IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
November 19, 2004

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 November, 2004

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)

Bolívar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F __T__ Form 40-F ______

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ______ No __T__

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Unaudited Consolidated Financial Statements for the period ended on September 30, 2004 filed with the *Bolsa de Comercio de Buenos Aires* and with the *Comisión Nacional de Valores*.

IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

Free translation of the

Unaudited Consolidated Financial Statements

For the three-month period ended

September 30, 2004

In comparative format

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Unaudited Consolidated Balance Sheets as of September 30, 2004 and June 30, 2004

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

	September 30, 2004	June 30, 2004
ASSETS		
CURRENT ASSETS		
Cash and banks	105,914	93,096
Investments (Note 8)	56,028	70,804
Mortgages and leases receivables, net (Note 5)	47,627	34,431
Other receivables (Note 6)	46,309	52,748
Inventories, net (Note 7)	22,572	10,572
Total Current Assets	**278,450**	**261,651**
NON-CURRENT ASSETS		
Mortgages receivables and leases, net (Note 5)	2,870	2,836
Other receivables (Note 6)	126,301	125,794
Inventories, net (Note 7)	36,495	19,962
Investments, net (Note 8)	524,701	524,434
Fixed assets, net (Note 9)	1,261,575	1,265,666
Intangible assets, net	3,038	2,427
Subtotal Non-Current Assets	**1,954,980**	**1,941,119**
Goodwill, net	(16,655)	174
Total Non-Current Assets	**1,938,325**	**1,941,293**
Total Assets	**2,216,775**	**2,202,944**
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable	42,636	43,008
Mortgages payable	2,236	2,218
Customer advances (Note 10)	29,106	25,454
Short term-debt (Note 11)	125,089	135,127
Salaries and social security payable	6,207	7,981
Taxes payable	12,200	11,641
Other liabilities (Note 12)	30,818	30,593
Total Current Liabilities	**248,292**	**256,022**
NON-CURRENT LIABILITIES		

Trade accounts payable	2,660	2,865
Customer advances (Note 10)	31,043	28,802
Long term-debt (Note 11)	468,198	468,807
Taxes payable	9,904	6,207
Other liabilities (Note 12)	9,863	10,150
Total Non-Current Liabilities	**521,668**	**516,831**
Total Liabilities	**769,960**	**772,853**
Minority interest	451,592	470,237
SHAREHOLDERS´ EQUITY	**995,223**	**959,854**
Total Liabilities and Shareholders´ Equity	**2,216,775**	**2,202,944**

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

Saúl Zang

Vicepresident acting as

President

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IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Income

For the three-month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

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

	September 30, 2004	**September 30, 2003**
Sales, leases and services	70,872	56,339
Cost of sales, leases and services	(33,440)	(31,228)
Gross profit	**37,432**	**25,111**
Selling expenses	(6,895)	(4,595)
Administrative expenses	(12,006)	(9,707)
Subtotal	**(18,901)**	**(14,302)**
Net gain (loss) in credit card trust	609	(336)
Operating income (Note 4)	**19,140**	**10,473**
Amortization of goodwill	(644)	(1,321)
Financial results generated by assets:		
Interest income	1,179	1,319
Interest on discount by assets	23	(22)
Gain on financial operations	3,181	9,967
Exchange gains generated by assets	1,594	4,937
Subtotal	**5,977**	**16,201**
Financial results generated by liabilities:		
Interest on discount by liabilities	(131)	32
Exchange losses generated by liabilities	(4,120)	(18,900)
Financial expenses	(13,986)	(16,640)
Subtotal	**(18,237)**	**(35,508)**
Financial results, net	**(12,260)**	**(19,307)**
Equity gain (loss) from related parties	22,539	(223)
Other income (expenses), net (Note 13)	(691)	1,328
Income (loss) before tax and minority interest	**28,084**	**(9,050)**
Income tax and asset tax	(8,877)	(7,260)
Minority interest	(2,017)	1,144

Income (loss) for the period	**17,190**	**(15,166)**
Earning per share		
Basic (Note 23)	0.069	(0.071)
Diluted (Note 23)	0.042	0.004

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

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IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Cash Flows (1)

For the three-month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

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

	September 30, 2004	September 30, 2003
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of beginning of year	122,913	193,057
Cash and cash equivalents as of end of period	124,476	187,729
Net increase (decrease) in cash and cash equivalents	**1,563**	**(5,328)**
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (loss) for the period	17,190	(15,166)
Plus income tax and asset tax accrued for the period	8,877	7,260
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Equity in earnings of affiliated companies	(22,539)	223
Minority interest in related companies	2,017	(1,144)
Allowances and provisions	662	(1,517)
Amortization and depreciation	17,452	17,332
Financial results	3,595	15,744
Changes in operating assets and liabilities:		
Decrease in current investments	1,889	1,152
(Increase) Decrease in mortgages and leases receivables	(7,703)	5,629
Decrease (Increase) in other receivables	1,451	(5,495)
(Increase) Decrease in inventory	(1,551)	4,002
(Increase) Decrease in intangible assets	(850)	133
Increase in taxes payable, salaries and social security payable and customer advances	3,112	1,303
Decrease in accounts payable	(577)	(291)
Increase in accrued interest	7,819	6,842
Decrease in other liabilities	(250)	(4,338)
Net cash provided by operating activities	**30,594**	**31,669**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Contributions for the setting up of companies	(125)	
Advance payment for the purchase of shares	(5,196)	
Acquisition of minority interest	(6,070)	
Purchase of shares of Banco Hipotecario		(2,214)
Payment for acquisition of undeveloped parcels of land	(102)	(233)

Purchase and improvements of fixed assets	(13,757)	(1,352)
Net cash used in investing activities	**(25,250)**	**(3,799)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of short-term and long-term debt	(21,960)	(31,580)
Decrease in minority shareholders		(1,618)
Issuance of common stock	18,179	
Net cash used in financing activities	**(3,781)**	**(33,198)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,563**	**(5,328)**

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

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

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IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Cash Flows (Continued)

For the three-month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

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

	September 30, 2004	September 30, 2003
Supplemental cash flow information		
Cash paid during the period for:		
Interest	9,717	9,961
Income tax	219	148
Non-cash activities:		
Increase in inventory through a decrease in fixed assets	1,028	2,606
Increase in inventory through a decrease in undeveloped parcels of lands	25,979	
Retained interest in credit cad receivables	3,756	
Liquidation of interest in credit card receivables	1,222	
Issues of certificates		3,504
Liquidation of certificates		1,322
Decrease in short-term and long-term debt through an increase in other liabilities		1,326
Conversion of negotiable obligations into ordinary shares		300
Increase in minority interest from the conversation of negotiable obligations of subsidiaries	1,454	

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IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements

For the three-month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

In thousand of pesos

NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL

a. Basis of consolidation

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

The financial statements for the three-month periods ended September 30, 2004 and 2003 have not been audited. The Company s management considers that they include all the necessary adjustments to fairly present the results for the periods referred to.

