Additionally, also included was the goodwill from the controlled company APSA, originating from the purchase of shares of Tarshop S.A. and Fibesa S.A., which is amortized through the straight-line method over a period of not more than 10 years.

Amortization has been classified under Amortization of goodwill in the Statements of Income.

NOTA 4: SEGMENT INFORMATION

The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting. Accordingly, the Company has five reportable segments. These segments are Development and sale of properties, Office and other non-shopping center rental properties, Shopping centers, Hotel operations, and Others. As discussed in Note 1, the consolidated statements of income were prepared following the guidelines of Technical Resolution No. 21 of the F.A.C.P.C.E.

A general description of each segment follows:

Development and sale of properties

This segment includes the operating results of the Company's construction and ultimate sale of residential buildings business.

Office and other non-shopping center rental properties

This segment includes the operating results of the Company's lease and service revenues of office space and other non-retail building properties from tenants.

Shopping centers

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This segment includes the operating results of the Company's shopping centers principally comprised of lease and service revenues from tenants. This segment also includes revenues derived from credit card transactions that consist of commissions and financing income.

Hotel operations

This segment includes the operating results of the Company's hotels principally comprised of room, catering and restaurant revenues.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 4: (Continued)

Financial operations and others

This segment primarily includes revenues and associated costs generated from the sale of equity securities, other securities-related transactions and other non-core activities of the Company. This segment also includes the results in equity investees of the Company relating to the banking activity, to Internet, telecommunications and other technology-related activities of the Company.

The Company measures its reportable segments based on operating income. Inter-segment transactions, if any, are accounted for at current market prices. The Company evaluates performance of its segments and allocates resources to them based on operating income. The Company is not dependent on any single customer.

The accounting policies of the segments are the same as those described in Note 1 to the unaudited financial statements and in Note 3 to the unaudited consolidated financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 4: (Continued)

The following information provides the operating results from each business unit:

As of December 31, 2004:

| | Sales and developments | Office and Others (a) | Shopping centers | Hotels | Financial and other operations | Total |
|--|---------------------------|--------------------------|---------------------|----------------|--------------------------------------|------------------|
| Revenues | 27,459 | 8,862 | 103,620 | 45,304 | | 185,245 |
| Costs | (11,672) | (3,816) | (40,627) | (24,258) | | (80,373) |
| Gross profit | 15,787 | 5,046 | 62,993 | 21,046 | | 104,872 |
| Selling expenses | (1,018) | (418) | (9,980) | (5,115) | | (16,531) |
| Administrative expenses | (3,931) | (3,171) | (13,375) | (9,423) | | (29,900) |
| Net gain in credit card trust | | | 882 | | | 882 |
| Operating Income | 10,838 | 1,457 | 40,520 | 6,508 | | 59,323 |
| Depreciation and amortization (b) | 130 | 3,261 | 27,792 | 4,600 | | 35,783 |
| Addition of fixed assets and intangible assets | 335 | | 31,628 | 2,267 | | 34,230 |
| Non-current investments in other companies | | | 1,089 | | 202,399 | 203,488 |
| Operating assets | 295,725 | 272,239 | 1,116,371 | 131,484 | | 1,815,819 |
| Non- Operating assets | 66,330 | 61,062 | 21,480 | 1,672 | 379,739 | 530,283 |
| Total assets | 362,055 | 333,301 | 1,137,851 | 133,156 | 379,739 | 2,346,102 |
| Operating liabilities | 8,988 | 8,050 | 121,888 | 18,822 | | 157,748 |
| Non-Operating liabilities | 110,903 | 112,697 | 224,625 | 37,700 | 231,847 | 717,772 |
| Total liabilities | 119,891 | 120,747 | 346,513 | 56,522 | 231,847 | 875,520 |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 4: (Continued)

The following information provides the operating results from each business unit:

As of December 31, 2003

| | Sales and developments | Office and Others (a) | Shopping centers | Hotels | Financial and other operations | Total |
|--|---------------------------|--------------------------|---------------------|----------------|--------------------------------------|------------------|
| Revenues | 13,380 | 7,164 | 68,427 | 35,110 | | 124,081 |
| Costs | (11,095) | (4,149) | (34,194) | (19,035) | | (68,473) |
| Gross profit | 2,285 | 3,015 | 34,233 | 16,075 | | 55,608 |
| Selling expenses | (946) | (374) | (3,878) | (4,238) | | (9,436) |
| Administrative expenses | (2,656) | (2,015) | (9,498) | (7,323) | | (21,492) |
| Net loss in credit card trust | | | (210) | | | (210) |
| Operating (Loss) Income | (1,317) | 626 | 20,647 | 4,514 | | 24,470 |
| Depreciation and amortization (b) | (1,592) | 2,962 | 26,649 | 4,001 | | 32,020 |
| Addition of fixed assets and intangible assets (c) | 232 | 54 | 20,397 | 4,390 | | 25,073 |
| Non-current investments in other companies (c) | | | 7,198 | | 162,659 | 169,857 |
| Operating assets (c) | 295,869 | 275,849 | 992,036 | 131,478 | | 1,695,232 |
| Non-operating assets (c) | 59,335 | 55,321 | 59,469 | 7,019 | 326,568 | 507,712 |
| Total assets (c) | 355,204 | 331,170 | 1,051,505 | 138,497 | 326,568 | 2,202,944 |
| Operating liabilities (c) | 6,598 | 6,652 | 94,386 | 14,330 | | 121,966 |
| Non-operating liabilities (c) | 105,598 | 107,362 | 185,907 | 36,733 | 215,287 | 650,887 |
| Total liabilities (c) | 112,196 | 114,014 | 280,293 | 51,063 | 215,287 | 772,853 |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(c) At June 30, 2004

