

IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
May 30, 2006

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 May, 2006

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 ii Form 40-F _____

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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

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Unaudited Consolidated Financial Statements For the nine -month period beginning on July 1, 2005 and 2004 and ended March 31, 2006 and 2005.

IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

Free translation of the Unaudited

Consolidated Financial Statements

For the nine -month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Balance Sheets as of March 31, 2006 and June 30, 2005**

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

	March 31, 2006	June 30, 2005
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and banks (Note 5)	81,116	98,244
Investments (Note 9)	146,038	113,690
Mortgages and leases receivables, net (Note 6)	107,769	65,481
Other receivables and prepaid expenses (Note 7)	55,614	46,694
Inventories (Note 8)	75,618	65,626
Total Current Assets	466,155	389,735
<u>NON-CURRENT ASSETS</u>		
Mortgages and leases receivables, net (Note 6)	32,331	7,765
Other receivables and prepaid expenses (Note 7)	103,784	112,538
Inventories (Note 8)	60,445	53,460
Investments (Note 9)	557,532	531,606
Fixed assets, net (Note 10)	1,422,088	1,436,628
Intangible assets, net	6,997	5,880
Subtotal Non-Current Assets	2,183,177	2,147,877
Goodwill, net	(17,278)	(13,186)
Total Non-Current Assets	2,165,899	2,134,691
Total Assets	2,632,054	2,524,426
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Trade accounts payable	111,598	66,881
Mortgages payable (Note 11)	18,043	25,462
Customer advances (Note 12)	66,349	50,924
Short term-debt (Note 13)	77,450	93,918
Salaries and social security payable	8,623	12,336
Taxes payable	45,852	22,352
Other liabilities (Note 14)	43,820	39,104
Total Current Liabilities	371,735	310,977
<u>NON-CURRENT LIABILITIES</u>		
Trade accounts payable	1,265	1,949
Mortgages payable (Note 11)	18,519	27,627
Customer advances (Note 12)	43,442	39,868

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Long term-debt (Note 13)	368,925	389,755
Taxes payable	14,723	21,772
Other liabilities (Note 14)	26,774	34,410
Total Non-Current Liabilities	473,648	515,381
Total Liabilities	845,383	826,358
Minority interest	445,903	445,839
SHAREHOLDERS' EQUITY	1,340,768	1,252,229
Total Liabilities and Shareholders' Equity	2,632,054	2,524,426

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

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

	March 31, 2006	March 31, 2005
Sales, leases and services	381,270	271,890
Cost of sales, leases and services	(164,211)	(117,459)
Gross profit	217,059	154,431
Gain from valuation of inventories at fair market value	8,220	
Selling expenses	(41,895)	(26,277)
Administrative expenses	(62,608)	(43,457)
Subtotal	(96,283)	(69,734)
Net gain in credit card trust Tarjeta Shopping	2,116	393
Operating income (Note 4)	122,892	85,090
Amortization of goodwill	(827)	(1,322)
Financial results generated by assets:		
Interest income	4,124	2,807
Interest on discount by assets	(17)	234
Gain on financial operations	9,828	26,649
Exchange gain	22,199	(2,133)
Subtotal	36,134	27,557
Financial results generated by liabilities:		
Interest on discount by liabilities	(1)	(134)
Discounts		2,387
Exchange loss	(40,032)	7,459
Financial expenses	(38,804)	(40,566)
Subtotal	(78,837)	(30,854)
Financial results, net	(42,703)	(3,297)
Equity gain from related companies	37,193	58,728
Other income and expenses, net (Note 15)	(6,631)	(6,263)
Net Income before taxes and minority interest	109,924	132,936
Income tax and asset tax	(49,749)	(41,255)
Minority interest	(19,270)	(13,476)
Net income for the period	40,905	78,205
Earnings per common share		
Basic (Note 25)	0.111	0.302
Diluted (Note 25)	0.110	0.179

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The accompanying notes are an integral part of these unaudited consolidated financial statements.