The result for the period ended September 30, 2004 does not necessarily reflect proportionality the Company s results for the complete fiscal year.

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

The following table shows the data concerning the corporate control:

	DIRECT OR INDIRECT % OF CAPITAL		DIRECT OR INDIRECT % OF VOTING SHARES	
COMPANIES	**Sept. 30,**	**June 30,**	**Sept. 30,**	**June 30,**

	2004	2004	2004	2004
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)	56,80	53,81	56,80	53,81

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

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 1: (Continued)

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

b. Acquisition and consolidation of related companies

On September 29, 2004, the Company entered into a purchase-sale agreement for the purchase of 49.9% of the capital stock of Perez Cuesta S.A.C.e.I.. As a result of this acquisition, Alto Palermo S.A. (APSA) will hold 68.8% of the capital stock of that company, the main activity of which is the operation of the Mendoza Plaza Shopping mall in the city of Mendoza.

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

The operation was communicated to the National Commission for the Defense of Competition to comply with applicable regulations and, therefore, the transaction and operation taken as a whole is subject to the approval by the commission.

At September 30, 2004 Alto Palermo S.A. (APSA) made a guarantee deposit on account of payment of the purchase price and for contract performance for Ps. 5,196, which has been recorded as an advance payment for the purchase of shares within long-term investments.

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. As from that date, in accordance with professional accounting standards and the requirements of the control authorities, restatement of the financial statements was discontinued until December 31, 2001. As from January 1, 2002, in accordance with professional accounting standards, recognition of the effects of inflation in these financial statements was reestablished, considering that the accounting measurements restated due to changes in the purchasing power of the currency until August 31, 1995 as well as those arising between that date and December 31, 2001 are stated in currency of the latter date.

On March 25, 2003, the National Executive Branch issued Decree No. 664 establishing that the financial statements for years ending as from that date must be stated in nominal currency. Consequently, in accordance with Resolution No. 441 issued by the National Securities Commission, the Company discontinued the restatement of its financial statements as from March 1, 2003. This criterion is not in line with current professional accounting standards, which establish that the financial statements must be restated through September 30, 2003. However, due to the low materiality of inflation rates during the period from March to September 2003, this deviation has not had a material effect on the consolidated financial statements taken as a whole.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 2: (Continued)

The rate used for restatement of items in these financial statements until February 28, 2003 is the domestic wholesale price index published by the National Institute of Statistics and Census.

Comparative information

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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

a. Shares of Banco Hipotecario S.A.

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

b. Revenue recognition

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

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

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IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 3: (Continued)

b. (Continued)

Leases and services from shopping center operations

Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent, which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross retail sales (the Percentage Rent) (which generally ranges between 4% and 8% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 4% and 7% each year during the term of the lease. Minimum rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions, which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. The Company determines the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, these contingent rents are not recognized until the required thresholds are exceeded.

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

Administration fees are recognized monthly when earned. In addition to rent, tenants are generally charged admission rights , a non-refundable admission fee 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 business each day.

c. Intangible assets, net

Intangible assets are carried at cost adjusted for inflation as mentioned in Note 2, less accumulated amortization.

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

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

d. Goodwill

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

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 3: (Continued)

d. (Continued)

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

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

NOTA 4: SEGMENT INFORMATION

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

A general description of each segment follows:

Development and sale of properties

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

Office and other non-shopping center rental properties

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

Shopping centers

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

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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 Internet, telecommunications and other technology-related activities of the Company.

The Company measures its reportable segments based on net 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 net 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

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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 September 30, 2004:

	Sales and developments	Office and Others (a)	Shopping centers	Hotels	Financial and other operations	Total
Sales, leases and services	1,410	4,317	45,347	19,798		70,872
Cost of sales, leases and services	(1,507)	(1,908)	(18,913)	(11,112)		(33,440)
Gross profit	(97)	2,409	26,434	8,686		37,432
Selling expenses	(216)	(201)	(4,347)	(2,131)		(6,895)
Administrative expenses	(1,559)	(1,124)	(5,097)	(4,226)		(12,006)
Net gain in credit card trust			609			609
Operating (loss) income	**(1,872)**	**1,084**	**17,599**	**2,329**		**19,140**
Depreciation and amortization (b)	**46**	**1,662**	**13,155**	**2,277**		**17,140**
Addition of fixed assets and intangible assets	323		13,095	1,189		14,607
Non-current investments in other companies			12,280		185,252	197,532
Operating assets	296,690	275,406	1,007,177	131,315		1,710,588
Non-Operating assets	58,745	54,530	43,462	2,256	347,194	506,187
Total assets	355,435	329,936	1,050,639	133,571	347,194	2,216,775
Operating liabilities	5,631	5,905	98,670	15,882		126,088
Non-Operating liabilities	103,781	105,496	185,552	36,285	212,758	643,872
Total liabilities	109,412	111,401	284,222	52,167	212,758	769,960

Notes:

(a) Includes offices, commercial and residential premises.
(b) Included in operating income.

IRSA Inversiones y Representaciones Sociedad Anónima

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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 September 30, 2003

	Sales and developments	Office and Others (a)	Shopping centers	Hotels	Financial and other operations	Total
Sales, leases and services	5,984	3,664	31,152	15,539		56,339
Cost of sales, leases and services	(3,107)	(2,054)	(17,009)	(9,058)		(31,228)
Gross profit	2,877	1,610	14,143	6,481		25,111
Selling expenses	(601)	(163)	(1,779)	(2,052)		(4,595)
Administrative expenses	(1,249)	(878)	(4,255)	(3,325)		(9,707)
Net loss in credit card trust			(336)			(336)
Operating Income	**1,027**	**569**	**7,773**	**1,104**		**10,473**
Depreciation and amortization (b)	**(1,763)**	**1,535**	**13,581**	**2,144**		**15,497**
Addition of fixed assets and intangible assets (c)	232	54	20,397	4,390		25,073
Non-current investments in other companies (c)			7,198		162,659	169,857
Operating assets (c)	295,869	275,849	992,036	131,478		1,695,232
Non-operating assets (c)	59,335	55,321	59,469	7,019	326,568	507,712
Total assets (c)	355,204	331,170	1,051,505	138,497	326,568	2,202,944
Operating liabilities (c)	6,598	6,652	94,386	14,330		121,966
Non-operating liabilities (c)	105,598	107,362	185,907	36,733	215,287	650,887
Total liabilities (c)	112,196	114,014	280,293	51,063	215,287	772,853

Notes:

(a) Includes offices, commercial and residential premises.
(b) Included in operating income.
(c) At June 30, 2004

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 5: MORTGAGES AND LEASES RECEIVABLES, NET

