

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

May 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 May, 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

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(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F 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

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 March 31, 2005 in comparative format.

IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

Free translation of the

Unaudited Consolidated Financial Statements

For the nine-month period ended

March 31, 2005

In comparative format

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Balance Sheets as of March 31, 2005 and June 30, 2004**

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

| | March 31, | June 30, |
|--|------------------|------------------|
| | 2005 | 2004 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and banks (Note 5) | 142,857 | 93,096 |
| Investments (Note 9) | 82,787 | 70,804 |
| Mortgages and leases receivables, net (Note 6) | 61,263 | 34,431 |
| Other receivables (Note 7) | 61,624 | 52,748 |
| Inventories (Note 8) | 27,666 | 10,572 |
| Total Current Assets | 376,197 | 261,651 |
| NON-CURRENT ASSETS | | |
| Mortgages receivables, net (Note 6) | 5,842 | 2,836 |
| Other receivables (Note 7) | 129,118 | 125,794 |
| Inventories (Note 8) | 32,394 | 19,962 |
| Investments (Note 9) | 559,163 | 524,434 |
| Fixed assets, net (Note 10) | 1,337,601 | 1,265,666 |
| Intangible assets, net | 5,942 | 2,427 |
| Subtotal Non-Current Assets | 2,070,060 | 1,941,119 |
| Goodwill, net | (37,743) | 174 |
| Total Non-Current Assets | 2,032,317 | 1,941,293 |
| Total Assets | 2,408,514 | 2,202,944 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade accounts payable | 58,897 | 43,008 |
| Mortgages payable | 2,187 | 2,218 |
| Customer advances (Note 11) | 34,056 | 25,454 |
| Short term-debt (Note 12) | 146,442 | 135,127 |
| Salaries and social security charges | 7,714 | 7,981 |
| Taxes payable | 28,537 | 11,641 |
| Other liabilities (Note 13) | 27,756 | 30,593 |
| Total Current Liabilities | 305,589 | 256,022 |
| NON-CURRENT LIABILITIES | | |
| Trade accounts payable | 2,087 | 2,865 |
| Customer advances (Note 11) | 34,963 | 28,802 |
| Long term-debt (Note 12) | 386,123 | 468,807 |

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| | | |
|---|------------------|------------------|
| Taxes payable | 13,041 | 6,207 |
| Other liabilities (Note 13) | 35,530 | 10,150 |
| Total Non-Current Liabilities | 471,744 | 516,831 |
| Total Liabilities | 777,333 | 772,853 |
| Minority interest | 436,644 | 470,237 |
| SHAREHOLDERS' EQUITY | 1,194,537 | 959,854 |
| Total Liabilities and Shareholders' Equity | 2,408,514 | 2,202,944 |

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

Alejandro G. Elsztain

Second Vicepresident acting as

President

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

For the nine month periods beginning on

July 1, 2004 and 2003

and ended March 31, 2005 and 2004

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

| | March 31, 2005 | March 31, 2004 |
|--|-------------------------------|-------------------------------|
| | <u> </u> | <u> </u> |
| Sales, leases and services | 271,890 | 185,854 |
| Cost of sales, leases and services | (117,459) | (100,050) |
| | <u> </u> | <u> </u> |
| Gross profit | 154,431 | 85,804 |
| Selling expenses | (26,277) | (15,257) |
| Administrative expenses | (43,457) | (31,738) |
| | <u> </u> | <u> </u> |
| Subtotal | (69,734) | (46,995) |
| Net gain (loss) in credit card trust | 393 | (159) |
| | <u> </u> | <u> </u> |
| Operating income (Note 4) | 85,090 | 38,650 |
| Amortization of goodwill | (1,322) | (2,198) |
| Financial results generated by assets: | | |
| Interest income | 2,807 | 4,004 |
| Interest on discount by assets | 234 | 1,675 |
| Gain on financial operations | 26,649 | 84,036 |
| Exchange (loss) gains | (2,133) | 12,811 |
| | <u> </u> | <u> </u> |
| Subtotal | 27,557 | 102,526 |
| Financial results generated by liabilities: | | |
| Interest on discount by liabilities | (134) | (331) |
| Discounts | 2,387 | 7,235 |
| Exchange losses | 7,459 | (12,811) |
| Financial expenses | (40,566) | (46,192) |
| | <u> </u> | <u> </u> |
| Subtotal | (30,854) | (52,099) |
| | <u> </u> | <u> </u> |
| Financial results, net | (3,297) | 50,427 |
| Equity gain (loss) from related parties | 58,728 | (13,107) |
| Other income and expenses, net (Note 14) | (6,263) | 687 |
| | <u> </u> | <u> </u> |
| Income before taxes and minority interest | 132,936 | 74,459 |
| Income tax and asset tax | (41,255) | (24,424) |
| Minority interest | (13,476) | (4,804) |
| | <u> </u> | <u> </u> |
| Net income for the period | 78,205 | 45,231 |

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Earnings per share

| | | |
|-------------------|-------|-------|
| Basic (Note 24) | 0.302 | 0.206 |
| Diluted (Note 24) | 0.179 | 0.123 |

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

Alejandro G. Elsztain

Second Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima
and subsidiaries

Unaudited Consolidated Statements of Cash Flows (1)

For the nine month periods beginning on

July 1, 2004 and 2003

and ended March 31, 2005 and 2004

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

| | March 31, 2005 | March 31, 2004 |
|--|-------------------------------|-------------------------------|
| CHANGES IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents as of beginning of year | 122,913 | 193,058 |
| Cash and cash equivalents as of end of period | 165,521 | 105,755 |
| Net increase (decrease) in cash and cash equivalents | 42,608 | (87,303) |
| CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income for the period | 78,205 | 45,231 |
| Plus income tax accrued for the period | 41,255 | 24,424 |
| Adjustments to reconcile net income to cash flows from operating activities: | | |
| Equity in earnings from related parties | (58,728) | 13,107 |
| Minority interest | 13,476 | 4,803 |
| Allowances and provisions | 7,519 | 261 |
| Accrual for director's fees | 3,682 | |
| Amortization and depreciation | 54,997 | 51,805 |
| Financial results | (29,734) | (62,979) |
| Results from sale of fixed assets | 413 | |
| Results from sale of inventories | (15,501) | |
| Changes in operating assets and liabilities: | | |
| Decrease in current investments | 603 | 4,111 |
| Increase in non-current investments | | (11,756) |
| Increase in mortgages and leases receivables | (34,736) | (8,873) |
| Decrease (Increase) in other receivables | 7,718 | (3,620) |
| (Increase) Decrease in inventory | (5,130) | 4,375 |
| Increase in intangible assets | (1,994) | (242) |
| Increase (decrease) in taxes payable, salaries and social security charges and customer advances | 1,197 | (3,060) |
| Increase in trade accounts payable | 12,646 | 6,206 |
| Increase in accrued interest | 8,928 | 9,183 |
| Decrease in other liabilities | (10,222) | (19,187) |
| Net cash provided by operating activities | 74,594 | 53,789 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payment for companies acquired net of cash acquired | (4,163) | |
| Increase in non-current investments | (13,772) | |
| Acquisition of minority interests | (16,443) | |
| Purchase of shares and options of Banco Hipotecario S.A. | | (127,281) |
| Sale of shares of Banco Hipotecario S.A. | | 46,031 |
| Payment for acquisition of undeveloped parcels of land | (462) | (340) |

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| | | |
|--|-------------------|-------------------|
| Purchase and improvements of fixed assets | (42,643) | (16,886) |
| Sale of fixed assets | | 24 |
| | <u> </u> | <u> </u> |
| Net cash used in investing activities | (77,483) | (98,452) |
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in short-term and long-term debt | 76,025 | 5,800 |
| Payment of short-term and long-term debt | (101,195) | (66,159) |
| Dividends paid to minority shareholders | (10,300) | (4,536) |
| Cash contribution from minority shareholders | | (301) |
| Payment for seller financing | | (1,150) |
| Issuance of common stock | 86,789 | 23,706 |
| Guarantee for swap of defaulted credit | (5,822) | |
| | <u> </u> | <u> </u> |
| Net cash provided by (used in) financing activities | 45,497 | (42,640) |
| | <u> </u> | <u> </u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 42,608 | (87,303) |
| | <u> </u> | <u> </u> |

(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.

