IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
February 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 February, 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 x **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 x**

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Quarterly Financial Statements for the period ended on December 31, 2003 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 six-month period ended as of

December 31, 2003

In comparative format

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Unaudited Consolidated Balance Sheets as of December 31, 2003 and June 30, 2003

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

	December 31, 2003	**June 30, 2003**
ASSETS		
CURRENT ASSETS		
Cash and banks	93,226	87,182
Investments (Note 8)	91,519	139,105
Mortgages and leases receivables, net (Note 5)	42,260	35,594
Other receivables (Note 6)	39,064	12,147
Inventories (Note 7)	7,015	14,575
Total Current Assets	273,084	288,603
NON-CURRENT ASSETS		
Mortgages receivables, net (Note 5)	3,016	2,777
Other receivables (Note 6)	221,937	123,926
Inventories, net (Note 7)	8,232	8,767
Investments, net (Note 8)	400,192	433,760
Fixed assets, net (Note 9)	1,216,688	1,197,521
Intangible assets, net	2,292	3,239
Subtotal Non-Current Assets	1,852,357	1,769,990
Goodwill, net	(9,447)	(5,629)
Total Non-Current Assets	1,842,910	1,764,361
Total Assets	2,115,994	2,052,964
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable	33,234	25,805
Mortgages payable	2,197	2,100
Customer advances (Note 10)	16,931	13,212
Short term-debt (Note 11)	58,997	87,434
Salaries and social security charges	4,737	5,393
Taxes payable	10,910	9,778
Other liabilities (Note 12)	35,807	28,736
Total Current Liabilities	162,813	172,458
NON-CURRENT LIABILITIES		
Trade accounts payable	3,308	3,609

Customer advances (Note 10)	28,033	25,260
Long term-debt (Note 11)	597,995	592,104
Taxes payable	6,741	1,684
Other liabilities (Note 12)	6,719	7,331
Total Non-Current Liabilities	642,796	629,988
Total Liabilities	805,609	802,446
Minority interest	438,335	441,332
SHAREHOLDERS EQUITY	872,050	809,186
Total Liabilities and Shareholders Equity	2,115,994	2,052,964

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

Saúl Zang

Vicepresident and acting

president

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IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Results

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

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

	December 31, 2003	**December 31, 2002**
Mortgages, leases and services	109,106	104,121
Costs of sales, leases and services	(60,631)	(72,138)
Gross income	48,475	31,983
Selling expenses	(7,837)	(11,070)
Administrative expenses	(19,460)	(17,925)
Subtotal	(27,297)	(28,995)
Net loss in credit card trust	(210)	(2,571)
Results from operations and holding of real estate assets (Note 13)		(781)
Operating income / (loss) (Note 4)	20,968	(364)
Amortization of goodwill	(1,485)	(2,414)
Financial results generated by assets:		
Interest income	2,808	8,517
Interest on discount by assets	657	
Financial resutls	74,299	23,802
Exchange gain (loss)	13,865	(22,437)
Loss on exposure to inflation		(38,284)
Subtotal	91,629	(28,402)
Financial results generated by liabilities:		
Interest on discount by liabilities	(263)	36,472
Discounts		26,154
Exchange (loss) gain	(25,293)	161,591
Gain on exposure to inflation		33,624
Financial expenses	(32,312)	(21,858)
Subtotal	(57,868)	235,983
Financial results, net	33,761	207,581
Net loss in related companies	(7,703)	(946)
Other income, net (Note 14)	20	10,845

Income before tax and minority interest	45,561	214,702
Minority interest	(196)	(25,819)
Income tax and asset tax	(12,952)	(23,333)
Income for the period	32,413	165,550
Earning per share		
Basic (Note 24)	0.152	0.797
Diluted (Note 24)	0.101	0.508

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 Statements of Consolidated Cash Flows [1]