Eduardo Sergio Elsztain

President

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IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Statements of Cash Flows (1)**

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

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

	March 31, 2006	March 31, 2005
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of beginning of year	142,589	122,913
Cash and cash equivalents as of end of period	156,718	165,521
Net increase in cash and cash equivalents	14,129	42,608
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	40,905	78,205
Plus income tax and asset tax accrued for the year	49,749	41,255
Adjustments to reconcile net income to cash flows from operating activities:		
Equity gain from related companies	(37,193)	(58,728)
Minority interest	19,270	13,476
Allowances and reserves	13,954	7,519
Sundry provisions	8,621	3,682
Amortization and depreciation	61,281	54,997
Financial results	26,276	(29,734)
Results from sale of fixed assets		413
Results from sale of inventories		(15,501)
Gain from valuation of inventories at fair market value	(8,220)	
Amortization of unearned income	(2,428)	
Unrecovered expenses	5,164	1,614
Changes in operating assets and liabilities:		
Decrease in current investments	10,931	603
Increase in non-current investments	(18,419)	
Increase in mortgages and lease receivables	(77,145)	(36,350)
Decrease in other receivables	925	7,718
Decrease (Increase) in inventories	22,161	(5,130)
Increase in intangible assets in intangible assets	(2,247)	(1,994)
(Decrease) Increase in taxes payable, salaries and social security payable and customer advances	(8,717)	1,197
Increase in trade accounts payable	40,320	12,646
Increase in accrued interest	6,018	8,928
Decrease in other liabilities	(3,877)	(10,222)
Net cash provided by operating activities	147,329	74,594
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for companies acquired net of cash acquired	(4,232)	(4,163)
Increase in non-current investments		(13,772)
Guarantee deposit	(8,610)	
Acquisition of minority interests in APSA	(4,030)	(16,443)
Sale of IRSA Telecommunications N.V.	1,719	

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Increase in receivables with related companies	(325)	
Improvements to undeveloped parcels of land	(630)	(462)
Purchase and improvements of fixed assets	(55,206)	(42,643)
Net cash used in investing activities	(71,314)	(77,483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term and long-term debt	16,414	76,025
Payment of short-term and long-term debt	(60,945)	(101,195)
Dividend payment by subsidiaries to minority shareholders	(11,356)	(10,300)
Payment to minority shareholders due to a capital reduction	(1,320)	
Collateral deposit		(5,822)
Proceeds from settlement of swap agreement	1,190	
Settlement of mortgages payable	(22,729)	
Payment of seller financings	(5,150)	
Issuance of common stock (exercise of options)	21,560	86,789
Net cash (used in) provided by in financing activities	(61,886)	45,497
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,129	42,608

(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.

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

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

	March 31,	March 31,
	2006	2005
Supplemental cash flow information		
Cash paid during the period:	40,626	40,890
Interest paid	589	813
Income tax paid		
Non-cash activities:		
Increase in fixed assets through a decrease in inventories		123
Increase in inventories through a decrease in fixed assets	1,422	5,994
Increase in intangible assets through a decrease in fixed assets	6	2,126
Increase in undeveloped parcels of land through a decrease in fixed assets	(9,049)	
Increase in inventories through a decrease in undeveloped parcels of land	18,404	25,979
Increase in fixed assets through trade accounts payable		1,482
Increase in other receivables through a decrease in fixed assets	83	
Increase in credit card trust Tarshop		7,501
Dissolution of credit card trust Tarshop		3,004
Increase of fixed assets through a decrease in other receivables		103
Increase of shareholders equity through an increase in others receivables		482
Compensation of restricted cash with provisions for contingencies		185
Decrease in non-incurrent investments through an increase in fixed assets		596
Conversion of negotiable obligations into common shares	26,074	69,207

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

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

	March 31, 2006	March 31, 2005
Acquisitions of subsidiary companies:		
Services and lease receivables		1,489
Other receivables	99	4,761
Undeveloped parcels of land	269	
Fixed Assets		86,931
Intangibles Assests		12
Trade payables		(983)
Customer Advances		(3,325)
Bank and financial loans		(38,178)
Loans to related companies		(3,133)
Salaries and social security charges		(203)
Fiscal Debts		(754)
Dividends payables (includes \$75 to pay to Alto Palermo S.A (APSA))		(300)
Other liabilities	(89)	(16,182)
Allowances		(4,458)
Net value of the acquired non-cash assets	279	25,677
Cash acquired		1,239
Net value of the acquired assets		26,916
Minority interest		(8,398)
Equity investment before the acquisition		(5,087)
Higher value of fixed assets acquired		1,558
Higher value of undeveloped parcels of land acquired	3,953	
Purchase value of acquired subsidiaries	4,232	14,989
Cash acquired		(1,239)
Amount financed by sellers		(9,587)
	4,232	4,163

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IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)**

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005.