Alejandro G. Elsztain

Second Vicepresident acting as

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, 2004 and 2003

and ended March 31, 2005 and 2004

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

| | March 31, | March 31, |
|--|------------------|------------------|
| | 2005 | 2004 |
| Supplemental cash flow information | | |
| Cash paid during the period for: | | |
| Interest | 40,890 | 35,602 |
| Income tax | 813 | 783 |
| Non-cash activities: | | |
| Increase in fixed assets through a decrease in inventory | 123 | 40 |
| Increase in inventory through a decrease in fixed assets | 5,994 | 2,606 |
| Increase in intangible assets through a decrease in fixed assets | 2,126 | 31 |
| Issues of certificates | | 4,368 |
| 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 | 10,748 |
| Increase in fixed assets through trade accounts payable | 1,482 | |
| Increase in other receivables through a decrease in inventory | | 5,890 |
| Increase in other receivables through an increase in taxes payable | | 3,178 |
| Retained interest in credit card receivables | 7,501 | |
| Liquidation of interest in credit card receivables | 3,004 | |
| 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 shareholder's equity through an increase in other receivables | 482 | |
| Increase in fixed assets through a decrease a long - term investments | 596 | |
| Conversion of negotiable obligations into ordinary shares | 69,207 | 21,969 |

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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, 2004 and 2003

and ended March 31, 2005 and 2004

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

| | March 31, | March 31, |
|--|-------------------|-------------------|
| | 2005 | 2004 |
| | <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 Ps. 75 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> |

Alejandro G. Elsztain

Second Vicepresident acting as

IRSA Inversiones y Representaciones Sociedad Anónima
and subsidiaries

Notes to the Unaudited Consolidated Financial Statements

For the nine month periods beginning on

July 1, 2004 and 2003

and ended March 31, 2005 and 2004

Amounts expressed in thousand

NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL

a. Basis of consolidation

The Company has consolidated its balance sheets at March 31, 2005 and June 30, 2004 and the statements of income and cash flows for the nine-month periods ended March 31, 2005 and 2004 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 nine-month periods ended March 31, 2005 and 2004 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 nine-month periods ended March 31, 2005 and 2004 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:

| <u>COMPANIES</u> | <u>DIRECT OR INDIRECT % OF CAPITAL</u> | | <u>DIRECT OR INDIRECT % OF VOTING SHARES</u> | |
|------------------|--|--------------------------|--|--------------------------|
| | <u>March 31, 2005</u> | <u>June 30, 2004</u> | <u>March 31, 2005</u> | <u>June 30, 2004</u> |
| | | | | |

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| | | | | |
|--|--------|--------|--------|--------|
| 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. (1) | 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.
- (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.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 1: (Continued)

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 transaction 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, APSA held a 18.90% participation in the capital stock of Perez Cuesta S.A.C.I.

For purchase details, see Note 27.

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.

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

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 2: (Continued)

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 March 31, 2005 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 financials statements at June 30, 2004 and at March 31, 2004 were reclassified for disclosure on a comparative basis with those for the period ended March 31, 2005.

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 17, 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.

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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 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.

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

The negative goodwill represents the market value of net assets of the subsidiaries at the percentage participation acquired in excess of acquisition cost. The 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,

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 3: (Continued)

d. (Continued)

considering the weighted-average of the remaining useful life of identifiable assets acquired subject to depreciation.

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.

NOTE 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.

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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.

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, 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 March 31, 2005:

| | Sales and developments | Office and Others (a) | Shopping centers | Hotels | Financial and other operations | Total |
|--|---------------------------|--------------------------|---------------------|---------------|--------------------------------------|---------------|
| Sales, leases and services | 28,343 | 13,652 | 161,629 | 68,266 | | 271,890 |
| Costs of sales, leases and services | (12,837) | (5,587) | (62,637) | (36,398) | | (117,459) |
| Gross 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 gain 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 |
| Addition of fixed assets and intangible assets | 421 | | 39,786 | 2,436 | | 42,643 |
| Non-current investments in other companies | | | 953 | | 211,785 | 212,738 |
| Operating assets | 297,833 | 268,940 | 1,113,303 | 132,067 | | 1,812,143 |
| Non-Operating assets | 70,376 | 63,549 | 22,891 | 2,125 | 437,430 | 596,371 |
| Total assets | 368,209 | 332,489 | 1,136,194 | 134,192 | 437,430 | 2,408,514 |
| Operating liabilities | 9,065 | 7,856 | 129,970 | 21,550 | | 168,441 |
| Non-Operating liabilities | 95,384 | 96,635 | 187,973 | 32,231 | 196,669 | 608,892 |
| Total liabilities | 104,449 | 104,491 | 317,943 | 53,781 | 196,669 | 777,333 |

(a) Includes offices, commercial and residential.

(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 March 31, 2004

| | Sales and developments | Office and Others (a) | Shopping centers | Hotels | Financial and other operations | Total |
|--|---------------------------|--------------------------|---------------------|--------------|--------------------------------------|---------------|
| Sales, leases and services | 16,951 | 10,929 | 103,398 | 54,576 | | 185,854 |
| Costs of sales, leases and services | (13,668) | (6,159) | (51,130) | (29,093) | | (100,050) |
| Gross profit | 3,283 | 4,770 | 52,268 | 25,483 | | 85,804 |
| Selling expenses | (1,505) | (522) | (7,092) | (6,138) | | (15,257) |
| Administrative expenses | (3,959) | (2,890) | (13,617) | (11,272) | | (31,738) |
| Net loss in credit card trust | | | (159) | | | (159) |
| Operating (loss) income | (2,181) | 1,358 | 31,400 | 8,073 | | 38,650 |
| Depreciation and amortization (b) | (1,349) | 4,456 | 39,736 | 6,069 | | 48,912 |
| Addition of fixed assets and intangible assets (c) | 232 | 54 | 12,210 | 4,390 | | 16,886 |
| 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: CASH AND BANKS

The breakdown for this item is as follows:

| | <u>March 31,</u> <u>2005</u> | <u>June 30,</u> <u>2004</u> |
|--|---------------------------------|--------------------------------|
| Cash in local currency | 1,535 | 904 |
| Cash in US\$ | 5,088 | 3,742 |
| Banks in local currency | 13,337 | 14,761 |
| Banks in US\$ | 25,827 | 43,430 |
| Banks in EUR | 172 | 161 |
| Special current accounts in local currency | 1 | 13 |
| Foreign accounts | 95,077 | 29,137 |
| Checks to be deposited | 1,820 | 948 |
| | <u>142,857</u> | <u>93,096</u> |

NOTE 6: MORTGAGES AND LEASES RECEIVABLES, NET

The breakdown for this item is as follows:

| | <u>March 31, 2005</u> | | <u>June 30, 2004</u> | |
|--|-----------------------|----------------|----------------------|----------------|
| | Non- | | Non- | |
| | <u>Current</u> | <u>Current</u> | <u>Current</u> | <u>Current</u> |
| Debtors from sale of real estate | 2,031 | 886 | 772 | 1,062 |
| Unearned interest | (14) | (3) | (13) | (15) |
| Debtors from rent and credit card | 50,167 | 5,916 | 28,423 | 1,834 |
| Debtors from leases under legal proceedings | 22,050 | | 23,865 | |
| Debtors from sales under legal proceedings | 2,418 | | 2,495 | |
| Checks to be deposited | 16,981 | | 9,810 | |
| Related parties | 252 | | 79 | |
| Trade accounts receivable for hotel activities | 7,020 | | 4,299 | |
| Less: | | | | |
| Allowance for doubtful accounts | (514) | | (485) | |

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| | | | | |
|-------------------------------|---------------|--------------|---------------|--------------|
| Allowance for doubtful leases | (39,128) | (957) | (34,814) | (45) |
| | <u>61,263</u> | <u>5,842</u> | <u>34,431</u> | <u>2,836</u> |

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 7: OTHER RECEIVABLES

The breakdown for this item is as follows:

| | March 31, 2005 | | June 30, 2004 | |
|--|----------------|-------------|---------------|-------------|
| | Current | Non-Current | Current | Non-Current |
| Asset tax credits | 15,649 | 34,330 | 1,009 | 56,522 |
| Value added tax | 765 | 1,411 | 1,010 | 1,428 |
| Related parties | 1,037 | 59 | 20,377 | 12 |
| Guarantee deposits | 288 | 5 | 500 | 33 |
| Prepaid expenses | 7,532 | 327 | 3,260 | |
| Guarantee for swap of defaulted credit (Note 15) | | 5,754 | | |
| Expenses to be recovered | 4,504 | | 2,462 | |
| Fund administration | 200 | | 208 | |
| Advances to be rendered | 80 | | 1,213 | |
| Gross sales tax | 533 | 625 | 407 | 438 |
| Deferred income tax | | 53,529 | | 53,339 |
| Debtors under legal proceeding | 55 | | 119 | |
| Sundry debtors | 2,801 | | 2,139 | |
| Operation pending settlement | 2,214 | | 474 | |
| Income tax prepayments and withholdings | 2,196 | | 2,860 | |
| Country club debtors | 412 | | 412 | |
| Trust accounts receivable | 412 | 2,294 | 870 | 433 |
| Tax credit certificates | | | 563 | |
| Interest rate swap receivable | 15,840 | | 13,816 | |
| Mortgages receivables | | 2,208 | | 2,208 |
| Allowance for doubtful accounts | | (2,208) | | (2,208) |
| Credit from barter of Edificios Cruceros (1) | 5,754 | | | 5,836 |
| Tax on personal assets | 3,583 | 814 | 4,856 | |
| Allowance for uncollectibility of tax on personal assets | (3,255) | (814) | (3,887) | |
| Credit from barter of Benavidez (Note 26) | | 8,632 | | 8,755 |
| Pre-paid insurance | 130 | | | |
| Credit from barter of Dique III (Note 20) | | 23,102 | | |
| Judicial attachments (Note 25) | 788 | | | |
| Present value other receivables | | (1,083) | | (1,384) |
| Other | 106 | 133 | 80 | 382 |
| | 61,624 | 129,118 | 52,748 | 125,794 |

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

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 8: INVENTORIES

The breakdown for this item is as follows:

| | March 31, 2005 | | June 30, 2004 | |
|---------------------|----------------|---------------|---------------|---------------|
| | Current | Non-Current | Current | Non-Current |
| Dock 13 | 1,578 | | 37 | |
| Dorrego 1916 | 13 | | 13 | |
| Minetti D | 33 | | 33 | |
| Madero 1020 | 1,262 | | | |
| Rivadavia 2768 | | | 124 | |
| Torres Jardín | 245 | | 245 | |
| V. Celina | 43 | | 43 | |
| Abril / Baldovinos | 4,496 | 3,365 | 3,239 | 4,548 |
| San Martín de Tours | 9,572 | | 4,744 | |
| Torres de Abasto | 540 | | 555 | |
| Dique III | 8,283 | 9,776 | | |
| Resale merchandise | 303 | | 138 | |
| Bonus merchandise | 47 | | 87 | |
| Torres Rosario | | 19,253 | | 15,414 |
| Other inventories | 1,251 | | 1,314 | |
| | <u>27,666</u> | <u>32,394</u> | <u>10,572</u> | <u>19,962</u> |