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

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

	December 31, 2003	December 31, 2002
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of beginning of year	187,342	28,377
Cash and cash equivalents as of end of period	125,427	215,730
Net (decrease) increase in cash and cash equivalents	(61,915)	187,353
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income for the period	32,413	165,550
Plus income tax and asset tax accrued for the period	12,952	23,333
Adjustments to reconcile net income to cash flow from operating activities:		
Equity in earnings of affiliated companies	7,703	946
Minority interest in related companies	196	25,819
Results from sale of fixed assets and intangible assets	(19)	(2,135)
Results from repurchase O.N.		(11,858)
Allowances and provisions	(205)	6,532
Amortization and depreciation	33,428	44,490
Results from operations and holding of real estate assets		781
Financial results	(39,487)	(249,884)
Changes in operating assets and liabilities:		
Decrease / (Increase) in current investments	4,223	(3,543)
Increase in non-current investments	(12,441)	(501)
Increase in mortgages and leases receivables	(9,162)	(40)
(Increase) / Decrease in other receivables	(6,182)	19,954
Decrease in inventory	4,477	20,215
Increase in intangible assets	(176)	(373)
Increase / (Decrease) in taxes payable, salaries and social security and customer advances	6,475	(4,549)
Increase / (Decrease) in accounts payable	7,128	(4,489)
Increase in accrued interest	2,075	30,453
Decrease in other liabilities	(9,517)	(13,152)
Net cash provided by operating activities	33,881	47,549
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease from equity interest in subsidiaries companies and equity investees		5,156

Decrease from equity interest in subsidiary companies	618	
Purchase of shares and options of Banco Hipotecario S.A.	(91,124)	
Sale of Banco Hipotecario S.A. shares	28,577	
Sales of fixed assets and intangible assets		2,135
Decrease in goodwill		1,182
Payment for acquisition of undeveloped parcels of land	(126)	(511)
Purchase and improvements of fixed assets	(5,065)	(4,487)
Net cash (used in) provided by Investing activities	(67,120)	3,475
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term and long-term debt		399,019
Payment of short-term and long-term debt	(37,162)	(252,814)
Decrease in minority shareholders	(2,123)	
Cash contribution from minority shareholders		86
Payment of mortgages		(8,772)
Issuance of Common Stock	16,295	
Dividends paid to minority shareholders	(4,536)	
Payment for seller financing	(1,150)	(1,190)
Net cash (used in) provided by financing activities	(28,676)	136,329
Net (decrease) increase in cash and cash equivalents	(61,915)	187,353

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

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

Saúl Zang

Vicepresident and acting

president

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IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Statements of Consolidated Cash Flows (Continued)

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

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

	December 31, 2003	December 31, 2002
Supplemental cash flow information		
Non-cash activities:		
Increase in fixed assets throug a decrease in inventory		1,230
Increase in inventory through a decrease in fixed assets	2,606	7,240
Increase in undeveloped parcerls of lands through a decrease in inventory		14,210
Decrease in investments through an increase in mortgages receivables		1,979
Issuance of credit card receivables	4,278	
Increase in customer advances through a decrease in other liabilities		2,853
Liquidation of credit card receivables	1,322	
Increase in fixed assets through a decrease in undeveloped parcerls of lands	51,501	
Increase in other liabilities through an increase in other receivables.	15,682	
Increase in other receivables through a decrease in inventory	5,890	
Increase in other receivables through a decrease in investments	7,078	
Increase in fixed assets through an increase in mortgages		3,982
Decrease in short-term and long-term debt through a decrease in other liabilities		35,566
Decrease in short-term and long-term debt through an increase in other liabilities	1,326	
Increase in investments through a decrease in mortgages receivables		766
Conversion of negotiable obligations into shares	14,148	

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited consolidated financial statements

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

In thousand of pesos

NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL

a. Basis of consolidation

The Company has consolidated its Balance Sheets at December 31, 2003 and June 30, 2003 and the statements of results and cash flow for the period ended December 31, 2003 and 2002 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, although not yet approved by the National Securities Commission. The application of this pronouncement to the financial statements of the Company does not differ significantly from the Technical Pronouncements Nos. 4 and 5 and the amendments of Technical Pronouncements 17 and 18.