In thousand of pesos

NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL**a. Basis of consolidation**

The Company has consolidated its balance sheets at March 31, 2006 and June 30, 2005 and the statements of income and cash flows for the nine-month periods ended March 31, 2006 and 2005 line by line with the financial statements of its subsidiaries, following the procedure established in Technical Resolution 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.

Financial statements corresponding to the nine-month periods ended March 31, 2006 and 2005 have not been audited. The Company's management considers they include all necessary adjustments to reasonably show the consolidated results of each period.

Results for the nine-month periods ended March 31, 2006 and 2005 do not necessarily reflect the proportion of the Company's consolidated results for the years.

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

The following table shows the data concerning the corporate control:

COMPANIES	DIRECT AND INDIRECT % OF CAPITAL (*)		DIRECT AND INDIRECT % OF VOTING SHARES (*)	
	March 31, 2006	June 30, 2005	March 31, 2006	June 30, 2005
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. (1)		100.00		100.00
Alto Palermo S.A. (APSA)	61.62	60.69	61.62	60.69
Canteras Natal Crespo S.A. (2)	43.18		43.18	

(*) The above holdings do not contemplate irrevocable capital contributions.

(1) The Company has completed merger procedures to take-over its subsidiary company Buenos Aires Trade and Finance Center S.A. having accounting effect as of 12/01/05 (See Note 19 to the basic unaudited financial statements)

(2) The Company holds joint control of Canteras Natal Crespo S.A. with ECIPSA, see Note 17 to the basic Unaudited Financial Statement.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 1: (Continued)

b. Comparative Information

Balance sheet items at June 30, 2005 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 March 31, 2006 of the Statements of Income, Changes in Shareholders' Equity and Cash Flows are disclosed in comparative format with the same period of the previous fiscal year.

Certain amounts in the financial statements at June, 2005 were reclassified for disclosure on a comparative basis with those for the period ended March 31, 2006.

NOTE 2: CONSIDERATION OF THE EFFECTS OF INFLATION

The unaudited 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 should be restated through September 30, 2003. However, due to the low level 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.

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

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The unaudited 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 unaudited basic financial statements details the most significant accounting policies applied and mentions the recently approved unification of accounting standards that will be applicable at the beginning of the next fiscal year. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that note.

a. Banco Hipotecario S.A. shares

Banco Hipotecario S.A. shares were valued by using the equity method of accounting by the end of the period. See Note 1.5.i. to the unaudited basic financial statements.

b. Revenue recognition

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

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, the 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 calculates 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.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 3: (Continued)

b. (Continued)

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 accrued. In addition to rent, tenants are generally charged admission rights, that tenants may be required to pay upon entering into a lease or upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized in earnings using the straight-line method over the life of the respective lease agreements.

Credit card operations

Revenues derived from credit card transactions include commissions and financing income. Commissions are recognized at the time the merchants' transactions are processed, while financing income is recognized at the time it is accrued.

Hotel operations

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

Net operating results from each business unit are disclosed in Note 4.

c. Intangible assets

Intangible assets are carried at cost restated as mentioned in Note 2, less accumulated amortization and corresponding allowances for impairment in value. Included in the Intangible Assets caption are the following:

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 3: (Continued)

c. (Continued)

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 3 years for each one of the shoppings centers, beginning as from the date of opening of the shopping center.

Property development expenses

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

The value of these assets do not exceed its estimated recoverable value at the end of each period.

d. Goodwill

Negative goodwill represents the excess of the market value of net assets of the subsidiaries at the percentage participation acquired over the acquisition cost. Goodwill has been restated following the guidelines mentioned in Note 2 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.

Additionally, also included was the goodwill from the subsidiary APSA, originating from the purchase of shares of Tarshop S.A., Fibesa S.A. and Shopping Alto Palermo S.A., which is amortized through the straight-line method over a period that not exceeds 10 years.

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

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTA 4: OPERATING INCOME BY BUSINESS UNIT

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 Sale and development of properties, Office and other non-shopping center rental properties, Shopping centers, Hotel operations, and Financial operations and others. As mentioned 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:

Sale and development 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 building properties from tenants.

Shopping centers

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.