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 9: INVESTMENTS

The breakdown for this item is as follows:

| | March 31, 2005 | June 30, 2004 |
|--|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| <u>Current</u> | | |
| Letes (1) | 321 | |
| Cedro (1) | 11 | 67 |
| Bocanova (1) | | 266 |
| Boden (1) | 37 | 32 |
| IRSA I Trust Exchangeable Certificate (1) | 79 | 252 |
| Time deposits and money markets | 20,167 | 25,837 |
| Mutual funds (2) | 53,990 | 37,627 |
| Tarshop Trust (1) | 4,967 | 6,677 |
| Banco Ciudad de Bs. As. Bond (1) | 322 | 14 |
| Metroshop Trust | 105 | |
| Discounts Ar (1) | 2,458 | |
| Other investments (1) | 330 | 32 |
| | <u> </u> | <u> </u> |
| | 82,787 | 70,804 |
| | <u> </u> | <u> </u> |
| <u>Non-current</u> | | |
| Banco de Crédito y Securitización S.A. | 4,360 | 4,590 |
| Banco Hipotecario S.A. | 207,425 | 158,069 |
| Pérez Cuesta S.A.C.I. | | 5,763 |
| E-Commerce Latina S.A | 953 | 1,435 |
| IRSA I Trust Exchangeable Certificate | 4,391 | 5,675 |
| Tarshop Trust | 18,810 | 13,411 |
| Amount paid in excess of face value for APSA convertible bonds | 25,163 | 11,523 |
| Banco Ciudad de Bs. As. Bond | 625 | 887 |
| Other investments | 48 | 37 |
| | <u> </u> | <u> </u> |
| | 261,775 | 201,390 |
| | <u> </u> | <u> </u> |
| <u>Undeveloped parcels of land:</u> | | |
| Constitucion 1111 | 1,261 | 1,261 |
| Dique IV | 6,399 | 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 (Note 15) | 46,397 | 46,424 |
| Santa María del Plata | 124,882 | 124,783 |

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| | | |
|-----------------------------------|----------------|----------------|
| Pereiraola | 21,875 | 21,875 |
| Dique III | | 25,979 |
| Air space Supermercado Coto | 10,442 | 10,442 |
| Caballito | 29,717 | 29,717 |
| Neuquén | 9,983 | 9,983 |
| Alcorta Plaza | 17,548 | 17,545 |
| Other parcels of undeveloped land | 2,939 | 2,930 |
| | <u>297,388</u> | <u>323,044</u> |
| | <u>559,163</u> | <u>524,434</u> |

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

(2) Ps. 49,737 and Ps. 31,866 at March 31, 2005 and June 30, 2004 respectively, correspond to the Dolphin Fund PLC, not considered as cash for purpose of the consolidated statement of cash flow.

Ps. 1,756 and Ps. 1,781 at March 31, 2005 and June 30, 2004 respectively, correspond to the NCH Development Partner fund 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 10: FIXED ASSETS, NET

The breakdown for this item is as follows:

| | March 31, | June 30, |
|-------------------------------|-------------------|-------------------|
| | 2005 | 2004 |
| | <u> </u> | <u> </u> |
| Hotels | | |
| Llao-Llao | 31,537 | 30,827 |
| Hotel Intercontinental | 55,487 | 57,447 |
| Hotel Libertador | 36,772 | 37,795 |
| | <u>123,796</u> | <u>126,069</u> |
| Office buildings | | |
| Avda. de Mayo 595 | 4,308 | 4,419 |
| Avda. Madero 942 | 2,182 | 2,213 |
| Edificios costeros (Dique II) | 19,454 | 19,726 |
| Laminar Plaza | 30,710 | 31,126 |
| Libertador 498 | 42,108 | 42,679 |
| Libertador 602 | 2,594 | 2,628 |
| Madero 1020 | 1,354 | 4,047 |
| Maipú 1300 | 44,793 | 45,432 |
| Reconquista 823 | 17,488 | 17,733 |
| Rivadavia 2768 | 122 | |
| Sarmiento 517 | 117 | 121 |
| Suipacha 652 | 10,476 | 10,641 |
| Intercontinental Plaza | 64,076 | 65,152 |
| Costeros Dique IV | 19,867 | 20,123 |
| | <u>259,649</u> | <u>266,040</u> |
| Commercial real estate | | |
| Alsina 934 | 1,436 | 1,457 |
| Constitución 1111 | 492 | 494 |
| | <u>1,928</u> | <u>1,951</u> |
| Other fixed assets | | |
| Abril | 1,386 | 1,944 |
| Alto Palermo Park | 492 | 500 |
| Thames | 3,033 | 3,197 |
| Other | 3,074 | 3,470 |
| | <u> </u> | <u> </u> |

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| | | |
|------------------------|-------------------|-------------------|
| | 7,985 | 9,111 |
| | <u> </u> | <u> </u> |
| Shopping Center | | |
| Alto Avellaneda | 100,768 | 107,333 |
| Alto Palermo | 215,388 | 229,117 |
| Paseo Alcorta | 66,328 | 69,003 |
| Abasto | 204,719 | 210,696 |
| Patio Bullrich | 117,084 | 121,678 |
| Buenos Aires Design | 21,553 | 23,381 |
| Alto Noa | 28,298 | 29,589 |
| Alto Rosario | 78,003 | 53,295 |
| Mendoza Plaza Shopping | 74,549 | |
| Other properties | 11,009 | 11,074 |
| Other fixed assets | 26,544 | 7,329 |
| | <u> </u> | <u> </u> |
| | 944,243 | 862,495 |
| | <u> </u> | <u> </u> |
| Total | 1,337,601 | 1,265,666 |
| | <u> </u> | <u> </u> |

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 11: CUSTOMER ADVANCES

The breakdown for this item is as follows:

| | March 31, 2005 | | June 30, 2004 | |
|----------------------------------|-----------------------|----------------|----------------------|----------------|
| | Non- | | Non- | |
| | Current | Current | Current | Current |
| Admission rights | 17,213 | 24,923 | 11,495 | 17,444 |
| Leases advances | 6,407 | 10,040 | 5,451 | 11,358 |
| Customer advances | 9,357 | | 8,508 | |
| Advance for the sale of land (1) | 1,079 | | | |
| | 34,056 | 34,963 | 25,454 | 28,802 |

- (1) Corresponding to an advance payment of Euros 300 received by Villa Hermosa S.A. relating to a preliminary purchase/sale contract for a plot of land that is currently an integral part of the property located in Rosario, on which APSA plans to build high-rise buildings for housing. The transaction is subject to certain conditions. The liability is disclosed net of expenses incurred by the Company on behalf of Villa Hermosa S.A..

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 12: SHORT AND LONG - TERM DEBT

The breakdown for this item is as follows:

| | March 31, 2005 | | June 30, 2004 | |
|---|----------------|---------|---------------|---------|
| | Non-Current | Current | Non-Current | Current |
| Convertible bond APSA 2006 (1) | | 45,320 | | 53,578 |
| Accrued interest- Convertible bond APSA 2006 (1) | | 906 | | 2,310 |
| Negotiable obligations APSA /SAPSA (2) | | 48,328 | | 74,630 |
| Accrued interest- Negotiable obligations APSA / SAPSA (2) | | 3,460 | | 2,116 |
| Bank debts (3) | 75,749 | 59,490 | 47,273 | 56,556 |
| Accrued interest - bank debts (3) | | 977 | | 236 |
| Bond 100 M. (4) | | 183,986 | | 255,922 |
| Interest-Bond 100 M. (4) | | 5,588 | | 2,632 |
| Negotiable obligations 2009 - principal amount (5) | 10,904 | 82,463 | 5,528 | 91,915 |
| Negotiable obligations 2009 - accrued interest (5) | | 530 | | 402 |
| | 146,442 | 386,123 | 135,127 | 468,807 |

- 1) Corresponding to the Negotiable Bonds Convertible to stock (CNB) issued by APSA for a value of US\$ 50 million, as detailed in Note 22 to the unaudited consolidated financial statements, net of the CNB underwritten by the Company for US\$ 31.7 thousand and net of fees and expenses related to issue of debt to be accrued.
- 2) The balance at March 31, 2005 corresponds to certificates of general unsecured notes of APSA amounting to Ps. 48,400, originally issued for a total amount of Ps. 85,000 face value, net of issuing expenses, falling due on April 7, 2005, date on which the principal was fully paid. The terms of the notes required APSA to maintain certain ratios and financial conditions, certain indicators and levels of indebtedness, as well as establishing limits to the obtaining of new loans. The balance at June 30, 2004 also included negotiable obligations issued jointly by APSA and SAPSA, with a balance of Ps. 26,512 which was paid during the period.
- 3) The balance at March 31, 2005 is made up mostly of the following loans:
 - (a) Unsecured loan expiring in 2009 as set out in Note 6 to the basic financial statements for Ps. 57,448 (Ps. 59,957 at June 30, 2004).
 - (b) US\$ 11 million loan granted by Deutsch Bank to APSA on March 4, 2005 with payments of principal and interest falling due as from April 4, 2005 of US\$ 5 million and February 1, 2006 and August 1, 2006 of US\$ 3 million each. The loan accrues annual interest equivalent to LIBOR plus 3.25%. On April 4, 2005 the Company paid the first installment of principal plus interest. See Note 31.
- 4) Corresponding to the issue of Convertible Negotiable Bonds of the Company for a total value of US\$ 100 million as set forth in Notes 6 and 12 to the unaudited financial statements.
- 5) Corresponding to the issue of Negotiable Bonds secured with certain Company assets maturing in the year 2009, as detailed in Note 6 and 11 b. to the unaudited financial statements.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 13: OTHER LIABILITIES