The breakdown for this item is as follows:

	September 30, 2004		June 30, 2004	
	Current	Non-Current	Current	Non-Current
Debtors from sale of real estate	1,162	996	772	1,062
Unaccrued interest	(17)	(10)	(13)	(15)
Debtors from rent and credit card	37,637	1,957	28,423	1,834
Debtors from leases under legal proceedings	23,898		23,865	
Debtors from sales under legal proceedings	2,427		2,495	
Checks to be deposited	13,533		9,810	
Related parties	169		79	
Trade accounts receivable for hotel activities	4,987		4,299	
Less:				
Allowance for doubtful accounts	(489)		(485)	
Allowance for doubtful leases	(35,680)	(73)	(34,814)	(45)
	47,627	**2,870**	**34,431**	**2,836**

NOTE 6: OTHER RECEIVABLES

The breakdown for this item is as follows:

September 30, 2004		June 30, 2004	
Current	Non-Current	Current	Non-Current

Asset tax	1,334	54,928	1,009	56,522
Value Added Tax (VAT)	1,132	1,113	1,010	1,428
Related parties	15,610	25	20,377	12
Guarantee deposits	1,270	33	500	33
Prepaid expenses	2,336		3,260	
Expenses to be recovered	3,348		2,462	
Fund administration	208		208	
Advances to be rendered	43		1,213	
Gross sales tax	451	532	407	438
Deferred income tax		52,529		53,339
Debtors under legal proceeding	39		119	
Sundry debtors	2,247		2,139	
Operation pending settlement			474	
Income tax prepayments and withholdings	2,571		2,860	
Country club debtors	367		412	
Trust accounts receivable	335	3,411	870	433
Tax credit certificates	104		563	
Interest rate swap receivable	14,482		13,816	
Mortgages receivables		2,208		2,208
Present value other receivables		(1,346)		(1,384)
Credit from barter of Edificios Cruceros (1)		5,882		5,836
Tax on personal assets to be recovered			4,856	
Allowance for uncollectibility of tax on personal assets			(3,887)	
Credit from barter of Benavidez		8,824		8,755
Pre-paid insurance	103			
Allowance for doubtful accounts		(2,208)		(2,208)
Other	329	370	80	382
	46,309	126,301	52,748	125,794

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

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 7: INVENTORIES

The breakdown for this item is as follows:

	September 30, 2004		June 30, 2004	
	Current	Non-Current	Current	Non-Current
Dock 13	1,578		37	
Dorrego 1916	13		13	
Minetti D	33		33	
Madero 1020	1,025			
Rivadavia 2768	124		124	
Torres Jardín	245		245	
V. Celina	43		43	
Abril/Baldovinos	4,723	3,022	3,239	4,548
San Martín de Tours	4,815		4,744	
Torres de Abasto	540		555	
Dique III	7,920	18,059		
Resale merchandise	138		138	
Bonus merchandise	54		87	
Torres Rosario		15,414		15,414
Other properties	1,321		1,314	
	22,572	**36,495**	**10,572**	**19,962**

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 8: INVESTMENTS

The breakdown for this item is as follows:

	September 30, 2004	June 30, 2004
Current		
Cedro (1)	23	67
Bocanova (1)		266
Boden (1)	37	32
IRSA I Trust Exchangeable Certificate (1)	218	252
Time deposits and money markets	15,353	25,837
Mutual funds (2)	37,406	37,627
Tarshop Trust (1)	2,839	6,677
Interest Banco Ciudad de Bs. As. Bond (1)	115	14
Other investments (1)	37	32
	56,028	**70,804**
Non-current		
Banco de Crédito y Securitización S.A.	4,423	4,590
Banco Hipotecario S.A.	180,829	158,069
Pérez Cuesta S.A.C.I. (3)	10,875	5,763
E-Commerce Latina S.A	1,280	1,435
Metroshop	125	
IRSA I Trust Exchangeable Certificate	5,256	5,675
Tarshop Trust	12,429	13,411
Banco Ciudad de Bs. As. Bond	813	887
Art work	37	37
Other	11,503	11,517
	227,570	**201,384**
Undeveloped parcels of land:		
Constitucion 1111	1,261	1,261
Dique IV	6,160	6,160
Caballito plots of land	19,898	19,898
Padilla 902	71	71
Pilar	3,408	3,408
Torres Jardín IV	2,568	2,568
Puerto Retiro	46,381	46,424
Santa María del Plata	124,882	124,783
Pereiraola	21,875	21,875
Bs. As. Trade and Finance Center S.A		25,979

Air space Supermercado Coto	10,442	10,442
Caballito	29,717	29,717
Neuquén	9,983	9,983
Alcorta Plaza	17,545	17,545
Other parcels of undeveloped land	2,940	2,936
	297,131	**323,050**
	524,701	**524,434**

Notes:

(1) Not considered as cash for purposes of the statements of cash flows.

(2) Ps. 32,402 and Ps. 31,866 corresponding to the Dolphin Fund PLC at September 30, 2004 and June 30, 2004 not considered as cash for purpose of the statement of cash flows. Ps. 1,795 and Ps. 1,781 corresponding to the NCH Development Partner fund at September 30, 2004 and June 30, 2004 not considered as cash for purpose of the statement of cash flows.

(3) The balance at September 30, 2004 includes Ps. 5,196 corresponding to an advance on account of the payment of the purchase price for an additional participation of 49.9% (see Note 1).

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 9: FIXED ASSETS, NET

The breakdown for this item is as follows:

	September 30, 2004	June 30, 2004
Hotels		
Llao-Llao	30,882	30,827
Hotel Intercontinental	56,760	57,447
Hotel Libertador	37,362	37,795
	125,004	**126,069**
Office buildings		
Avda. de Mayo 595	4,394	4,419
Avda. Madero 942	2,203	2,213
Edificios costeros (Dique II)	19,635	19,726
Laminar Plaza	30,990	31,126
Libertador 498	42,484	42,679
Libertador 602	2,617	2,628
Madero 1020	3,005	4,047
Maipú 1300	45,219	45,432
Reconquista 823	17,652	17,733
Sarmiento 517	120	121
Suipacha 652	10,586	10,641
Intercontinental Plaza	64,793	65,152
Costeros Dique IV	20,038	20,123
	263,736	**266,040**
Commercial real estate		
Alsina 934	1,450	1,457
Constitución 1111	492	494
	1,942	**1,951**
Other fixed assets		
Abril	1,967	1,944
Alto Palermo Park	496	500
Thames	3,083	3,197
Other	3,366	3,470
	8,912	**9,111**