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 gain/loss in equity investments of the Company relating to the banking activity, internet, telecommunications and other technology-related activities of the Company.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTA 4: (Continued)

The Company measures its reportable segments based on operating result. 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 result. 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 basic financial statements and in Note 3 to the unaudited consolidated financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 4: (Continued)

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

As of March 31, 2006

	Office and					
	Development and sale of properties	Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Others	Total
Revenues	32,764	21,524	245,542	79,700	1,740	381,270
Costs	(27,077)	(6,869)	(86,095)	(43,089)	(1,081)	(164,211)
Gross (loss) profit	5,687	14,655	159,447	36,611	659	217,059
Income from valuation of inventories at net sale value	8,220					8,220
Selling expenses	(1,320)	(796)	(31,627)	(8,152)		(41,895)
Administrative expenses	(7,899)	(7,189)	(31,582)	(15,938)		(62,608)
Net gain in credit card trust			2,116			2,116
Operating income (loss)	4,688	6,670	98,354	12,521	659	122,892
Depreciation and amortization (b)	247	5,987	47,272	7,245		60,751
Addition of fixed assets and intangible assets	688	1,374	39,782	13,264		55,206
Non-current investments in other companies			318		255,811	256,129
Operating assets	359,931	359,425	1,137,005	143,611		1,999,972
Non- Operating assets	52,315	52,241	42,550	3,520	481,456	632,082
Total assets	412,246	411,666	1,179,555	147,131	481,456	2,632,054
Operating liabilities	13,985	60,205	216,984	22,517		313,691
Non-Operating liabilities	90,372	67,829	285,031	49,116	39,344	531,692
Total liabilities	104,357	128,034	502,015	71,633	39,344	845,383

(a) Includes offices, commercial and residential premises.

(b) Included in operating income (loss).

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 4: (Continued)

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

As of March 31, 2005

	Development and sale of properties	Office and Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Others	Total
Sales, leases and services	28,343	13,652	161,629	68,266		271,890
Cost of sales, leases and services	(12,837)	(5,587)	(62,637)	(36,398)		(117,459)
Gross (loss) profit	15,506	8,065	98,992	31,868		154,431
Selling expenses	(1,384)	(654)	(16,726)	(7,513)		(26,277)
Administrative expenses	(5,072)	(4,198)	(20,176)	(14,011)		(43,457)
Net income in credit card trust			393			393
Operating income	9,050	3,213	62,483	10,344		85,090
Depreciation and amortization (b)	177	4,827	42,795	6,930		54,729
Additions of fixed assets and intangible assets (c)		20,370	50,921	8,025		79,316
Non-current investments in other companies (c)			808		219,432	220,240
Operating assets (c)	343,803	364,420	1,124,780	133,035		1,966,038
Non-operating assets (c)	55,442	58,766	10,678	2,136	431,366	558,388
Total assets (c)	399,245	423,186	1,135,458	135,171	431,366	2,524,426
Operating liabilities (c)	11,040	68,129	147,915	20,313		247,397
Non-operating liabilities (c)	96,332	72,266	308,153	44,735	57,475	578,961
Total liabilities (c)	107,372	140,395	456,068	65,048	57,475	826,358

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(c) Information at June 30, 2005

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 5: CASH AND BANKS

The breakdown for this item is as follows:

	March 31, 2006	June 30, 2005
Cash in local currency	2,279	2,232
Cash in US\$	2,752	5,135
Banks in local currency	23,671	14,998
Banks in US\$	37,684	30,702
Banks in EUR	432	284
Special current accounts in local currency	1,717	2,106
Foreign accounts	11,828	42,099
Checks to be deposited	753	688
	81,116	98,244

NOTE 6: MORTGAGES AND LEASES RECEIVABLE

The breakdown for this item is as follows:

	March 31, 2006		June 30, 2005	
	Current	Non- Current	Current	Non- Current
Debtors from sale of real estate	8,965	13,268	2,117	840
Interest to be accrued	(93)	(81)	(10)	(5)
Debtors from leases and credit card	82,174	20,313	51,256	7,899
Debtors from leases under legal proceedings	22,794		22,664	
Debtors from sales under legal proceedings	2,040		2,368	
Checks to be deposited	24,530		20,319	
Related parties	431		146	
Mortgages accounts receivable from hotel activities	8,716		4,876	
Less:				
Allowance for doubtful accounts	(514)		(425)	
Allowance for doubtful leases	(41,274)	(1,169)	(37,830)	(969)
	107,769	32,331	65,481	7,765

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 7: OTHER RECEIVABLES

The breakdown for this item is as follows:

	March 31, 2006		June 30, 2005	
	Current	Non-Current	Current	Non-Current
Asset tax credits	3,531	29,168	18,009	25,694
Value added tax (VAT) receivable	3,697	4,828	3,838	5,173
Related parties	4,683		2,055	46
Guarantee deposits (1) (2)	9,635	35	279	19
Prepaid expenses	10,594	298	6,878	315
Guarantee of defaulted credits (3)	2,434	15,868		17,128
Expenses to be recovered	4,315		3,726	
Fund administration and reserve	191		191	
Advances to be rendered	66		79	
Gross sales tax	940	897	1,037	782
Deferred income tax		49,414		61,761
Debtors under legal proceeding	145		96	
Sundry debtors	3,057		2,837	
Future contracts receivable	287		269	
Income tax advances	1,231		1,332	
Country club debtors	412		412	
Cash reserves related to the securitization programs	1,109	4,455	4,090	2,549
Mortgages receivable under legal proceeding		2,208		2,208
Allowance for doubtful accounts		(2,208)		(2,208)
Tax on personal assets to be recovered	6,544		5,823	
Allowance for tax on personal assets	(5,793)		(5,326)	
Pre-paid insurance	119		52	
Judicial attachments (Note 26)	861		861	
Expenses to be recovered for damage (Note 29)	7,438			
Present value other receivables		(1,200)		(1,064)
Other	118	21	156	135
	55,614	103,784	46,694	112,538

- (1) Includes a US\$ 3 million deposit in guarantee kept in the Deutsche Bank in favor of Argentimo S.A. related to an agreement entered into between Alto Palermo S.A., Argentimo S.A. and Constructora San José Argentina S.A. by which the guidelines are established for negotiating the acquisition of land to develop a shopping center and a dwelling and/or office building.
- (2) Includes restricted cash (see Note 16.b)
- (3) See note 15 to the unaudited basic financial statements and Note 16 to the unaudited consolidated financial statements.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 8: INVENTORIES

The breakdown for this item is as follows:

	March 31, 2006 Non-		June 30, 2005 Non-	
	Current	Current	Current	Current
Edificios Cruceros (1)	8,648		8,141	
Dock 13	1,605		1,605	
Dorrego 1916	13		13	
Minetti D	65		65	
Terrenos de Caballito		10,675		
Torres Jardín	468		468	
V. Celina	43		43	
Abril / Baldovinos	6,930	1,652	7,671	2,782
San Martín de Tours	14,075		11,743	
Credit from barter of Benavidez (Note 27)	8,542			8,542
Torres de Abasto	518		518	
Dique III (2)	25,559	9,776	33,699	
Credit from barter of Parcel 1 c) Dique III (3)		22,861		22,861
Torres Rosario (Note 12 (2))	6,941	15,481		19,275
Other inventories	2,211		1,660	
	75,618	60,445	65,626	53,460

(1) See note 1.5.h to the unaudited basic financial statements.

(2) Corresponds to parcel 1 e) (valued at restated cost). An option contract was signed for this plot and this option has not been exercised as of the date of issuance of these unaudited financial statements. Also, corresponds to parcel 1 d) (valued at net realizable value). A preliminary sale contract was signed for this plot. See Note 20 to the unaudited basic financial statements.

(3) Corresponds to the right to receive units to be received as consideration for the exchange of plot 1c). See Note 20 to the unaudited basic financial statements.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 9: INVESTMENTS

The breakdown for this item is as follows:

	March 31, 2006	June 30, 2005
<u>Current</u>		
Cedro (1)		5
Lebacs (1)		3,445
Boden (1)	127	39
Mortgage bonds (1)	2,914	3,523
Bono Argentina Discount (1)		1,074
IRSA I Trust Exchangeable Certificate (1)	76	558
Time deposits and money markets	4,829	24,754
Mutual funds (2)	124,578	69,229
Tarshop Trust (1)	13,061	10,634
Banco Ciudad de Bs. As. Bond (1)	415	391
Other investments (1)	38	38
	146,038	113,690
<u>Non-current</u>		
Banco de Crédito y Securitización S.A.	4,527	4,448
Banco Hipotecario S.A.	251,284	213,265
IRSA Telecomunicaciones N.V.		1,719
E-Commerce Latina S.A	318	808
IRSA I Trust Exchangeable Certificate	2,605	3,353
Tarshop Trust	32,923	19,256
Banco Ciudad de Bs. As. Bond	212	482
Other investments	32	48
	291,901	243,379
<u>Undeveloped parcels of land:</u>		
Dique IV	6,645	6,490
Caballito plots of land	9,223	19,898
Padilla 902	89	89
Pilar	3,408	3,408
Torres Jardín IV	3,030	3,030
Puerto Retiro (Note 16)	46,483	46,493
Santa María del Plata	114,397	112,771
Pereiraola	21,875	21,875
Air space Supermercado Coto	11,695	11,695
Caballito	31,065	31,065
Neuquén	9,987	9,987
Alcorta Plaza (Note 21)		18,048
Canteras Natal Crespo	4,356	
Other undeveloped parcels of land	3,378	3,378