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

The following table shows the data concerning the corporate control:

COMPANIES	DIRECT OR INDIRECT % OF CAPITAL		DIRECT OR INDIRECT % OF VOTING SHARES	
	Dic 31, 2003	**June 30, 2003**	**Dic 31, 2003**	**June 30, 2003**
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
Buenos Aires Trade & Finance Center S.A.	100,00	100,00	100,00	100,00
Alto Palermo S.A. (APSA)	54,64	54,79	54,64	54,79

b. Acquisition of related companies

During the year ended at June 30, 2003, the Company acquired 30.955% of the capital stock and registered, non-endorsable, convertible negotiable obligations issued by Valle de Las Leñas S.A., falling due on October 31, 2005, with a face value of US$ 3.7 million, for approximately US$ 2.4 million. On March 4, 2003, the Company sold all its shareholding and negotiable obligations in Valle de las Leñas S.A. for US$ 6.5 million.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the unaudited consolidated financial statements (Contd.)

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 has been 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 has been 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 to September 30, 2003. At December 31, 2003 however, this deviation has not had a material effect on the financial statements.

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

The following concepts are included together in the Statement of Results as Financial results generated by assets and Financial results generated by liabilities :

a. The result due to exposure to changes in the purchasing power of the currency

b. Other holding gains and losses arising during the period.

c. Financial results.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the unaudited consolidated financial statements (Contd.)

NOTE 2: (Continued)

Comparative information

Balances at December 31, 2002 shown in these unaudited financial statements for comparative purposes result from restating the amounts in the financial statements at those dates following the guidelines indicated previously.

Certain amounts in the financials statements al June 30, 2003 and December 31, 2002 were reclassified for disclosure on a comparative basis with those for the current period.

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.

a. Shares and options of Banco Hipotecario S.A.

The shares and options of Banco Hipotecario S.A. held by the Company and Ritelco S.A. (a wholly-owned subsidiary) have been valued at their quotation at the end of the period, less estimated selling expenses.

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.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the unaudited consolidated financial statements (Contd.)

NOTE 3: (Continued)

- Leases and services from shopping center operations

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

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

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

Administration fees are recognized monthly when earned. In addition to rent, tenants are generally charged admission rights , 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)

- 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, less accumulated depreciation.

- 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 and the e-business projects restated into year-end currency. Those expenses are amortized by the straight-line method in periods ranging from 2 to 3 years for each shopping mall or project, beginning as from the date of inauguration or commencement of operations.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the unaudited consolidated financial statements (Contd.)

NOTE 3: (Continued)

c. Intangible assets, net (Continued)

- Advertising expenses

Advertising expenses relate to the Torres de Abasto project and the opening of Abasto Shopping adjusted for inflation at the end of the period. The expenses incurred in relation to Torres de Abasto project are recognized in the statement of results as determined under the percentage-of-completion method. Other advertising expenses are amortized under the straight-line method over a term of 3 years.

- Investment projects

Investment projects represent expenses primarily related to marketing efforts incurred by the Alto Palermo S.A for the selling of merchandise through certain means of communication. These costs are amortized to income under the straight-line method as from the start up date of the project. These expenses are written off upon abandonment or disposal of project.

- Tenants list-Patio Bullrich

This item represents the acquired tenant list of the Patio Bullrich shopping mall restated for inflation at the end of the period and is amortized using the straight-line method over a five-year period.

Intangible assets include advertising costs incurred by the subsidiary APSA, that cannot be capitalized in accordance with current accounting standards, but which will be amortized in the coming year by the Company through application of transition rules.

The value of these assets, net of the provision recorded, does not exceed the estimated recoverable value at the end of the period.

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 life of 18 years, considering the weighted average of the remaining useful life of identifiable assets of the issuer subject to depreciation.

Additionally, also included was the goodwill from the controlled company APSA, originating from the purchase of shares of Tarshop S.A., Inversha S.A., Pentigras 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 Results.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the unaudited consolidated financial statements (Contd.)