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 5: MORTGAGES AND LEASES RECEIVABLES, NET

The breakdown for this item is as follows:

| | December 31, 2004 | | June 30, 2004 | |
|--|-------------------|--------------|---------------|--------------|
| | Current | Non-Current | Current | Non-Current |
| Debtors from sale of real estate | 1,643 | 901 | 772 | 1,062 |
| Unearned interest | (18) | (7) | (13) | (15) |
| Debtors from rent and credit card | 43,581 | 3,161 | 28,423 | 1,834 |
| Debtors from leases under legal proceedings | 22,441 | | 23,865 | |
| Debtors from sales under legal proceedings | 2,423 | | 2,495 | |
| Checks to be deposited | 17,682 | | 9,810 | |
| Related parties | 205 | | 79 | |
| Trade accounts receivable for hotel activities | 6,604 | | 4,299 | |
| Less: | | | | |
| Allowance for doubtful accounts | (531) | | (485) | |
| Allowance for doubtful leases | (39,982) | (96) | (34,814) | (45) |
| | <u>54,048</u> | <u>3,959</u> | <u>34,431</u> | <u>2,836</u> |

NOTE 6: OTHER RECEIVABLES

The breakdown for this item is as follows:

| | December 31, 2004 | | June 30, 2004 | |
|--------------------------|-------------------|-------------|---------------|-------------|
| | Current | Non-Current | Current | Non-Current |
| Asset tax credits | 13,764 | 35,818 | 1,009 | 56,522 |
| Value added tax (VAT) | 489 | 1,622 | 1,010 | 1,428 |
| Related parties | 1,134 | 46 | 20,377 | 12 |
| Guarantee deposits | 284 | 5 | 500 | 33 |
| Prepaid expenses | 3,782 | 427 | 3,260 | |
| Expenses to be recovered | 3,464 | | 2,462 | |

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| | | | | |
|--|---------------|----------------|---------------|----------------|
| Fund administration | 200 | | 208 | |
| Advances to be rendered | 59 | | 1,213 | |
| Gross sales tax | 505 | 573 | 407 | 438 |
| Deferred income tax | | 54,024 | | 53,339 |
| Debtors under legal proceeding | 106 | | 119 | |
| Sundry debtors | 2,499 | | 2,139 | |
| Operation pending settlement | 361 | | 474 | |
| Income tax prepayments and withholdings | 3,124 | | 2,860 | |
| Country club debtors | 366 | | 412 | |
| Trust accounts receivable | 258 | 2,276 | 870 | 433 |
| Advances to directors | 3,540 | | | |
| Tax credit certificates | | | 563 | |
| Interest rate swap receivable | 14,707 | | 13,816 | |
| Mortgages receivables | | 2,208 | | 2,208 |
| Present value other receivables | | (1,095) | | (1,384) |
| Credit from barter of Edificios Cruceros (1) | 5,878 | | | 5,836 |
| Tax on personal assets | 3,255 | | 4,856 | |
| Allowance for uncollectibility of tax on personal assets | (3,255) | | (3,887) | |
| Credit from barter of Benavidez (Note 25) | | 8,818 | | 8,755 |
| Pre-paid insurance | 206 | | | |
| Credit from barter of Dique III | | 23,600 | | |
| Premium on credit purchase option | 705 | | | |
| Allowance for doubtful accounts | | (2,208) | | (2,208) |
| Other | 200 | 90 | 80 | 382 |
| | <u>55,631</u> | <u>126,204</u> | <u>52,748</u> | <u>125,794</u> |

(1) See note 1.6.f. to the unaudited basic financial statements.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 7: INVENTORIES

The breakdown for this item is as follows:

| | <u>December 31, 2004</u> | | <u>June 30, 2004</u> | |
|---------------------|--------------------------|--------------------|----------------------|--------------------|
| | <u>Current</u> | <u>Non-Current</u> | <u>Current</u> | <u>Non-Current</u> |
| Dock 13 | 1,578 | | 37 | |
| Dorrego 1916 | 13 | | 13 | |
| Minetti D | 33 | | 33 | |
| Rivadavia 2768 | | | 124 | |
| Torres Jardín | 245 | | 245 | |
| V. Celina | 43 | | 43 | |
| Abril/Baldovinos | 4,114 | 3,328 | 3,239 | 4,548 |
| San Martín de Tours | 7,879 | | 4,744 | |
| Torres de Abasto | 540 | | 555 | |
| Dique III | | 18,059 | | |
| Resale merchandise | 304 | | 138 | |
| Bonus merchandise | 27 | | 87 | |
| Torres Rosario | | 18,925 | | 15,414 |
| Other properties | | | 1,314 | |
| Other inventories | 1,311 | | | |
| | <u>16,087</u> | <u>40,312</u> | <u>10,572</u> | <u>19,962</u> |