The breakdown for this item is as follows:

| | March 31, 2005 | | June 30, 2004 | |
|--|----------------|---------------|---------------|---------------|
| | Current | Non-current | Current | Non-current |
| Seller financing (1) | 10,927 | 5,010 | 5,781 | |
| Dividends payable | 39 | | 2,379 | |
| Related parties | 3,029 | 1,750 | 3,150 | |
| Guarantee deposits | 637 | 2,922 | 503 | 3,030 |
| Provision for lawsuits | 6,499 | 10,949 | 6,439 | 6,549 |
| Directors' fees | 3,686 | | 6,862 | |
| Advances to directors | (3,570) | | | |
| Rebilled condominium expenses | 339 | | 368 | |
| Directors' deposits | | 8 | | 8 |
| Sundry creditors | 125 | | 322 | |
| Fund administration | 518 | | 519 | |
| Pending settlements for sales of plots | 107 | | 149 | |
| Contributed leasehold improvements and unearned income (Note 29) | 1,431 | 14,883 | 212 | 690 |
| Donations payable | 2,410 | | 3,029 | |
| Present value other liabilities | | (4) | | (139) |
| Trust account payable | 283 | | 282 | |
| Other | 1,296 | 12 | 598 | 12 |
| | <u>27,756</u> | <u>35,530</u> | <u>30,593</u> | <u>10,150</u> |

(1) The balances are comprised of:

- a. Ps. 5,435 relating to the financing obtained for the purchase of the Shopping Neuquén S.A. shares made by APSA on July 6, 1999 (Ps. 3,265 of principal and Ps. 2,170 of C.E.R.). This loan accrues an interest equivalent to LIBOR for six months. At March 31, 2005 the LIBOR rate for six months was 3.4%.
- b. Ps. 4,724 that fall due on September 29, 2005 and Ps. 5,010 that fall due on September 29, 2006 corresponding to the financed purchase of shares of Perez Cuesta S.A.C.I. (See Note 27).

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 14: OTHER INCOME AND EXPENSES, NET

The breakdown for this item is as follows:

| | March 31, | March 31, |
|--|-----------------------|-------------------|
| | 2005 | 2004 |
| | <u> </u> | <u> </u> |
| Other income: | | |
| Gain from the sale of fixed assets and intangible assets | 7 | 134 |
| Recovery of allowance | 70 | 1,617 |
| Other | 863 | 1,510 |
| | <u> </u> | <u> </u> |
| | 940 | 3,261 |
| | <u> </u> | <u> </u> |
| Other expenses: | | |
| Unrecoverable VAT | (554) | (534) |
| Donations | (180) | (395) |
| Loss from sale of fixed assets | (35) | |
| Contingencies for lawsuits | (189) | (828) |
| Debit and credit tax | (545) | (640) |
| Tax on personal assets | (5,603) | |
| Other | (97) | (177) |
| | <u> </u> | <u> </u> |
| | (7,203) | (2,574) |
| | <u> </u> | <u> </u> |
| Other income and expenses, net | <u>(6,263)</u> | <u>687</u> |

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 15: RESTRICTED ASSETS

On April 18, 2000, Puerto Retiro S.A. (indirect subsidiary of The Company) was notified of a filing made by the National Government, through the Ministry of Defense, to extend the petition in bankruptcy of Inversora Dársena Norte S.A. (Indarsa) to Puerto Retiro S.A. Concurrently with the complaint, at the request of plaintiff, the bankruptcy court granted an order restraining the ability of Puerto Retiro S.A. to sell or dispose in any manner the real estate property near Puerto Madero denominated *Planta 1* which was acquired from Tandanor S.A. in June 1993.

Indarsa had purchased 90% of the capital stock of Tandanor, a formerly state owned company privatized in 1991, engaged in the shipyard industry.

Indarsa did not comply with the payment of the outstanding price for the purchase of the stock of Tandanor, and therefore the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was the shareholdings in Tandanor, the Ministry of Defense is pursuing to extend the bankruptcy to Puerto Retiro S.A..

The legal proceedings have practically reached the end of the time allowed to produce evidence. Puerto Retiro S.A. answered the complaint and appealed the provisional remedy, which was dismissed on December 14, 2000. The next steps will be the allegations and the handing down the sentence in original jurisdiction.

Management and the legal counsel of Puerto Retiro S.A. believe that the extension of the bankruptcy will be dismissed by the Court.

Hoteles Argentinos S.A. mortgage loan

The Extraordinary Shareholders Meeting held on January 5, 2001 approved taking a long-term mortgage loan from Bank Boston N.A. for a total amount of US\$ 12,000 to be used to refinance existing debts. The term of the loan was agreed at 60 months payable in 19 equal and quarterly installments of US\$ 300 and one final payment of US\$ 6,300. The agreement was signed on January 26, 2001.

Interest is paid quarterly in arrears at an annual interest rate equivalent to LIBOR for year loans plus the applicable mark-up per the contract, which consists in a variable interest rate that in the period ended March 31, 2005 was 5.92125%.

The guarantee granted was a senior mortgage on a Company property, which houses the Hotel Sheraton Libertador Buenos Aires.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 15: (Continued)

As a result of the economic situation, the lack of credit and the crisis of the Argentine financial system, principal installments of US\$ 300 falling due on January 26, April 29, July 29 and October 26, 2002; January 29, April 29, July 29 and October 29, 2003; January 29, April 29, July 29 and October 29, 2004 and the interest installments totaling US\$ 1,515 falling due on July 29 and October 26, 2002; January 29, April 29, July 29 and October 29, 2003; January 29, April 29, July 29, and October 29, 2004; January 29 and April 29, 2005 were not paid. Although Hoteles Argentinos Management is renegotiating the debt with its creditors, as failure to pay the installments when due entitles the creditors to require acceleration of principal and interest maturities, the loan has been classified and is shown under current financial loans. On March 5, 2004, BANKBOSTON N.A. formally notified Hoteles Argentinos S.A. that as from March 10, 2004 it assigned to Marathon Master Fund Ltd., domiciled at 461 Fifth Avenue, 10th floor, New York, NY 10017, USA, all the rights and obligations arising from the loan agreement entered into on January 26, 2001 between Hoteles Argentinos S.A. as borrower and BankBoston N.A., as lender, together with all the changes, guarantees and insurance policies related to that contract.

On December 16, 2004 Ritelco S.A. purchased the loan of US\$ 12,951 that our controlled company (80%) Hoteles Argentinos S.A. owed Marathon Master Fund, Ltd. for US\$ 7,925.

On March 23, 2005 Ritelco S.A. sold the above loan to Credit Suisse First Boston (CSFB) for US\$ 8,000, signing a Credit Default Swap contract between CSFB and the Company, which guarantees the payment of HASA s debt and in the event of non-compliance establishes that the Company must repurchase this credit. In guarantee of compliance with the contract, the Company made a payment of US\$ 2,000 to CSFB which is disclosed in the Other Non-current Credits caption.

Hoteles Argentinos S.A. has begun the process of restructuring and refinancing its debt, for which it must present a plan for the restructuring of the total debt prior to September 15, 2005, which will expire on March 23, 2009.

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Contd.)****NOTE 15:** (Continued)Alto Palermo S.A.- Restricted assets.

- a) Under other current liabilities, Shopping Neuquén S.A. includes Ps. 42 in financial loans, corresponding to a mortgage set up on acquired land for Ps. 3,314.
- b) On January 18, 2001, Shopping Alto Palermo S.A. issued negotiable obligations secured by all the shares representing its corporate capital transferred in trust in favor of their holders. These negotiable obligations were settled during the period.
- c) At March 31, 2005, the Company holds funds under other current receivables amounting to Ps. 108 attached by the National Labor Court of First Instance No. 40 in relation to the case Del Valle Soria, Delicia against New Shopping S.A. claiming unfair dismissal.
- d) The shares of Emprendimiento Recoleta S.A. owned by APSA (representing 51% of the equity) are pledged. The net consolidated assets for this shareholding interest amount to Ps. 14,861.
- e) At March 31, 2005 there was a balance of US\$ 50 million in the Other Current Receivables caption, corresponding to funds that guaranteed the interest rate swap contract entered into by APSA. This contract was settled after the closing of the period.
- f) Guarantees and restricted assets of Pérez Cuesta S.A.C.I.:

| Creditor | Debt at 03.31.05 | Type of guarantee | Pledged item | Book value at 03.31.05 |
|-----------------------------------|-----------------------------|--|--|-----------------------------------|
| Banco General de Negocios S.A. | 406 | Assignment of concession contracts | Assignment of rights arising from the concession contracts entered into between PEREZ CUESTA S.A.C.I. and the following concession holders: Roberto Giordano, Farinatta, Ricky Sarkany, Cristóbal Colón, In Crescendo, Cloter, G-Shop, Caffarena, A Punto, Mr. Dog and Ferruccio Soppelsa | |

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 16: TARSHOP CREDIT CARD RECEIVABLE SECURITIZACION

The Company has ongoing revolving period securitization programs through which Tarshop, a majority-owned subsidiary of APSA, transfers a portion of its customer credit card receivable balances to trusts that issues certificates to public and private investors

Under the securitization programs, the trust may issue two types of certificates representing undivided interests in the trust - Títulos de Deuda Fiduciaria (TDF) and Certificados de Participación (CP), which represent debt, and equity certificates, respectively. Interest and principal services are paid periodically to the TDF holders throughout the life of the security. CPs are subordinated securities which entitle the CP holders to share pro rata in the cash flows of the securitized credit card receivables, after principal and interest on the TDFs and other fees and expenses have been paid. During the revolving period no payments are made to TDF and CP holders. Principal collections of the underlying financial assets are used by the trust to acquire additional credit card receivables throughout the revolving period. Once the revolving period ends, a period of liquidation occurs during which: (i) no further assets are purchased and (ii) all cash collections are used to fulfill the TDF service requirements and (iii) the remaining proceeds are used to fulfill the CPs service requirements.