NOTE 4: SEGMENT INFORMATION

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

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 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 December 31, 2003:

	Sales and developments	Office and Others [a]	Shopping centers	Hotels	Financial and other operations	Total
Income	13,380	7,164	68,427	20,135		109,106
Costs	(11,095)	(4,149)	(34,194)	(11,193)		(60,631)
Gross income	2,285	3,015	34,233	8,942		48,475
Selling expenses	(946)	(374)	(3,878)	(2,639)		(7,837)
Administrative expenses	(2,656)	(2,015)	(9,498)	(5,291)		(19,460)
Net loss in credit card trust			(210)			(210)
Operating (loss) / Income	**(1,317)**	**626**	**20,647**	**1,012**		**20,968**
Depreciation and amortization [b]	(1,592)	2,962	26,649	2,843		30,862
Addition of fixed assets and intangible assets	**426**	**48**	**4,392**	**690**		**5,556**
Non-current investments in other companies			**7,405**	**14,588**		**21,993**
Operating assets	**285,571**	**251,032**	**979,691**	**112,013**		**1,628,307**
Non - Operating assets	**58,702**	**51,602**	**55,773**	**3,559**	**318,051**	**487,687**
Total assets	**344,273**	**302,634**	**1,035,464**	**115,572**	**318,051**	**2,115,994**
Operating liabilities	**6,984**	**4,253**	**80,880**	**7,233**		**99,350**
Non-Operating liabilities	**152,991**	**137,291**	**222,673**	**41,275**	**152,029**	**706,259**
Total liabilities	**159,975**	**141,544**	**303,553**	**48,508**	**152,029**	**805,609**

(a) Includes offices, commercial and residential premises.

(b) Included in operating income / loss.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the unaudited consolidated financial statements (Contd.)

NOTE 4: (Continued)

As of December 31, 2002

	Sales and developments	Office and Others [a]	Shopping centers	Hotels	Financial and other operations	Total
Income	21,839	9,959	54,781	17,542		104,121
Costs	(25,085)	(4,402)	(33,334)	(9,317)		(72,138)
Gross (loss) income	(3,246)	5,557	21,447	8,225		31,983
Selling expenses	(1,635)	(308)	(7,072)	(2,055)		(11,070)
Administrative expenses	(2,997)	(1,381)	(8,851)	(4,696)		(17,925)
Net loss in credit card trust			(2,571)			(2,571)
Results from operations and holding of real estate assets	(781)					(781)
Operating (loss) / Income	**(8,659)**	**3,868**	**2,953**	**1,474**		**(364)**
Depreciation and amortization [b]	1,561	3,078	29,857	2,444		36,940
Addition of fixed assets and intangible assets [c]	**4,294**	**49**	**3,449**	**5,627**		**13,419**
Non-current investments in other companies [c]			**8,527**	**13,387**		**21,914**
Operating assets [c]	**299,381**	**255,890**	**994,917**	**112,124**		**1,662,312**
Non-operating assets [c]	**43,859**	**37,487**	**54,029**	**3,030**	**252,247**	**390,652**
Total assets [c]	**343,240**	**293,377**	**1,048,946**	**115,154**	**252,247**	**2,052,964**
Operating liabilities [c]	**6,562**	**4,582**	**69,349**	**4,664**		**85,157**
Non-operating liabilities [c]	**154,084**	**138,190**	**224,640**	**42,290**	**158,085**	**717,289**
Total liabilities [c]	**160,646**	**142,772**	**293,989**	**46,954**	**158,085**	**802,446**

(a) Includes offices, commercial and residential premises.

(b) Included in operating income/loss.

(c) At June 30, 2003.

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:

	December 31, 2003		June 30, 2003	
	Current	Non-Current	Current	Non-Current
Debtors from sale of real estate	2,414	1,602	3,805	1,789
Unearned interest	(60)	(173)	(67)	(194)
Debtors from rent	42,232	1,630	45,973	1,236
Rent in litigation	21,678		22,054	
Debtors under legal proceedings	1,689		2,338	
Checks to be deposited	11,582		6,177	
Related parties	88		137	
Trade accounts receivable for hotel activities	2,710		1,877	
Less:				
Allowance for doubtful accounts	(596)		(593)	
Allowance for doubtful leases	(39,477)	(43)	(46,107)	(54)
	42,260	3,016	35,594	2,777

NOTE 6: OTHER RECEIVABLES

The breakdown for this item is as follows:

	December 31, 2003		June 30, 2003	
	Current	Non-Current	Current	Non-Current
Asset tax	1,182	51,018	59	48,674
Value Added Tax (VAT)	429	2,354	310	2,542
Related parties	23,042	10	633	17
Guarantee deposits	327	77	890	693
Prepaid expenses			169	

Expenses to be recovered	2,666		1,989	
Fund administration	208		232	
Advances to be rendered	2,421		824	
Gross sales tax	343	427	252	318
Deferred income tax		62,610		66,134
Sundry debtors	1,901		2,079	
Operation pending settlement	2,036	86,893	40	
Income tax prepayments and withholdings	300		983	31
Country club debtors	462		462	
Rebilled condominium expenses			651	
Trust accounts receivable	1,435	510		433
Tax credit certificates	1,752		2,265	
Interest rate swap receivable	375	14,696	307	8,172
Mortgages receivables		2,208		2,208
Present value other receivables		(2,450)		(3,106)
Credit from barter of Edificios Cruceros		5,760		
Allowance for doubtful accounts		(2,208)		(2,208)
Other	185	32	2	18
	39,064	221,937	12,147	123,926

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 7: INVENTORIES

The breakdown for this item is as follows:

	December 31, 2003		June 30, 2003	
	Current	Non-Current	Current	Non-Current
Dique II			5,648	
Minetti D	42		42	
Madero 1020			1,373	
Rivadavia 2768	116		116	
Sarmiento 517	40		245	
Torres Jardín	245		245	
Abril/Baldovinos	4,159	6,041	5,397	5,822
San Martín de Tours	939	2,191		2,945
Other	181		396	
Torres de Abasto	555		555	
Resale merchandise	77		99	
Bonus merchandise	96		105	
Other properties	565		354	
	7,015	8,232	14,575	8,767

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 8: INVESTMENTS

The breakdown for this item is as follows:

	December 31, 2003	June 30, 2003
Current		
Cedro [1]	100	128
Lebacs [1]		1,361
Bocanova [1]	260	305
Boden [1]	54	1,329
IRSA I Trust Exchangeable Certificate [1]	1,380	1,324
Banco Hipotecario [1]	10,327	
Time deposits and money markets	19,896	27,505
Mutual funds [2]	53,632	102,396
Tarshop Trust [1]	5,812	4,719
Interest Banco Ciudad de Bs. As. Bond [1]	30	
Other investments [1]	28	38
	91,519	139,105
Non-current		
Llao Llao Resorts S.A.	14,588	13,387
Banco de Crédito y Securitización S.A.	7,007	7,007
Banco Hipotecario S.A.	29,746	23,677
Pérez Cuesta S.A.C.I.	5,217	5,628
E-Commerce Latina S.A	2,188	2,899
Banco Hipotecario S.A. options	22	
IRSA I Trust Exchangeable Certificate	6,491	8,777
Tarshop Trust	4,259	2,567
Banco Ciudad de Bs. As. Bond	906	
Art work	37	37
Other	11,413	
	81,874	63,979
Undeveloped parcels of land:		
Constitucion 1111	1,146	1,146
Dique IV	6,160	6,160
Caballito plots of land	13,616	13,616
Padilla 902	71	71
Pilar	3,109	3,109

Torres Jardín IV	2,231	2,231
Puerto Retiro	46,292	46,257
Benavidez [3]	10,748	10,748
Santa María del Plata	124,594	124,594
Pereiraola	21,875	21,875
Bs. As. Trade and Finance Center S.A	25,973	25,973
Air space Supermercado Coto	9,080	9,080
Caballito	26,000	26,000
Rosario		51,501
Neuquén	8,539	8,539
Alcorta Plaza	15,953	15,950
Other parcels of undeveloped land	2,931	2,931
	318,318	369,781
	400,192	433,760

(1) Not considered as cash por purposes of the statements of cash flow

(2) Ps. 40,063 corresponding to the Dolphin Fund PLC al December 31, 2003 not considered as cash for purpose of the statement of cash flow and Ps. 1,264 corresponding to the NCH Development Partner fund at December 31, 2003 not considered as cash for purpose of the statement of cash flows.

(3) Through its subsidiary Inversora Bolivar S.A., the Company granted an option of US$ 3,980,000 to purchase this building, expiring on May 15, 2004.