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 8: INVESTMENTS

The breakdown for this item is as follows:

| | December 31, | June 30, |
|---|-------------------|-------------------|
| | 2004 | 2004 |
| | <u> </u> | <u> </u> |
| <u>Current</u> | | |
| Cedro (1) | 17 | 67 |
| Bocanova (1) | | 266 |
| Boden (1) | 40 | 32 |
| IRSA I Trust Exchangeable Certificate (1) | 157 | 252 |
| Time deposits and money markets | 21,619 | 25,837 |
| Mutual funds (2) | 51,061 | 37,627 |
| Tarshop Trust (1) | 2,869 | 6,677 |
| Interest Banco Ciudad de Bs. As. Bond (1) | 236 | 14 |
| U. S. Treasury Bonds (1) | 22,886 | |
| Other investments (1) | 42 | 32 |
| | <u> </u> | <u> </u> |
| | 98,927 | 70,804 |
| | <u> </u> | <u> </u> |
| <u>Non-current</u> | | |
| Banco de Crédito y Securitización S.A. | 4,456 | 4,590 |
| Banco Hipotecario S.A. | 197,943 | 158,069 |
| Pérez Cuesta S.A.C.I. | | 5,763 |
| E-Commerce Latina S.A | 1,089 | 1,435 |
| IRSA I Trust Exchangeable Certificate | 4,891 | 5,675 |
| Tarshop Trust | 21,068 | 13,411 |
| Banco Ciudad de Bs. As. Bond | 781 | 887 |
| Art work | 40 | 37 |
| Other | 25,699 | 11,517 |
| | <u> </u> | <u> </u> |
| | 255,967 | 201,384 |
| | <u> </u> | <u> </u> |
| Undeveloped parcels of land: | | |
| Constitucion 1111 | 1,261 | 1,261 |
| Dique IV | 6,316 | 6,160 |
| Caballito plots of land | 19,898 | 19,898 |
| Padilla 902 | 71 | 71 |
| Pilar | 3,408 | 3,408 |
| Torres Jardín IV | 2,568 | 2,568 |
| Puerto Retiro | 46,323 | 46,424 |
| Santa María del Plata | 124,881 | 124,783 |
| Pereiraola | 21,875 | 21,875 |
| Bs. As. Trade and Finance Center S.A | | 25,979 |
| Air space Supermercado Coto | 10,442 | 10,442 |

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| | | |
|-----------------------------------|----------------|----------------|
| Caballito | 29,717 | 29,717 |
| Neuquén | 9,983 | 9,983 |
| Alcorta Plaza | 17,545 | 17,545 |
| Other parcels of undeveloped land | 2,943 | 2,936 |
| | <u>297,231</u> | <u>323,050</u> |
| | <u>553,198</u> | <u>524,434</u> |

(1) Not considered as cash for purposes of the unaudited consolidated statements of cash flow.

(2) Ps. 44,907 and Ps 31,866 corresponding to the Dolphin Fund PLC at December 31, 2004 and June 30, 2004, not considered as cash for purpose of the consolidated statement of cash flow.

Ps. 1,794 and Ps. 1,781 corresponding to the NCH Development Partner fund at December 31, 2004 and June 30, 2004, not considered as cash for purpose of the consolidated statement of cash flows.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 9: FIXED ASSETS, NET

The breakdown for this item is as follows:

| | December 31, | June 30, |
|-------------------------------|-------------------|-------------------|
| | 2004 | 2004 |
| | <u> </u> | <u> </u> |
| Hotels | | |
| Llao-Llao | 30,749 | 30,827 |
| Hotel Intercontinental | 56,069 | 57,447 |
| Hotel Libertador | 36,981 | 37,795 |
| | <u> </u> | <u> </u> |
| | 123,799 | 126,069 |
| | <u> </u> | <u> </u> |
| Office buildings | | |
| Avda. de Mayo 595 | 4,369 | 4,419 |
| Avda. Madero 942 | 2,194 | 2,213 |
| Edificios costeros (Dique II) | 19,545 | 19,726 |
| Laminar Plaza | 30,855 | 31,126 |
| Libertador 498 | 42,289 | 42,679 |
| Libertador 602 | 2,605 | 2,628 |
| Madero 1020 | 2,618 | 4,047 |
| Maipú 1300 | 45,005 | 45,432 |
| Reconquista 823 | 17,571 | 17,733 |
| Rivadavia 2768 | 122 | |
| Sarmiento 517 | 119 | 121 |
| Suipacha 652 | 10,533 | 10,641 |
| Intercontinental Plaza | 64,434 | 65,152 |
| Costeros Dique IV | 19,954 | 20,123 |
| | <u> </u> | <u> </u> |
| | 262,213 | 266,040 |
| | <u> </u> | <u> </u> |
| Commercial real estate | | |