In consideration of the receivables transferred to the trusts, which have been eliminated from the Company's balance sheet, Tarshop received cash (arising from the placement of the debt securities by the trusts) and the certificates issued by the trusts. The latter are recorded at their equity values at the closing of the period on the basis of the financial statements issued by the trusts.

NOTE 17: INCREASE IN OWNERSHIP OF BANCO HIPOTECARIO S.A.

On December 30, 2003, the Company purchased 4,116,267 shares of Banco Hipotecario S.A. at US\$ 2.3868 per share and 37,537 options at US\$ 33.86 each, granting the later the right to purchase an additional total amount of 3,753,700 shares. This transaction implied a total disbursement of US\$ 11.1 million.

Furthermore, on February 2, 2004, the Company and its subsidiary Ritelco S.A. exercised a substantial portion of the options acquired mentioned above, jointly with the options held before the end of the year. Accordingly, 4,773,853 shares for a total of Ps. 33.4 million were acquired.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 17: (Continued)

During the last quarter of 2004, the Company sold a participation in Banco Hipotecario S.A. (2,487,571 shares) to IFIS S.A. (indirect shareholder of the Company) at a unit price of Ps. 7.0 (market value), the total amount of the operation being US\$ 6.1 million, generating a loss of Ps. 1.6 million.

Therefore, at the date of issuing these financial statements, the total holding amounted to 17,641,015 shares.

NOTE 18: INVESTMENT IN IRSA TELECOMUNICACIONES N.V.

In the fourth quarter of the year ended June 30, 2000, Ritelco S.A. had invested US\$ 3.0 million, in the form of irrevocable capital contributions, into two unrelated companies, namely, Red Alternativa S.A., a provider of satellite capacity to Internet service providers, and Alternativa Gratis S.A., an Internet service provider (referred to herein as the Companies). At that date, the Companies were development stage companies with no significant operations.

Between July 2000 and August 2000, Ritelco S.A., together with Dolphin Fund Plc, increased their respective investments in the above mentioned Companies, in exchange for shares of common stock. In a series of transactions, which occurred between August 2000 and December 2000, (i) Ritelco S.A. formed IRSA Telecomunicaciones N.V. (ITNV), a holding company organized under the laws of the Netherlands Antilles, for the purposes of completing a reorganization of the Companies (the Reorganization) and (ii) Ritelco S.A., Dolphin Fund Plc and the previous majority shareholder of the Companies contributed their respective ownership interests in the Companies into ITNV in exchange for shares of common stock of ITNV.

In September and December 2000, Ritelco S.A. had made additional contributions to ITNV for US\$ 3 million.

On December 27, 2000, the shareholders of ITNV entered into an agreement with Quantum Industrial Partners LDC (QIP) and SFM Domestic Investment LLC (SFM and together with QIP referred to herein as the Investors) (the Shareholders Agreement), under which the Investors contributed US\$ 4.0 million in cash in exchange for 1,751,453 shares of Series A mandatorily redeemable convertible preferred stock and an option to purchase 2,627,179 additional shares of mandatorily redeemable convertible preferred stock. Pursuant to the terms of the Shareholders Agreement, options were granted for a period up to five years and at an exercise price equal to the quotient of US\$ 6.0 million by 2,627,179 preferred shares.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 18: (Continued)

As a result of the Reorganization, the Companies are now wholly-owned subsidiaries of ITNV and Ritelco S.A. holds a 49.36% interest in ITNV.

On or after December 27, 2005, ITNV might be required, at the written request of holders of the then outstanding Series A preferred stock to redeem such holders' outstanding shares of series A preferred stock for cash at the greater of (i) 200% of the original issue price multiplied by the number of preferred stock to be redeemed, and (ii) the fair market value of the common shares each holder of Series A preferred stock would have been entitled to receive if such holder had converted the number of Series A preferred stock to be redeemed into common stock at the redemption date; plus in the case of (i) and (ii), any accrued or declared but unpaid dividends.

The investment in ITNV is valued at zero at the closing of the reported periods.

NOTE 19: MORTGAGE RECEIVABLE SECURITIZATION

The Board of Directors of IRSA, in the meeting held on November 2, 2001, authorized the setting up of a financial trust for the securitization of Company receivables. The trust program for issuing participation certificates, under the terms of Law No. 24.441, was approved by the National Securities Commission by means of Resolution No. 13.040, dated October 14, 1999, as regards the program and in particular as regards the Trust called IRSA I following a decision of the Board of Directors dated December 14, 2001.

On December 17, 2001, IRSA, Inversora Bolívar S.A. and Baldovinos S.A. (hereinafter the "Trustors") and Banco Sudameris Argentina S.A. (hereinafter the "Trustee") agreed to set up the IRSA I Financial Trust under the Global Program for the Issuance of FIDENS Trust Values, pursuant to the contract entered into on November 2, 2001.

Under the above program, the trustors have sold their personal and real estate receivables, secured with mortgages or arising from bills of sale with the possession of the related properties, for the total amount of US\$ 26,585 to the Trustee, in exchange for cash and the issuance by the Trustee of Participation Certificates. The different types of Participation Certificates issued by the Trustee are set out as follows:

Class A Participation Certificates ("CPA"): Nominal value of US\$ 13,300 with a 15% fixed annual nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following working day. These certificates grant the right to collect the following Services: (a) a fixed yield calculated on the Class " principal balance, with monthly capitalization, payable monthly as from the total settlement of the CPAs, and (b) an amortization.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 19: (Continued)

Class B Participation Certificates (CPB): Nominal value of US\$ 1,000 with a 15.50% fixed annual, nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following working day. These certificates grant the right to collect the following Services: (a) a fixed yield calculated on the Class principal balance, with monthly capitalization, payable monthly as from the total settlement of the CPAs, and (b) an amortization equivalent to the sums paid as from the Last Service Payment Date on which the total settlement of the CPA Certificates may have taken place, net of their fixed yield.

Class C Participation Certificates (CPC): Nominal value of US\$ 1,600 with a 16% fixed annual nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following working day. These certificates grant the right to collect the following Services: (a) a fixed yield calculated on the Class principal balance, with monthly capitalization, payable monthly as from the total settlement of the CPBs, and (b) an amortization equivalent to the sums paid as from the Last Service Payment Date on which the total settlement of the CPBs may have taken place, net of their fixed yield. The fixed yield will accrue as from the Cut-Off Date and will be capitalized on a monthly basis.

Class D Participation Certificates (CPD): Nominal Value of US\$ 10,686. These grant the right to collect monthly the sums arising from the Cash Flows, net of the contributions made to the Expense Fund, once the remaining classes have been fully settled.

The period for placing the Participation Certificates was from December 27, 2001 to January 15, 2002. Pursuant to Decree No. 214/02, receivables and debts in U.S. dollars in the Argentine financial system as of January 6, 2002, were converted to pesos at the rate of exchange of Ps. 1 per US\$ 1 or its equivalent in another currency and are adjusted by a reference stabilization index (CER) / coefficient of salary fluctuation (CVS).

On July 21, 2003 an amendment was signed to the trust contract by which a system of proportional adjustment to the Participation Certificates was established to recognize the CER and CVS, and also to modify the nominal value of the Participation Certificates Class D, with the new nominal value being Ps. 10,321.

At March 31, 2005, the value of Class D Participation Certificates amounted to Ps. 3,725 in IRSA, Ps. 594 in Inversora Bolívar S.A., and Ps. 151 in Baldovinos S.A.. Class A, B, and C Certificates have been totally amortized at the end of the period.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 20: EXCHANGE AND OPTION CONTRACT

On September 7, 2004, Buenos Aires Trade & Finance Center S.A. and DYPSA, Desarrollos y Proyectos Sociedad Anónima signed an exchange and option contract whereby DYPSA proposed to acquire plots 1c) and 1e) belonging to the Company valued at US\$ 8,030 and US\$ 10,800, respectively, for the construction at its own expense and under its own responsibility of two housing buildings of 37 and 40 floors, parking lot and individual storage space. As consideration for the exchange of plot 1c), DYPSA agreed to deliver housing units, parking lots and storage spaces within a maximum term of 36 months, representing in the aggregate 28.50% of the housing unit area built in the first building.