Shopping Center		
Alto Avellaneda	105,156	107,333
Alto Palermo	224,523	229,117
Paseo Alcorta	68,122	69,003
Abasto	208,678	210,696
Patio Bullrich	120,073	121,678
Buenos Aires Design	22,765	23,381
Alto Noa	29,181	29,589
Rosario	64,917	53,295
Other properties	11,052	11,074
Other	7,514	7,329
	861,981	**862,495**
	1,261,575	**1,265,666**

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 10: **CUSTOMER ADVANCES**

The breakdown for this item is as follows:

	September 30, 2004		June 30, 2004	
	Current	Non-Current	Current	Non-Current
Admission rights	13,358	20,175	11,495	17,444
Leases advances	5,810	10,868	5,451	11,358
Customer advances	9,938		8,508	
	29,106	**31,043**	**25,454**	**28,802**

NOTE 11: **SHORT AND LONG TERM DEBT**

The breakdown for this item is as follows:

	September 30, 2004		June 30, 2004	
	Current	Non-Current	Current	Non-Current
Convertible bond APSA 2006 (1)		52,497		53,578
Accrued interest- Convertible bond APSA 2006 (1)	1,052		2,310	
Negotiable obligations APSA (2)	53,461		74,630	
Accrued interest- Negotiable obligations APSA (2)	3,551		2,116	
Bank debts (3)	48,393	56,995	47,273	56,556
Accrued interest - bank debts (3)	278	4,767	236	4,108
Bond 100 M. (4)		258,044		255,922
Interest-Bond 100 M. (4)	7,843		2,632	

Negotiable obligations 2009 - principal amount (5)	10,071	88,130	5,528	91,915
Negotiable obligations 2009 - accrued interest (5)	440	7,765	402	6,728
	125,089	468,198	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 21 to the unaudited consolidated financial statements, net of the CNB underwritten by the Company for U$S 29,682 thousand and net of unamortized fees and expenses related to the issuance.

(2) Includes:
   (a) Ps. 48,400 thousand in unsecured general liabilities belonging to APSA, originally issued for a total value of V$N 85,000,000, which mature on 7 April 2005, on which date the principal will be amortized in full, net of issuance expenses. The terms of the liabilities require APSA to maintain certain financial ratios and conditions, specific debt/equity ratios, and establish restrictions to the procurement of new loans.
   (b) Ps. 5,700 thousand corresponding to secured general liabilities in Shopping Alto Palermo S.A. (SAPSA), as detailed in Note 14, net of issuance expenses. The terms of the liabilities require SAPSA to maintain certain financial ratios and conditions, specific debt/equity ratios, and establish restrictions to the procurement of new loans. On August 6, 2004, SAPSA settled securities for a nominal value of Ps. 7,083.

On August 6, 2004, APSA settled the remaining balance of general secured notes amounting to Ps. 6,666.

(3) Includes mainly:
   (a) Ps. 60,423 thousand corresponding to an unsecured loan falling due in the year 2009, as detailed in Note 5 to the unaudited financial statements.
   (b) Ps. 38,105 thousand current, corresponding to a loan secured with real estate assets belonging to Hoteles Argentinos S.A., as detailed in Note 14 to the unaudited consolidated financial statements.
   (c) Ps. 6,860 thousand corresponding to other current bank loans.

(4) Corresponding to Convertible Negotiable Bonds of the Company for a total value of US$ 100 million as set forth in Notes 5 and 11 to the unaudited financial statements.

(5) Corresponding to Negotiable Bonds secured with certain Company assets maturing in the year 2009, as detailed in Note 5 and 10 b. to the unaudited financial statements.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 12: OTHER LIABILITIES

The breakdown for this item is as follows:

	September 30, 2004		June 30, 2004	
	Current	Non-current	Current	Non-current
Seller financing	5,886		5,781	
Dividends payable	2,042		2,379	
Related parties	4,397		3,150	
Guarantee deposits	549	3,004	503	3,030
Provision for lawsuits	6,548	6,209	6,439	6,549
Directors´ fees	6,876		6,862	
Rebilled condominium expenses	408		368	
Directors´ deposits		8		8
Sundry creditors	32		322	
Fund administration	519		519	
Pending settlements for sales of plots	21		149	
Contributed leasehold improvements	212	637	212	690
Donations payable	2,410		3,029	
Present value other liabilities		(7)		(139)
Trust account payable	283		282	
Other	635	12	598	12
	30,818	**9,863**	**30,593**	**10,150**

NOTE 13: OTHER INCOME AND EXPENSES, NET

The breakdown for this item is as follows:

	September 30, 2004	September 30, 2003

Other income:		
Gain from the sale of fixed assets and intangible assets	7	
Recovery of allowances	569	
Other	248	1,972
	824	**1,972**
Other expenses:		
Unrecoverable VAT	(85)	(160)
Donations	(48)	(156)
Contingencies for lawsuits	(243)	(37)
Debit and credit tax	(113)	(180)
Tax on personal assets	(953)	
Other	(73)	(111)
	(1,515)	**(644)**
Total other (expenses) income, net	**(691)**	**1,328**

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 14: RESTRICTED ASSETS

Puerto Retiro S.A.: extension of the bankruptcy

On April 18, 2000, Puerto Retiro S.A. 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 to sell or dispose in any manner the real estate property near Puerto Madero denominated *Planta 1* which had been acquired from Tandanor S.A. (Tandanor) 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 were the shareholdings in Tandanor, the Ministry of Defense is pursuing to extend the bankruptcy to Puerto Retiro. The lawsuit is at its first stages and Puerto Retiro S.A. answered the claim and appealed the preventive measures ordered. This appeal was overruled on December 14, 2000.

Puerto Retiro S.A. believes, pursuant to the advice of its legal advisors, that the plaintiff s claim shall be rejected by the courts.

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$ 12,000,000 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$ 300,000 and one final payment of US$ 6,300,000. 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 September 30, 2004 ranged between 5.8700% and 6.0713%.

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 14: (Continued)

As a result of the current economic situation, the lack of credit and the crisis of the Argentine financial system, principal installments of US$ 300 thousand 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$ 1,514 thousand 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 were not paid. Although Hoteles Argentinos Management is renegotiating the debt with its creditors, as failure to pay the installments when due entitles the bank 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. Consequently, all pending obligations of Hoteles Argentinos S.A. must be fulfilled in favor of the assignee, Marathon Master Fund Ltd.

Alto Palermo S.A.- Restricted assets.

a) As of September 30, 2004, Shopping Neuquén S.A. includes Ps. 42 thousand in financial loans, corresponding to a mortgage set up on acquired land for Ps. 3,314 thousand.

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.

c) At September 30, 2004, the Company holds funds under other current receivables amounting to Ps. 107,922 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) At September 30, 2004, there are Ps. 14,571 under non current investments related to shares of Emprendimiento Recoleta S.A. which are pledged.

e) At September 30, 2004 there is a balance of US$ 50 million in the caption other non-current receivables corresponding to funds guaranteeing derivative instruments transactions.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 15: TARSHOP CREDIT CARD RECEIVABLE SECURITIZACION

Alto Palermo S.A. 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 a master trust (the Trust) that issues certificates to public and private investors.