	265,631	288,227
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	557,532	531,606
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(1) Not considered cash equivalent for purposes of presenting the unaudited consolidated statements of cash flows.

(2) Include Ps. 49,530 and Ps. 46,886 at March 31, 2006 and at June 30, 2005, respectively, corresponding to Dolphin Fund PLC, not considered cash equivalent for purposes of presenting consolidated statement of cash flows.

Include Ps. 3,200 and Ps. 1,738 at March 31, 2006 and at June 30, 2005, respectively, corresponding to NCH Development Partner fund not considered cash equivalent for purposes of presenting consolidated statement of cash flows.

Include Ps. 1,075 and Ps. 1,014 at March 31, 2006 and at June 30, 2005, corresponding to Gainvest funds not considered cash equivalent for purposes of presenting consolidated statements of cash flows.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 10: FIXED ASSETS

The breakdown for this item is as follows:

	March 31, 2006	June 30, 2005
Hotels		
Llao-Llao	41,214	33,097
Intercontinental	55,686	57,073
Libertador	36,101	36,700
	133,001	126,870
Office buildings		
Avda. de Mayo 595	4,494	4,574
Avda. Madero 942	2,369	2,401
Edificios Costeros (Dique II)	19,106	19,358
Laminar Plaza	30,174	30,577
Libertador 498	42,692	43,307
Libertador 602	2,943	2,985
Madero 1020	1,641	1,665
Maipú 1300	43,942	44,581
Reconquista 823	19,073	19,355
Rivadavia 2768	161	164
Sarmiento 517	81	84
Suipacha 652	11,560	11,749
Intercontinental Plaza	66,590	67,741
Costeros Dique IV	21,564	21,849
Bouchard 710	71,146	72,222
	337,536	342,612
Commercial real estate		
Alsina 934		1,429
Constitución 1111	538	545
	538	1,974
Other fixed assets		
Abril	1,133	1,133
Alto Palermo Park	493	500
Thames	3,033	3,033
Santa María del Plata	10,513	12,109
Constitución 1159	1,324	1,324
Other	2,757	1,593

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	19,253	19,692
Shopping Center		
Alto Avellaneda	85,986	98,750
Alto Palermo	197,561	210,822
Paseo Alcorta	63,201	65,816
Abasto	196,766	202,776
Patio Bullrich	111,060	115,602
Buenos Aires Design	19,087	20,935
Alto Noa	29,517	30,883
Alto Rosario	81,331	79,117
Mendoza Plaza Shopping	87,151	83,706
Advance for purchase of fixed assets (Note 33)	16,341	
Other properties	12,315	12,103
Other fixed assets	31,444	24,970
	931,760	945,480
Total	1,422,088	1,436,628

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 11: MORTGAGES PAYABLE

The breakdown for this item is as follows:

	March 31, 2006		June 30, 2005	
	Non-		Non-	
	Current	Current	Current	Current
Mortgage payable San Martin de Tours	3,563		2,935	
Mortgage payable Bouchard 710 (1)	14,480	18,519	22,527	27,627
	18,043	18,519	25,462	27,627

(1) See details in Notes 6 and 12 d. to the unaudited basic financial statements.

NOTE 12: CUSTOMER ADVANCES

The breakdown for this item is as follows:

	March 31, 2006		June 30, 2005	
	Non-		Non-	
	Current	Current	Current	Current
Admission rights	22,942	30,538	18,041	26,061
Lease and service advances (1)	11,494	12,904	10,966	13,807
Advanced payments from customers	29,712		20,911	
Advance for the sale of a plot of land (2)	2,201		1,006	
	66,349	43,442	50,924	39,868