Furthermore, DYPSA has an option to acquire plot 1e) mentioned above through an exchange, within a maximum term of 548 days counted as from the signing of the deed of conveyance of plot 1c) and subject to the progress of work agreed between the parties. In this case, DYPSA agreed to deliver within a maximum term of 36 months housing units, individual storage space and parking lots representing in the aggregate 31.50% of the housing unit area built in the second building.

These exchange transactions were subject to the approval of the project by Corporación Antiguo Puerto Madero (CAPM), which resolved favorably at the closing of this period.

On November 25, 2004 the deed of conveyance of title of the lot 1c) in favor of DYPSA was signed, establishing the consideration in kind and at the same time the option to acquire in barter lot 1e) by such company as explained in the first paragraph of this Note. In guarantee of this transaction, DYPSA set up a first degree mortgage for US\$ 8,030 on lot 1c).

The option to exchange lot 1 e) is subject to the construction of the 13th floor of the building to be constructed on lot 1 c).

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 21: DERIVATIVE INSTRUMENTS

Interest rate swaps

Alto Palermo S.A. (APSA) uses certain financial instruments to reduce its global financing costs. Furthermore, APSA has not used the financial instruments to hedge future operations or commitments.

At March 31, 2005 and 2004, APSA held only one derivative financial instrument outstanding, an interest swap valued at its estimated settlement cost. The changes in this market value are computed in results.

In order to minimize its financing costs, APSA entered into an interest rate swap agreement to effectively convert a portion of its peso-denominated fixed-rate debt to peso-denominated floating rate debt. At March 31, 2001 the Company had an interest rate swap agreement outstanding with an aggregate notional amount of Ps. 85.0 million with maturity in April 2005. This swap agreement initially allowed APSA to reduce the net cost of its debt. However, subsequent to June 30, 2001, APSA modified the swap agreement due to an increase in interest rates as a result of the economic situation. Under the terms of the revised agreement, APSA converted its peso-denominated fixed rate debt to U.S. dollar-denominated floating rate debt for a notional amount of US\$ 69.1 million with maturity in April 2005. As of March 31, 2005 the interest rate swap had an estimated settlement cost (fair value) of US\$ 45.0 million (liability). This balance was totally paid on April 1, 2005 with the use of the guarantee deposit of US\$ 50.5 million, with APSA collecting the difference of US\$ 5.5 million in cash. During the periods ended March 31, 2005 and 2004, the Company recorded profits amounting to Ps. 5.2 million and Ps. 13.9 million, respectively.

Options and future contracts to purchase metals

During the current period, Ritelco S.A. entered into future contracts for the purchase of silver. In accordance with its risk administration policies, Ritelco S.A. enters into future metal contracts for speculative purposes.

In guarantee of futures transactions, Ritelco S.A. maintains a guarantee deposit of Ps. 1,664 (Ps. 1,231 net of the holding results generated by the transactions).

Additionally, Ritelco S.A. signed purchase option contracts for metals for Ps. 1,253 with a market value at closing amounting to Ps. 337.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 21: (Continued)

The result generated during the nine-month period ended March 31, 2005 corresponding to the silver future transactions amounted to Ps. 1,228 (equivalent to US\$ 390) which is recorded in the line Results from operations and holding- investments in the Statement of Income.

NOTE 22: ALTO PALERMO - ISSUANCE OF NEGOTIABLE OBLIGATIONS CONVERTIBLE FOR SHARES

On July 19, 2002, Alto Palermo S.A. issued Series I of Negotiable Obligations convertible for ordinary shares, par value of Ps. 0.10 each, for up to US\$ 50,000.

After the end of the period granted to exercise the accretion right, the Negotiable Obligations convertible for Shares for US\$ 50,000 were fully subscribed and paid-up.

This issuance was resolved at the Ordinary and Extraordinary Meeting of Shareholders held on December 4, 2001, approved by the National Securities Commission Resolution No. 14.196 dated March 15, 2002 and authorized to list for trading on the Buenos Aires Stock Exchange on July 8, 2002.

The main issue terms and conditions of the convertible Negotiable Obligations are as follows:

Issue currency: US dollars.

Due date: July 19, 2006.

Interest: at a fixed nominal rate of 10% per annum. Interest is payable semi-annually.

Payment currency: US dollars or its equivalent in pesos.

Conversion right: the notes can be converted at any time at the option of each holder into ordinary shares at a conversion price equivalent to the higher of the result from dividing the nominal value of the Company's shares (Ps. 0.1) by the exchange rate and US\$ 0.0324, which means that each Note is potentially exchangeable for 30.864 shares of Ps. 0.1 par value each.

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Right to collect dividends: the shares underlying the conversion of the negotiable obligations will be entitled to the same right to collect any dividends to be declared after the conversion as the shares outstanding at the time of the conversion.

The Convertible Negotiable Obligations were paid in cash or through the exchange for obligations due from APSA at the time of the subscription.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 22: (Continued)

APSA applied the funds obtained from the offering of securities to the payment of expenses and fees relating to issuing and placement of convertible negotiable obligations, payment of liabilities with shareholders and repurchase of negotiable obligations Class A-2 and B-2 the latter belong to its subsidiary Shopping Alto Palermo S.A., thus fulfilling the plan for allocation of funds duly presented to the National Securities Commission.

At March 31, 2005, certain holders of Convertible Negotiable Obligations have exercised their right to convert them for a total amount of US\$ 2.72 million, generating the issuing of 78,042,363 ordinary shares with a face value of V\$N. 0.1 each. The total amount of Convertible Negotiable Obligations at March 31, 2005 was US\$ 47.28 million of which US\$ 31.7 million correspond to IRSA's holding which is eliminated in consolidation.

NOTE 23: ALTO PALERMO - COMMITMENT TO MAKE CONTRIBUTIONS AND OPTIONS GRANTED TO ACQUIRE SHARES IN RELATED COMPANIES

APSA and Telefónica de Argentina S.A. have committed to make capital contributions in E-Commerce Latina S.A. for Ps. 10 million, payable during April 2001, according to their respective shareholdings, and, if approved by the Board of Directors of E-Commerce Latina S.A., to make an optional capital contribution for up Ps. 12 million for the development of new lines of business, of which Telefónica de Argentina S.A. would contribute 75% of that amount.

On April 30, 2001, Alto Palermo S.A. and Telefónica de Argentina S.A. made a contribution of Ps. 10 million, according to their respective shareholdings.

Additionally, E-Commerce Latina S.A. has granted Consultores Internet Managers Ltd., a special-purpose Cayman Islands' corporation created to act on behalf of Altocity.com's management and represented by an independent attorney-in-fact, an irrevocable option to purchase Class B shares of Altocity.com S.A. representing 15% of the latter's capital, for an eight-year period beginning on February 26, 2000 at a price equal to the present and future contributions to Altocity.com S.A. plus a rate of 14% per year in dollars, capitalizable yearly.

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Contd.)****NOTE 24: EARNINGS PER SHARE**

Below is a reconciliation between the weighted-average number of ordinary shares outstanding and the diluted weighted-average number of ordinary shares. The latter has been determined considering the number of additional ordinary shares that would have been outstanding if the holders had exercised their right to convert the convertible negotiable obligations held by them into ordinary shares, for up to US\$ 100,000.

| | 03.31.05 | 03.31.04 |
|--|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Weighted - average outstanding shares | 258,854 | 219,139 |
| Conversion of negotiable obligations | 239,722 | 339,480 |
| Weighted - average diluted ordinary shares | 498,576 | 558,619 |

Below is a reconciliation between net income used for calculation of the basic and diluted earnings per share.

| | 03.31.05 | 03.31.04 |
|--|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Result for calculation of basic earnings per share | 78,205 | 45,231 |
| Exchange difference | (3,421) | 6,560 |
| Interest | 14,595 | 16,741 |
| Income tax | | |
| | <u> </u> | <u> </u> |
| Result for calculation of diluted earnings per share | 89,379 | 68,532 |
| | <u> </u> | <u> </u> |
| Net basic earnings per share | 0.302 | 0.206 |
| Net diluted earnings per share | 0.179 | 0.123 |

NOTE 25: PROVISION FOR UNEXPIRED CLAIMS AGAINST LLAO LLAO HOLDING S.A.

The company Llao Llao Holding S.A. (in the process of dissolution due to merger with IRSA Inversiones y Representaciones Sociedad Anónima), predecessor of Llao Llao Resorts S.A. in the operation of the hotel complex Hotel Llao Llao, which was awarded by Resolution No. 1/91 issued by the National Parks Administration, was sued in 1997 by that Administration to obtain collection of the unpaid balance of the additional sale price, in Argentine external debt securities amounting to US\$ 2,870. A ruling of the court of original jurisdiction sustained the claim. That ruling was appealed, and the Court of Appeals confirmed the judgment of the court of original jurisdiction, demanding payment from the company of the mentioned amount in Argentine external debt securities available at the date of the ruling, plus interest accrued through payment, and compensatory and punitive interest and lawyers' fees.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 25: (Continued)

On March 2, 2004, the Company made a deposit of Ps. 7,191 in Banco de la Ciudad de Buenos Aires in favor of the National Parks Administration and a transfer of Argentine external debt securities class FRB - FRB L+13/16 2005 for a total nominal value of US\$ 4,127, equivalent to Ps. 1,964. The total amount settled on that date was Ps. 9,155.

The intervening court served notice to the plaintiff of payment made, and on June 30, 2004 the plaintiff presented a writing rejecting that payment, considering it partial settlement of the debt arising from the firm judgement filed in the records of the case, and requested the setting up of a time deposit with the funds paid, automatically renewable every thirty days, until final payment of the total debt.