To the extent the certificates are sold to third parties, the receivables transferred qualify as sales for financial statement purposes and are removed from the company balance sheet. The remaining receivables in the Trust which have not been sold to third parties are reflected on the company balance sheet as a retained interest in transferred credit card receivables. Under these programs, the company acts as the servicer on the accounts and receives a fee for its services.

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.

The Company entered into two-years revolving-period securitization programs, through which Tarshop sold an aggregate amount of Ps. 108.3 million of its customer credit card receivable. Under the securitization programs, the Trusts issued Ps. 16.1 million nominal value subordinated CPs, Ps. 33.1 million 9% fixed-rate interest TDFs, Ps. 11.1 million 10% fixed-rate interest TDFs, Ps. 4.1 million 13% fixed-rate interest TDFs, Ps. 11 million 14% fixed-rate interest TDFs, Ps. 0.9 million 15% fixed-rate interest TDFs, Ps. 20.0 million 18% fixed-rate interest TDFs, and Ps. 11.9 million variable-rate interest TDFs. Tarshop acquired all the CPs at an amount equal to their nominal value while the TDFs were sold to other investors through a public offering in Argentina except for Ps. 1.4 million, which were acquired by Tarshop S.A.. As a credit protection for investors, Tarshop has established cash reserves for losses amounting to Ps. 0.8 million.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 16: 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 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 exercised a substantial portion of the options acquired mentioned above, jointly with the options held before the end of the year. Accordingly, 4,774,000 shares for a total of Ps. 33.4 million were acquired.

During the last quarter of 2004, the Company sold a participation in Banco Hipotecario S.A. (2,487,571 shares) to the 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. 1.61 million.

Therefore, at the date of issuing these financial statements, the total holding amounted to 17,641,162 shares.

NOTE 17: INVESTMENT IN IRSA TELECOMUNICACIONES N.V.

In the fourth quarter of the year ended June 30, 2000, the Company 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, the Company, 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) the Company 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) the Company, 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, the Company 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

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 17: (Continued)

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.

As a result of the Reorganization, the Companies are now wholly-owned subsidiaries of ITNV and the Company 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 18: 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 credits, secured with mortgages or arising from bills of sale with the possession of the related properties, for the total amount of US$ 26,585,774 to the Trustee, in exchange for cash and the issuance by the Trustee of Participation Certificates for the same nominal value and in accordance with the following classes:

Class A Participation Certificates (CPA): Nominal value of US$ 13,300,000, 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.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 18: (Continued)

Class B Participation Certificates (CPB): Nominal value of US$ 1,000,000, 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$ 1,600,000, 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$ 10,685,774. 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. 10,321,280.

At September 30, 2004, the value of Class D Participation Certificates amounted to Ps. 4,561 thousand in IRSA, Ps. 726 thousand in Inversora Bolívar S.A., and Ps. 187 thousand in Baldovinos S.A.. Class A, B, and C Certificates have been totally amortized at the end of the period.

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 19: **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$ 8,030,000 and US$ 10,800,000, 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 are subject to the approval of the project by Corporación Antiguo Puerto Madero (CAPM), which must be issued before December 6, 2004.

In guarantee of those operations, DYPSA set up a first mortgate in favor of the Company amounting to US$ 8,030,000 and US$ 10,800,000 on plots 1c) and 1e), respectively.

NOTE 20: **DERIVATIVE INSTRUMENTS**

Interest rate swaps

Alto Palermo S.A. (APSA) uses certain financial instruments to reduce its global financing costs. Furthermore, the Company has not used the financial instruments to hedge future operations or commitments. At September 30, 2004 and 2003, APSA held only one derivative financial instrument outstanding, an interest swap valued at estimated settlement cost. Differences generated by application of the mentioned valuation criteria were recognized in the results for the period.

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.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 20: (Continued)

As of September 30, 2004 the interest rate swap had an estimated settlement cost (fair value) of US$ 45.26 million. Any difference payable or receivable is accrued and recorded as an adjustment to disbursements for interest in the Statement of Income. During the three-month periods ended September 30, 2004 and 2003, APSA recognized gains of Ps. 1.1 million and of Ps. 4.6 million, respectively.

The inherent risk to Alto Palermo S.A. from the swap agreement is limited to the cost of replacing that contract at current market rates. Alto Palermo S.A. considers that such cost would increase in the event of a continuing devaluation of the peso.

- **Options contracts to purchase metals**

During the current quarter, Ritelco S.A. entered into future contracts for the purchase of silver; those operations were settled on September 30, 2004. In accordance with its risk administration policies, the Company enters into future metal contracts for speculative purposes.

The result generated during the three-month period ended September 30, 2004 corresponding to the silver futures transaction amounted to Ps. 859 (equivalent to U$S 295) which is recorded in the line Financial Results in the Statement of Income.

NOTE 21: 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$ 50,000,000.

After the end of the period granted to exercise the accretion right, the Negotiable Obligations convertible for Shares for US$ 50,000,000 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.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 21: (Continued)

- 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 by using liabilities due from APSA on the subscription date.

APSA applied the funds obtains from the offering of securities to payment of expenses and fees relating to issuing and placement of convertible negotiable obligations, payment of liabilities with shareholders and repurchase of negotiables 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 September 30, 2004, third party holders of Convertible Negotiable Obligations have exercised their right to convert them for a total US$ 2.67 million, generating the issuing of 78,983,790 ordinary shares with a face value of Ps. 0.1 each. The total amount of Convertible Negotiable Obligations at September 30, 2004 was US$ 47.33 million.

NOTE 22: 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 equial 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

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 23: 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.

Weighted average outstanding shares total 248,803.

Conversion of negotiable obligations.

Weighted average diluted ordinary shares total 575,383.

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

	09.30.04	09.30.03
Result for calculation of basic earnings per share	17,190	(15,166)
Exchange difference	2,002	11,485
Interest	5,211	6,076
Result for calculation of diluted earnings per share	24,403	2,395
Net basic earnings per share	0.069	(0.071)
Net diluted earnings per share	0.042	0.004

NOTE 24: 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 S.A.), 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$ 2,870,000. 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.

On March 2, 2004, the Company made a deposit of Ps. 7,191,115 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$ 4,127,000, equivalent to Ps. 1,964,452. The total amount settled on that date was Ps. 9,155,567.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 24: (Continued)

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.

As a result of this situation, Management decided to increase the provision for unexpired claims to Ps. 4,643.

NOTE 25: 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 Benavídez to DEESA.