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 9: FIXED ASSETS, NET

The breakdown for this item is as follows:

	December 31, 2003	June 30, 2003
Hotels		
Hotel Intercontinental	56,114	57,177
Hotel Libertador	38,800	39,890
	94,914	97,067
Office buildings		
Avda. de Mayo 595	4,067	4,112
Avda. Madero 942	1,990	2,006
Edificios costeros (Dique II)	17,776	17,937
Laminar Plaza	27,791	28,021
Libertador 498	35,155	35,444
Libertador 602	2,468	2,488
Madero 1020	3,788	6,433
Maipú 1300	40,408	40,771
Reconquista 823	16,925	17,075
Sarmiento 517	164	166
Suipacha 652	9,849	9,945
Alto Palermo Plaza		2
Intercontinental Plaza	63,042	63,728
Costeros Dique IV	17,429	17,566
	240,852	245,694
Commercial real estate		
Alsina 934	1,471	1,485
Constitución 1111	399	403
	1,870	1,888
Other fixed assets		
Abril	1,893	2,189
Alto Palermo Park	417	420
Thames	3,423	3,650
Other	3,442	3,489
	9,175	9,748

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 9: (Continued)

	December 31, 2003	June 30, 2003
Shopping Center		
Alto Avellaneda	101,238	105,133
Alto Palermo	238,333	247,477
Paseo Alcorta	70,851	72,690
Abasto	214,831	221,314
Patio Bullrich	124,784	127,803
Buenos Aires Design	24,613	25,840
Alto Noa	23,147	23,810
Rosario	53,885	
Other properties	10,638	10,743
Other	7,557	8,314
	869,877	843,124
Total	**1,216,688**	**1,197,521**

NOTE 10: CUSTOMER ADVANCES

The breakdown for this item is as follows:

	December 31, 2003		June 30, 2003	
	Current	Non-Current	Current	Non-Current
Admission rights	10,006	17,265	7,442	14,044
Leases advances	4,856	10,768	4,183	11,216
Customer advances	2,069		1,587	
	16,931	28,033	13,212	25,260

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 11: SHORT AND LONG TERM DEBT

The breakdown for this item is as follows:

	December 31, 2003		June 30, 2003	
	Current	Non-Current	Current	Non-Current
Convertible bond APSA 2006 (1)		53,820		55,550
Accrued interest- Convertible bond APSA 2006 (1)	2,534		2,418	
Negotiable obligations APSA (2)	3,059	74,802	3,640	73,617
Accrued interest- Negotiable obligations APSA (2)	2,221		1,554	
Bank debts (3)	38,764	95,901	71,138	91,464
Accrued interest - bank loans (3)	4,597		3,032	
Bond 100 M. (4)		276,951		279,235
Interest-Bond 100 M. (4)	2,913		2,765	
Negotiable obligations 2009 - principal amount (5)		96,521		92,238
Negotiable obligations 2009 - accrued interest (5)	4,909		2,677	
Other			210	
	58,997	597,995	87,434	592,104

(1) Corresponding to the Negotiable Bonds Convertible to stock (CNB) issued by APSA for a value of US$ 50 million, as detailed in Note 22 to the consolidated financial statements, net of the CNB underwritten by the Company for Ps. 30,929 thousand, net of fees and expenses related to issue of debt to be accrued.

(2) Includes:

(a) Ps. 48,773 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. 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, net of issue expenses.

(b) Ps. 9,610 thousand corresponding to secured general liabilities of APSA originally issued for a value of US$ 40,000 thousand, and which mature on 13 January 2005, on which date the full amount of the principal will be amortized. As a detailed on Note 15 the current negotiable bonds are secured by the fiduciary assignment in the interest of the holders of the total share capital in Shopping Alto Palermo S.A. 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, net of issue expenses.

(c) Ps. 19,478 thousand corresponding to secured general liabilities in Shopping Alto Palermo S.A. (SAPSA). As a detailed on Note 15 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, net of issue expenses.

(3) Includes mainly:

(a) US$ 30,8 million corresponding to an unsecured loan falling due in the year 2009, as detailed in Note 5 to the unaudited basic financial statements.