The Court resolved the matter by considering notice to have been served; as regards the amount due, the plaintiff must conform the claim to current regulations. Until final resolution of the matter, Banco de la Ciudad de Buenos Aires was instructed to appropriate the funds to a renewable time deposit.

The plaintiff's lawyers filed a motion in relation to their fees in the case, as they understood that the amount agreed should have been paid in U.S. dollars and not in pesos, estimating the difference, in comparison with the amount already paid, in US\$ 384. In a provisional remedy, an order was issued to attach the Company's current accounts, which occurred in March 2005 in the amount of Ps. 788. These frozen funds are disclosed in the Other Current Receivables caption.

At March 31, 2005 the Company had an allowance set up for Ps. 4,643 as a result of an assesment made of the status of the lawsuit and on the basis of the estimates made by Management. The allowance recorded reflects the probable loss to be incurred as a result of the differences in the settlement of interest and expenses past due and unpaid.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 26: OPTION FOR THE ACQUISITION OF BENAVIDEZ

On December 3, 2003, Inversora Bolívar S.A. and Desarrolladora El Encuentro S.A. (DEESA) signed a revocable option agreement for the acquisition of real property, whereby Inversora Bolívar S.A. granted an option to acquire land in Benavidez to DEESA.

In March 2004, DEESA notified Inversora Bolívar S.A. and the latter accepted the exercise of the mentioned option. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US\$ 3,980 to Inversora Bolívar S.A., of which US\$ 980 were paid during the previous quarter and the balance of US\$ 3,000 will be paid through the exchange of 110 residential plots already chosen and identified in the option contract mentioned in the first paragraph of this note. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar S.A. on real property amounting to US\$ 3,000 in guarantee of compliance with the operation and delivered US\$ 500 to Inversora Bolívar S.A. corresponding to a deposit in guarantee of performance on the obligations undertaken. This balance will not accrue interest in favor of DEESA, and will be returned as follows: 50% at the time of certification of 50 % of the progress of work and the remaining upon certification of 90% of work progress.

NOTE 27: ACQUISITION OF SHARES IN MENDOZA PLAZA SHOPPING

On September 29, 2004, Alto Palermo S.A. entered into a purchase-sale contract covering 49.9% of the capital stock of Pérez Cuesta S.A.C.I. for US\$ 5.3 million, of which US\$ 1.77 million were paid on December 2, 2004. The remaining balance will be paid in two installments of US\$ 1.77 million each on September 29, 2005 and 2006.

Through this acquisition, APSA became holder of 68.8% of the capital stock of the above company, the main activity of which is the exploitation of the Mendoza Plaza Shopping center in the city of Mendoza.

The operation was notified to the National Commission for the Defense of Competition in compliance with the regulations of the Ministry of Economy, having been approved by that Commission on November 17, 2004.

On December 2, 2004 a final purchase agreement was signed, the shares were transferred and a special shareholders meetings was held, which decided the amendment of the by-laws to change the corporate name from Pérez Cuesta S.A.C.I. to Mendoza Plaza Shopping S.A..

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 27: (Continued)

At March 31, 2005 the deed implementing the changes in the Company's by-laws had been signed before Public Notary; approval by the enforcement agencies is currently pending.

Simultaneously with the purchase-sale of the shares of Pérez Cuesta S.A.C.I., Alto Palermo S.A. entered into the following contracts:

Put option with Banco de Chile, whereby the latter was entitled, although not obliged, to assign a mortgage loan agreement to Alto Palermo S.A. (APSA) originally granted to Pérez Cuesta S.A.C.I. amounting to US\$ 15.5 million and a credit line fully disbursed to that company amounting to US\$ 2.5 million; Pérez Cuesta S.A.C.I. had failed to comply with its payment obligations.

The loans are secured by the assignment in guarantee of rental payments to be made by Falabella S.A. to Pérez Cuesta S.A.C.I..

The documentation was notarized on March 30, 2005 by which Banco de Chile transferred all the mortgage rights to Alto Palermo S.A. (APSA) and the latter acquired the credit for US\$ 8.5 million. Alto Palermo S.A. (APSA) plans to capitalize this loan.

Call option with HSBC Bank Argentina S.A., whereby Alto Palermo S.A. was entitled, although not obliged, to acquire, and HSBC Bank Argentina S.A. assumed an irrevocable obligation to transfer, a loan agreement originally granted to Pérez Cuesta S.A.C.I. amounting to US\$ 7.0 million which the latter failed to pay. The loan is secured through the assignment in guarantee of rental payments to be made by Angulo Hermanos S.A. and Garbarino S.A..

On March 29, 2005 Alto Palermo S.A. (APSA) transferred the purchase option entered into with HSBC Bank Argentina S.A. to Pérez Cuesta S.A.C.I. for the same value as originally agreed and on the same day Pérez Cuesta S.A.C.I. exercised the option, paying Ps. 6.1 million for the settlement of the loan, (corresponding to the exercise price of Ps. 7.2 million, net of the premium paid of Ps. 0.7 million and rental fees collected by HSBC Bank Argentina S.A. amounting to Ps. 0.4 million).

Agreement with Inversiones Falabella Argentina S.A. establishing as the following:

1. Capitalization terms were agreed in the event that Alto Palermo S.A. or one of its subsidiaries is assigned the loan from Banco de Chile or other bank loan and propose its capitalization through Company's contributions.
2. Upon maturity of the lease agreement currently in force between Pérez Cuesta S.A.C.I. and Inversiones Falabella, Alto Palermo S.A. will provide for the granting of an option to the latter for the renewal of the contract under the

same terms as the current contract, with certain changes expressly established in the contract in force.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 27: (Continued)

3. In its capacity as surety, Alto Palermo S.A. will ensure payment by Pérez Cuesta S.A.C.I. to Falabella S.A. of the loan held by the former amounting to US\$ 1.05 million, under the terms established in the contract.
4. Inversiones Falabella Argentina S.A. will have an irrevocable right to sell its shares in Pérez Cuesta S.A.C.I. (put option) to APSA, which may be exercised until the last business day of October 2008, for a total consideration of US\$ 3.0 million according to the conditions expressly established in the contract.

NOTE 28: INAUGURATION OF ALTO ROSARIO SHOPPING

On November 9, 2004 APSA inaugurated a new shopping center, Alto Rosario Shopping, in the city of Rosario, Province of Santa Fe. An hypermarket was inaugurated in December.

On April 12, 2005 the second stage of Shopping Alto Rosario was inaugurated. The project now includes 141 shops with the best and most varied brands on the market.

The third stage of the project will be inaugurated at the beginning of June, and will include the opening of the Showcase cinema theatres. It is estimated that this will involve 14 theatres with cutting edge technology, seating 3,400.

Lastly, there remains the opening of Museo de los Niños (Children's Museum) that will consolidate the offer of the Shopping Center. Thus, the shopping center will be supported by the offer of a variety of proposals according to the public needs, entertainment areas, services and public spaces of the highest standard. As with the rest of APSA shopping centers, APSA will endeavor to ensure that its customers identify with its proposal.

NOTE 29: CONTRIBUTED LEASEHOLD IMPROVEMENT AND UNEARNED INCOME

In May 1996 Pérez Cuesta S.A.C.I. entered into a contract with Operadora de Estaciones de Servicios S.A. (O.P.E.S.S.A.) regarding the concession of the exploitation of services for sales of fuel, lubricants and car-washing to be provided on the premises of the shopping center. The duration of the contract is for 15 years, paying a price of Ps. 1,700 in advance, which is being accrued on the basis of the term of the agreement. At closing the amount of Ps. 1,523 was pending of accrual.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 29: (Continued)

Operadora de Estaciones de Servicios S.A. (O.P.E.S.S.A.) made leasehold improvements, which were capitalized as fixed assets in Pérez Cuesta S.A.C.I., recognizing the related gain over the term of the contract. At closing the amount of Ps. 332 was pending of accrual.

In March 1996 Village Cinema S.A. inaugurated ten theatres in the multiplex cinema system, with an approximate surface of 4,100 sq. m. This improvement of a building of Pérez Cuesta S.A.C.I. was capitalized as a fixed asset, with a balancing entry as deferred gains, recognizing the depreciation charges and the profits over a 50-year period. At closing the amount of Ps. 11,103 was pending of accrual.

On February 2, 1999 Pérez Cuesta S.A.C.I. entered into a contract with Riocruz S.C.S. (Tienda C&A), granting the latter a mutual right of way in perpetuity, for valuable consideration for the first ten years and subsequently free of charge. The price agreed for this easement is US\$ 2,926, which is being accrued over a period of 10 years, as from April 1999, date on which it was registered with the Real Estate Record Office. At the end of the period the amount of unearned income totaled Ps. 2,615.

NOTE 30: PURCHASE OFFER

On March 10, 2005 Buenos Aires Trade and Finance Center S.A. received a purchase offer from DYPSA, Desarrollos y Proyectos Sociedad Anónima, for a plot of land corresponding to lot 1 d) belonging to Buenos Aires Trade and Finance Center S.A. amounting to US\$ 8,000. In guarantee of this offer, DYPSA, Desarrollos y Proyectos Sociedad Anónima handed the Company a check (issued with a non-transferable clause and not negotiable) in the amount of Ps. 580.

On April 8, 2005 the Company received another purchase offer from DYPSA, Desarrollos y Proyectos Sociedad Anónima, for the same lot mentioned above, but for a purchase value of US\$ 8,500, thus annulling the offer received on March 10, 2005.