In March 2004, DEESA notified Inversora Bolívar S.A. and the latter accepted exercise of the mentioned option. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US$ 3,980,000 to Inversora Bolívar S.A., of which US$ 979,537 were paid during the previous quarter and the balance of US$ 3,000,463 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$ 3,000,463 in guarantee of compliance with the operation and delivered US$ 500,000 to Inversora Bolívar S.A. corresponding to a deposit in guarantee and a performance bonds 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 the progress of work and the remaining 50% upon certification of 90% of work progress.

NOTE 26: SUBSEQUENT EVENTS

- Alto Palermo S.A. Shareholders Ordinary Meeting:

The Shareholders Ordinary Meeting of APSA held on October 22, 2004 unanimously approved the distribution of cash dividends amounting to Ps. 17,895, of which the shareholders will collect approximately 80% as established by Section 69.1 of the Income Tax Law. The remaining balance of the result of APSA for the year ended June 30, 2004 was appropriated to legal reserve.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Contd.)

NOTE 26: (Continued)

- Inauguration of Alto Rosario Shopping:

On November 9, 2004 the Company inaugurated a new shopping mall, Alto Rosario Shopping, in the city of Rosario, Province of Santa Fe,.

Three stages have been planned for this project: first the inauguration of the shopping mall, second the opening of a hypermarket in December 2004, and third the inauguration of a cinema complex and Children s Museum in the first quarter of 2005.

The shopping mall will be opened with a 100% store occupancy rate.

IRSA Inversiones y Representaciones

Sociedad Anónima

Free translation of the

Unaudited Financial Statements

For the three-month period ended as of

September 30, 2004

In comparative format

Name of the Company: IRSA Inversiones y Representaciones S.A.

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

Principal activity: Real estate investment and development

Unaudited Financial Statements at September 30, 2004

compared with the same period of the previous year

Stated in thousand of pesos

Fiscal year No. 62 beginning July 1º, 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 9)

	Authorized for Public Offer of	**In thousand of pesos**	
Type of stock	**Shares**	**Subscribed**	**Paid up**
Common stock, 1 vote each	258,252,533	258,253	258,253

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Balance Sheets as of September 30, 2004 and June 30, 2004

In thousand of pesos (Note 1)

	September 30, 2004	**June 30, 2004**
ASSETS		
CURRENT ASSETS		
Cash and banks (Exhibit G)	27,984	7,523
Investments (Exhibits C, D and G)	10,255	14,576
Mortgages and leases receivables, net (Note 2 and Exhibit G)	4,394	4,611
Other receivables (Note 3)	9,751	14,980
Inventories (Note 4)	8,002	5,430
Total Current Assets	**60,386**	**47,120**
NON-CURRENT ASSETS		
Mortgages and leases receivables, net (Note 2)	19	37
Other receivables (Note 3 and Exhibit G)	75,286	74,682
Inventories, net (Note 4)	260	233
Investments, net (Exhibits C, D and G)	1,111,026	1,077,696
Fixed assets, net (Exhibit A)	202,933	204,958
Total Non-Current Assets	**1,389,524**	**1,357,606**
Total Assets	**1,449,910**	**1,404,726**
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable (Exhibit G)	2,139	2,055
Mortgages payable (Exhibit G)	2,236	2,218
Customer advances (Exhibit G)	1,388	1,040
Short term-debt (Note 5 and Exhibit G)	22,053	12,192
Salaries and social security payable	526	802
Taxes payable (Exhibit G)	889	2,177
Other liabilities (Note 6 and Exhibit G)	5,291	5,751
Total Current Liabilities	**34,522**	**26,235**
NON-CURRENT LIABILITIES		
Long term-debt (Note 5 and Exhibit G)	415,701	415,229
Customer advances	1,149	1,312
Taxes payable	2,060	817
Other liabilities (Note 6 and Exhibit G)	1,255	1,279
Total Non-Current Liabilities	420,165	418,637
Total Liabilities	454,687	444,872

SHAREHOLDERS´ EQUITY	995,223	959,854
Total Liabilities and Shareholders´ Equity	**1,449,910**	**1,404,726**

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

Saúl Zang

Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Income

For the three month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

In thousand of pesos (Note 1)

	September 30, 2004	**September 30, 2003**
Sales, leases and services	3,871	8,018
Cost of sales, leases and services (Exhibit F)	(1,952)	(5,825)
Gross profit	**1,919**	**2,193**
Selling expenses (Exhibit H)	(292)	(547)
Administrative expenses (Exhibit H)	(2,474)	(1,715)
Operating loss	**(847)**	**(69)**
Financial results generated by assets:		
Interest income	2,430	2,759
Exchange gain generated by assets	1,064	10,368
Financial results	947	1,276
Interest on discount by assets	(24)	(64)
Subtotal	**4,417**	**14,339**
Financial results generated by liabilities:		
Exchange loss generated by liabilities	(3,392)	(19,014)
Interest on discount by liabilities	(5)	71
Financial expenses (Exhibit H)	(8,768)	(10,481)
Subtotal	**(12,165)**	**(29,424)**
Financial results, net	**(7,748)**	**(15,085)**
Net gain in related companies (Note 8.c.)	26,664	1,907
Other income (expenses), net (Note 7)	(186)	(498)
Income (loss) before tax	17,883	(13,745)
Income tax and asset tax (Notes 1.6.m., 1.6.n. and 12)	(693)	(1,421)
Income (loss) for the period	**17,190**	**(15,166)**

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

Saúl Zang

Vicepresident acting as

President

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Changes in Shareholders Equity

For the three month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

In thousand of pesos (Note 1)

	Shareholders contributions				Reserved Earnings			
Items	**Common Stock**	**Inflation adjustment of common stock**	**Additional paid-in-capital**	**Total**	**Legal reserve**	**Retained results**	**Total as of September 30, 2004**	**Total as of September 30, 2003**
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	9,450		8,729	18,179			18,179	300
Income (loss) for the period						17,190	17,190	(15,166)
Balances as of September 30, 2004	258,253	274,387	604,234	1,136,874	19,447	(161,098)	995,223	
Balances as of September 30, 2003	212,212	274,387	569,590	1,056,189	19,447	(281,316)		794,320

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

Saúl Zang

Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Cash Flows (1)

For the three month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

In thousand of pesos (Note 1)