On May 6, 2005 the expiry of the DYPSA, Desarrollos y Proyectos Sociedad Anónima's purchase offer dated April 8, 2005 for the plot was extended. The new expiry date falls on May 23, 2005. Therefore, DYPSA, Desarrollos y Proyectos Sociedad Anónima, handed the Company a deferred payment check for the amount of Ps. 580 with date of payment of May 9, 2005. If the offer is not accepted, this check will be returned within two days of expiry of the period for offer or rejection.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 31: SUBSEQUENT EVENTS

Merger by absorption with Alto Research and Development S.A.

APSA has initiated a corporate reorganization process to merge by absorption with its controlled company (100% directly and indirectly owned) Alto Research and Development S.A. in order to reduce administrative costs in both companies, take advantage of the synergy and improve the planning of goals for both companies.

Syndicated loan

On April 5, 2005 APSA accepted a syndicated loan from Banco Rio de la Plata S.A. and Bank Boston N.A. amounting to Ps. 50 million, which it will repay in four half-yearly equal installments. The final due date of the transaction falls on April 5, 2007.

During the first year this loan will accrue interest at a fixed rate of 7.875 % and during the second year, will accrue an interest at the Central Bank survey rate plus 3 %.

The terms of this loan require that APSA maintain certain financial ratios and conditions, and certain indicators and levels of indebtedness.

The funds from this loan were used to pay the balance of Ps. 48.4 million of the Negotiable Obligations, issued originally for Ps. 85 million. See Note 12.

Interest rate swap

On April 1, 2005 APSA collected the balance of US\$ 5.51 million of the guarantee deposit for the interest rate swap contract. These funds were used to settle the first installment of the loan granted by Deutsche Bank for US\$ 5 million. See Note 7 and 9.

IRSA Inversiones y Representaciones

Sociedad Anónima

Free translation of the

Unaudited Financial Statements

For the nine-month period ended

March 31, 2005

In comparative format

IRSA Inversiones y Representaciones

Sociedad Anónima

Corporate domicile: Bolívar 108 1° Floor Autonomous City of Buenos Aires

Principal activity: Real estate investment and development

Unaudited Financial Statements at March 31, 2005

compared with the same period of the previous year

Stated in thousand of pesos

Fiscal year No. 62 beginning July 1°, 2004

DATE OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE

Of the By-laws: June 25, 1943

Of last amendment: July 2, 1999

Registration number with the
Superintendence of Corporations: 4,337

Duration of the Company: Until April 5, 2043

Information related to subsidiary companies is shown in Exhibit C.

CAPITAL COMPOSITION (Note 10)

| <u>Type of stock</u> | <u>Authorized for Public Offer of</u> | <u>In thousand of pesos</u> | |
|---------------------------|---------------------------------------|-----------------------------|----------------|
| | <u>Shares</u> | <u>Subscribed</u> | <u>Paid up</u> |
| Common stock, 1 vote each | 338,372,526 | 338,373 | 338,373 |

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Balance Sheets as of March 31, 2005 and June 30, 2004

In thousand of pesos (Note 1)

| | March 31, | June 30, |
|--|------------------|------------------|
| | 2005 | 2004 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and banks (Note 2 and Exhibit G) | 66,285 | 7,523 |
| Investments (Exhibits C, D and G) | 16,410 | 14,576 |
| Mortgages and leases receivables, net (Note 3 and Exhibit G) | 2,522 | 4,611 |
| Other receivables (Note 4 and Exhibit G) | 7,260 | 14,980 |
| Inventories (Note 5) | 12,809 | 5,430 |
| Total Current Assets | 105,286 | 47,120 |
| NON-CURRENT ASSETS | | |
| Mortgages and leases receivables, net (Note 3) | 19 | 37 |
| Other receivables (Note 4 and Exhibit G) | 76,728 | 74,682 |
| Inventories (Note 5) | 255 | 233 |
| Investments (Exhibits C, D and G) | 1,202,623 | 1,077,696 |
| Fixed assets, net (Exhibit A) | 199,291 | 204,958 |
| Total Non-Current Assets | 1,478,916 | 1,357,606 |
| Total Assets | 1,584,202 | 1,404,726 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade accounts payable (Exhibit G) | 2,331 | 2,055 |
| Mortgages payable (Exhibit G) | 2,187 | 2,218 |
| Customer advances (Exhibit G) | 753 | 1,040 |
| Short term-debt (Note 6 and Exhibit G) | 36,106 | 12,192 |
| Salaries and social security charges | 624 | 802 |
| Taxes payable (Exhibit G) | 6,337 | 2,177 |
| Other liabilities (Note 7 and Exhibit G) | 5,697 | 5,751 |
| Total Current Liabilities | 54,035 | 26,235 |
| NON-CURRENT LIABILITIES | | |
| Long term-debt (Note 6 and Exhibit G) | 332,052 | 415,229 |
| Customer advances | 820 | 1,312 |
| Taxes payable | 1,571 | 817 |
| Other liabilities (Note 7 and Exhibit G) | 1,187 | 1,279 |
| Total Non-Current Liabilities | 335,630 | 418,637 |
| Total Liabilities | 389,665 | 444,872 |

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| | | |
|--|-------------------------|-------------------------|
| SHAREHOLDERS EQUITY | <u>1,194,537</u> | <u>959,854</u> |
| Total Liabilities and Shareholders Equity | <u>1,584,202</u> | <u>1,404,726</u> |

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

Alejandro G. Elsztain
Second Vicepresident acting as
President

IRSA Inversiones y Representaciones Sociedad Anónima
Unaudited Statements of Income

For the nine month periods beginning on

July 1, 2004 and 2003

and ended March 31, 2005 and 2004

In thousand of pesos (Note 1)

| | March 31, 2005 | March 31, 2004 |
|---|---------------------------|---------------------------|
| | <u> </u> | <u> </u> |
| Sales, leases and services | 14,136 | 20,861 |
| Cost of sales, leases and services (Exhibit F) | (7,189) | (16,502) |
| | <u> </u> | <u> </u> |
| Gross profit | 6,947 | 4,359 |
| Selling expenses (Exhibit H) | (1,039) | (1,011) |
| Administrative expenses (Exhibit H) | (10,702) | (6,533) |
| | <u> </u> | <u> </u> |
| Subtotal | (11,741) | (7,544) |
| Results from operations and holding of real estate assets | | |
| | <u> </u> | <u> </u> |
| Operating loss | (4,794) | (3,185) |
| Financial results generated by assets: | | |
| Interest income | 7,196 | 8,143 |
| Exchange (loss) gain | (1,425) | 12,413 |
| Financial results | 5,119 | 20,082 |
| Interest on discount by assets | (117) | 697 |
| | <u> </u> | <u> </u> |
| Subtotal | 10,773 | 41,335 |
| Financial results generated by liabilities: | | |
| Discounts | | 7,235 |
| Exchange gain (loss) | 5,719 | (10,476) |
| Interest on discount by liabilities | (8) | 17 |
| Financial expenses (Exhibit H) | (24,451) | (29,747) |
| | <u> </u> | <u> </u> |
| Subtotal | (18,740) | (32,971) |
| | <u> </u> | <u> </u> |
| Total financial results, net | (7,967) | 8,364 |
| Net gain from related parties (Note 9.c.) | 98,174 | 44,091 |
| Other income and expenses, net (Note 8) | (4,932) | (1,024) |
| | <u> </u> | <u> </u> |
| Income before tax | 80,481 | 48,246 |
| Asset tax (Note 1.6 m., n. and 13) | (2,276) | (3,015) |
| | <u> </u> | <u> </u> |
| Net income for the period | 78,205 | 45,231 |
| | <u> </u> | <u> </u> |

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

Alejandro G. Elsztain

Second Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Changes in Shareholders Equity

For the nine month periods beginning on

July 1, 2004 and 2003

and ended March 31, 2005 and 2004

In thousand of pesos (Note 1)

| | Shareholders contributions | | | | Reserved earnings | | Total as of March 31, 2005 | Total as of March 31, 2004 |
|----------------------------------|----------------------------|---|-------------------------------|-----------|-------------------|------------------------|----------------------------------|-------------------------------------|
| | Common Stock | Inflation adjustment of common stock | Additional paid-in-capital | Total | Legal reserve | Accumulated deficit | | |
| Balances as of beginning of year | 248,803 | 274,387 | 595,505 | 1,118,695 | 19,447 | (178,288) | 959,854 | 809,186 |
| Issuance of common stock | 89,570 | | 66,908 | 156,478 | | | 156,478 | 45,675 |
| Net income for the period | | | | | | 78,205 | 78,205 | 45,231 |
| Balances as of March 31, 2005 | 338,373 | 274,387 | 662,413 | 1,275,173 | 19,447 | (100,083) | 1,194,537 | |
| Balances as of March 31, 2004 | 238,253 | 274,387 | 588,924 | 1,101,564 | 19,447 | (220,919) | | 900,092 |

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

Alejandro G. Elsztain

Second Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Cash Flows (1)

For the nine month periods beginning on

July 1, 2004 and 2003

and ended March 31, 2005 and 2004

In thousand of pesos (Note 1)

| | March 31, 2005 | March 31, 2004 |
|---|---------------------------------|---------------------------------|
| | <u> </u> | <u> </u> |
| CHANGES IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents as of beginning of year | 9,864 | 120,292 |
| Cash and cash equivalents as of end of period | 66,594 | 20,978 |
| | <u> </u> | <u> </u> |