	September 30, 2004	September 30, 2003
CHANGES IN CHASH 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	28,282	93,801
Net increase (decrease) in cash and cash equivalents	**18,418**	**(26,491)**
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
- Income (loss) for the period	17,190	(15,166)
- Plus income tax and asset tax accrued for the period	693	1,421
- Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Equity in earnings of controlled and affiliated companies	(26,664)	(1,907)
Allowances and provisions	19	12
Amortization and depreciation	1,285	1,333
Financial results	(929)	11,652
- Changes in operating assets and liabilities:		
Decrease in current investments	6,005	3,858
Decrease in mortgages and leases receivables	227	243
Decrease (Increase) in other receivables	5,404	(1,912)
(Increase) Decrease in inventory	(1,574)	4,003
(Decrease) Increase in taxes payable, salaries and social security payable and customer advances	(1,398)	1,033
Increase in accounts payable	84	549
Increase in accrued interest	6,886	7,826
Decrease in other liabilities	(500)	(4,923)
Net cash provided by operating activities	**6,728**	**8,022**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease from equity interest in subsidiary companies	332	147
Increase interest in subsidiary companies	(483)	(2,687)
Purchase of subsidiary companies shares	(6,070)	
Loans granted to related parties		(1,460)
Purchase and improvements of undeveloped parcels of land	(99)	
Purchase and improvements of fixed assets	(169)	(49)
Net cash used in investing activities	**(6,489)**	**(4,049)**

CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of short-term and long-term debt		(30,464)
Issuance of common stock	18,179	
Net cash provided by (used in) financing activities	**18,179**	**(30,464)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,418**	**(26,491)**

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

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

Saúl Zang

Vicepresident acting as

President

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Cash Flows (Continued)

For the three-month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

In thousand of pesos (Note 1)

	September 30, 2004	September 30, 2003
Supplemental cash flow information:		
Interest paid	1,525	1,934
Income tax paid		
Non-cash activities:		
Increase in inventory through a decrease in fixed assets	1,028	2,606
Decrease in short - term and long - term through an increase in other liabilities		1,326
Decrease in non - current investments through an increase in other receivables		2,220
Conversion of unsecured convertible Notes into ordinary shares		300

Saúl Zang

Vicepresident acting as

President

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements

For the three month periods beginning on

July 1, 2004 and 2003

and ended September 30, 2004 and 2003

In thousand of pesos

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Below are the most relevant accounting standards used by the Company to prepare these unaudited financial statements:

1.1. Issuance of new technical pronouncements

The Professional Council in Economic Sciences of the Autonomous City of Buenos Aires approved Technical Pronouncements No. 16: Conceptual framework for professional accounting standards , No. 17: Professional accounting standards: development of some general application issues , No. 18 : Professional accounting standards: development of some particular application issues , No. 19: Amendments to Technical Pronouncements Nos. 4, 5, 6, 8, 9, 11 and 14 and 20: Derivatives and hedging transactions , through Resolutions C 238/01, C 243/01, C 261/01, C 262/01 and C 187/02, respectively; the Technical Pronouncements and subsequent amendments to them become effective to the Company for the fiscal year ended June 30, 2003, except for TR 20 which become effective on July 1, 2003.

The National Securities Commission adopted the mentioned Technical Pronouncements, incorporating certain amendments, which apply to fiscal years commencing on January 1, 2003, but admiting early application.

Furthermore, the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires approved Technical Pronouncement No. 21: Equity Method Value consolidation of financial statements information to disclose on related parties through Resolution M.D. No. 5/2003. This Technical Pronouncement and the modifications it amendments there to, became effective to the Company for the fiscal year ended June 30, 2004. Furthermore, the National Securities Commission has adopted that standard, making certain changes and establishing that it is applicable to fiscal years commenced as from April 1, 2004, admiting early application.

1.2. Preparation and presentation of financial statements

These unaudited financial statements are stated in Argentine pesos and were prepared in accordance with disclosure and valuation criteria contained in the Technical Pronouncements issued by the Argentine Federation of Professional Councils in Economic Sciences, approved with certain amendments by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, in accordance with the resolutions issued by the National Securities Commission.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements (Continued)

NOTE 1: (Continued)

1.2. (Contd.)

The financial statements for the three-month periods ended September 30, 2004 and 2003 have not been audited. The Company s management considers that they include all the necessary adjustments to fairly present the results for the periods referred to.

The result for the period ended September 30, 2004 does not necessarily reflect proportionality the Company s results for the complete fiscal years.

1.3. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the period. Estimates are used when accounting for allowance for doubtful accounts, depreciation, amortization, impairment of long-lived assets, income taxes and contingencies. Future actual results could differ from the estimates and assumptions prepared at the date of these unaudited financial statements.

1.4. Recognition 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. As from that date, in accordance with professional accounting standards and the requirements of the control authorities, restatement of the financial statements was discontinued until December 31, 2001. As from January 1, 2002 in accordance with professional accounting standards, recognition of the effects of inflation in these unaudited financial statements was re-established, considering that the accounting measurements restated due to changes in the purchasing power of the currency until August 31, 1995 as well as those arising between that date and December 31, 2001 are stated in currency of the latter date.

On March 25, 2003, the National Executive Branch issued Decree No. 664 establishing that the financial statements for years ending as from that date must be stated in nominal currency. Consequently, in accordance with Resolution No. 441 issued by the National Securities Commission, the Company discontinued the restatement of its financial statements as from March 1, 2003. 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 financial statements taken as a whole.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements (Continued)

NOTE 1: (Continued)

1.4. (Contd.)

The rate used for restatement of items in these unaudited financial statements until February 28, 2003 is the domestic wholesale price index published by the National Institute of Statistics and Census.

1.5. Comparative information

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

Balances at September 30, 2004 shown in the Statement of Income, Changes in Shareholders Equity and Cash flows are shown on a comparative basis with those for the same period of the previous year.

1.6. Valuation criteria

a. Cash and banks

Cash on hand has been valued at face value.

b. Foreign currency assets and liabilities

Foreign currency assets and liabilities were valued at period-end exchange rates.

Operations denominated in foreign currency are converted into pesos at the rates of exchange in effect at the date of settlement of the operation. Operations in foreign currency are shown in the Statement of Income under Financial results, net .

In accordance with Decree 214/02, certain assets and liabilities denominated in US dollars or other foreign currencies existing at January 6, 2002 were converted into pesos at the parity of Ps. 1 per US$ 1 and adjusted through application of the reference stabilization index (CER).

c. Short-term investments

Time deposits were valued at placement value plus financial results accrued based on the internal rate of return determined at that moment.

Short-term investments in debt securities, shares and mutual funds were valued at their net realization value.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements (Continued)

NOTE 1: (Continued)

1.6. (Contd.)

d. Mortgages and leases receivables

Mortgages and leases receivables and accounts payable were valued at the price applicable to spot operations at the time of the transaction plus interest and implicit financial components accrued at the internal rate of return determined at that moment.

e. Financial receivables and payables

Financial receivables and payables were valued at the amount deposited and collected, respectively, net of operating costs, plus financial results accrued based on the rate estimated at that time.

f. Other receivables and payables

Sundry receivables and payables (Asset tax, deposits in guarantee and accounts receivable in trust) show in other non current receivables and liabilities were valued based on the best estimate of the amount receivable and payable, respectively, discounted at the interest rate applicable to freely available savings accounts published by the Argentine Central Bank in effect at the time of incorporation to assets and liabilities, respectively.

As established by the regulations of the National Securities Commission and as mentioned above, deferred tax assets and liabilities have not been discounted. This criterion is not in accordance with current accounting standards in effect in the Autonomous City of Buenos Aires, which require that those balances be discounted. The effect resulting from this difference has not had a material impact on the financial statements.

Credits in kind:

The Company records a receivable in kind corresponding to the right to receive units to be built in relation to the Edificio Cruceros property. This credit was valued according to the rules for accounting measurement of goods to be received, and is shown in the non-current portion of Other receivables .

Liabilities in kind:

The Company records a liability in kind corresponding to an obligation to deliver units to be built in relation to the San Martín de Tours property. This liability was valued at the higher of amounts received or the estimated cost of building of the units plus additional costs to transfer the assets to the creditor, and is shown as a current liability under Mortgages payable .

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements (Continued)

NOTE 1: (Continued)

1.6. (Contd.)

g. Balances corresponding to financial transactions and sundry receivables and payables with related parties

Receivables and payables with related parties generated by financial transactions and other sundry transactions were valued in accordance with the terms agreed by the parties.

h. Inventory

A property is classified as available for sale upon determination by the Board of Directors that the property is to be marketed for sale in the normal course of business over the next several years.

Residential, office and other non-retail properties completed or under construction are stated at cost, adjusted for inflation as mentioned in Note 1.4., or estimated net realizable value, whichever is lower. Costs include land and land improvements, direct construction costs, construction overhead costs, interest on indebtedness and real estate taxes. Selling costs are deferred and charged to expense in the period in which the related revenue is earned, as determined under the percentage-of-completion method. Total contract costs are charged to expense in the period in which the related revenue is earned, as determined under the percentage-of-completion method. No interest costs were capitalized during the three month period ended September 30, 2004 and the year ended June 30, 2004.

Properties held for sale are classified as current or non-current based on the estimated date of sale and the time at which the related receivable is expected to be collected by the Company.

At September 30, 2004, the Company maintains allowances for impairment of certain inventories, totaling Ps. 954 (identified as Avda. Madero 1020, Rivadavia 2768, Minetti D, Torres Jardín, Sarmiento 517 and parking lots in Dock 13).

The accounting value of inventories, net of allowances set up, does not exceed their estimated recoverable value.

i. Long -term investments

i.a. Investments in debt securities:

Investments in debt securities were valued based on the best estimate of the discounted amount receivable applying the corresponding rate of return estimated at the time of incorporation to assets, as the Company will hold them to maturity. The value thus obtained does not exceed the respective estimated recoverable value at the end of the period.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements (Continued)

NOTE 1: (Continued)

1.6.i. (Contd.)

i.b. Investments in shares of subsidiaries and related companies:

The long-term investments in subsidiaries and related companies detailed in Exhibit C have been valued by using the equity method of accounting based on the financial statements at September 30, 2004 issued by them.

The accounting standards used by the subsidiaries to prepare their financial statements are the same as those used by the Company.

The accounting standards used by the related companies to prepare their financial statements are those currently in effect.

This item also includes the lower or higher value paid for the purchase of shares in subsidiaries and related companies which exceeds or is below the market value of the assets acquired, and goodwill related to Alto Palermo S.A. and Banco Hipotecario S.A.

As a result of the purchase of shares and the exercise of the options mentioned in Note 16 to the consolidated financial statements, the Company has reevaluated the accounting criterion to be used for valuation of its participation in Banco Hipotecario S.A. and subsidiaries (Banco de Crédito y Securitización S.A.), originally recognized at net realization value and restated acquisition cost, respectively. Taking into account the current participation of the Company in these entities, the exercise of significant influence on their decisions and the intention to maintain the participation as a long-term investment, the Company has valued its investment in these companies by the equity method of accounting. In accordance with the regulations of the BCRA and the contracts signed as a result of Banco Hipotecario S.A. s financial debt restructuring process, there are certain restrictions on the distribution of profits by Banco Hipotecario S.A. to the Company.

Certificates of participation in IRSA I financial trust:

The Class D certificates of participation in IRSA I financial trust have been valued at the amount resulting from apportioning the participation certificate holding to the trust assets.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements (Continued)

NOTE 1: (Continued)

1.6.i. (Contd.)

Undeveloped parcels of lands:

The Company acquires undeveloped land in order to provide an adequate and well-located supply for its residential and office building operations. The Company s strategy for land acquisition and development is dictated by specific market conditions where the Company conducts its operations.

Land held for development and sale and improvements are stated at cost adjusted for inflation mentioned in Note 1.4., or estimated net realizable value, whichever is lower. Land and land improvements are transferred to inventories when construction commences.

At September 30, 2004 the Company maintains allowances for impairment of certain parcels of undeveloped land totaling Ps. 8,253 (identified as Pilar, Torres Jardín IV, Constitución 1111and Terrenos Caballito).

The values thus obtained, net of the allowances recorded, do not exceed their respective estimated recoverable values at the end of period.

j. Fixed assets

Fixed assets, net comprise primarily of rental properties and other property and equipment held for use by the Company.

Fixed assets value, net of allowances set up, does not exceed estimated recoverable value at the end of the period.

Rental properties

Rental properties are carried at cost, adjusted for inflation as mentioned in Note 1.4., less accumulated depreciation. Costs incurred for the acquisition of the properties are capitalized. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which generally are estimated to be 50 years for buildings. Expenditures for ordinary maintenance and repairs are charged to results in the period incurred. Significant renovations and improvements, which improve or extend the useful life of the asset are capitalized and depreciated over its estimated remaining useful life. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation of the assets are eliminated from the accounts and the resulting gain or loss is disclosed in the statement of income.

The Company capitalizes interest on long-term construction projects. No interest costs were capitalized during the reported periods.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements (Continued)

NOTE 1: (Continued)

1.6.j. (Contd.)

At September 30, 2004 the company maintains allowances for impairment of certain rental property, totaling Ps. 9,290 (identified as Avda. Madero 1020, Reconquista 823, Avda. Madero 942 and Sarmiento 517, Suipacha 664, Av. de Mayo 595, Costitución 1111, Libertador 602, Maipú 1300, Libertador 498, Laminar Plaza and Costeros Dique IV).

Software obtained or developed for internal use

The Company capitalizes certain costs associated with the development of computer software for internal use. Costs capitalized during the period ended September 30, 2004 and the year ended June 30, 2004 were not material.

These costs are being amortized on a straight-line basis over a period of 3 years.

Other properties and equipment

Other property and equipment properties are carried at cost, adjusted for inflation as mentioned in Note 1.4., less accumulated depreciation. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

Asset	**Estimated useful life (years)**
Leasehold improvements	On contract basis
Furniture and fixtures	5
Computer equipment	3
Vehicles	5

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements are added to the car