(b) Ps. 35,987 thousand current, corresponding to a loan secured with real estate assets belonging to Hoteles Argentinos S.A., as detailed in Note 15 to the unaudited consolidated financial statements.

(c) Ps. 8,302 thousand corresponding to other current bank loans.

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

(5) Corresponding to the issue of Negotiable Bonds secured with certain Company assets maturing in the year 2009, as detailed in Note 5 and 10 c. a to the unaudited basic 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:

	December 31, 2003		June 30, 2003	
	Current	Non-current	Current	Non-current
Seller financing	5,588		6,625	
Dividends payable	2,652		1,521	1,182
Intercompany	2,884		3,283	1
Guarantee deposits	525	1,417	726	977
Provision for discounts	9		9	
Provision for lawsuits and contingencies	1,215	4,605	1,170	4,682
Directors fees	91		7,840	
Rebilled condominium expenses	183		444	
Directors deposits		8		8
Fund administration	491		491	
Operation pending settlement	15,682		16	
Collections on behalf of third parties			5	
Pending settlements for sales of plots	770		113	
Contributed leasehold improvements	212	796	212	902
Donations payable	3,645		4,827	
Present value other liabilities		(119)		(433)
Other	1,860	12	1,454	12
	35,807	6,719	28,736	7,331

NOTE 13: RESULTS FROM OPERATIONS AND HOLDINGS OF REAL ESTATE ASSETS

The breakdown for this item is as follows:

	December 31, 2003	December 31, 2002
Results from transactions related to shares of real estate companies		(781)
Results from holding of real estate assets		
(1)		(781)

(1) This item includes losses from the quotation of shares in real estate companies, premiums on issuance of shares earned and losses from the impairment of real estate assets.

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 14: OTHER INCOME AND EXPENSES

The breakdown for this item is as follows:

	December 31, 2003	December 31, 2002
Other income:		
Gain on early redemption of debt		11,858
Gain from the sale of fixed assets and intangible assets	19	2,135
Other	1,006	568
	1,025	14,561
Other expenses:		
Unrecoverable VAT	(405)	(428)
Donations	(220)	(120)
Contingencies for lawsuits	(78)	(2,099)
Debit and credit tax	(494)	(717)
Recovery of allowance for doubtful accounts	336	
Other	(144)	(352)
	(1,005)	(3,716)
Other income, net	20	10,845

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 15: 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 purchased from *Tandanor S.A.* (Tandanor).

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

In June 1993, Tandanor sold the plot of land near Puerto Madero denominated *Planta 1* to Puerto Retiro S.A.

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 other companies or individuals which, according to its view, acted as an economic group, and therefore, requested the extension of the bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor. The lawsuit is at its first stages. 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 of Hoteles Argentinos S.A. held on January 5, 2001, approved taking a long-term mortgage loan from Bank Boston N.A. for a total 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 applicable in the six month period ended December 31, 2003 it 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 15: (Continued)

At the date of issue of these unaudited financial statements, 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, October 26, 2002, January 29, April 29, July 29, October 26, 2003 and January 26, 2004 respectively and the interest installment amounting to US$ 1,015 thousand falling due on July 29, October 26, 2002, January 29, April 29, July 29, October 29, 2003 and January 26, 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 in these unaudited financial statements.

Alto Palermo S.A.- Restricted assets.

a) As of December 31, 2003, Shopping Neuquén S.A. includes Ps. 41,790 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 December 31, 2003, 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 and Ps. 185,424 restricted by the National Court on Civil Matters No. 6, Secretariat 12, in connection with the case Metal Design SRL against Alto Palermo S.A. (APSA) due to unpaid invoices.

d) At December 31, 2003, the shares of Emprendimiento Recoleta S.A. are pledged.

e) At December 31, 2003 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 16: 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. 102.7 million of its customer credit card receivable. Under the securitization programs, the Trusts issued Ps. 14.5 million nominal value subordinated CPs. Ps. 26.7 million 12% fixed-rate interest TDFs and Ps. 22.5 million 18% fixed-rate interest TDFs, and Ps. 17.1 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. 0.4 million, which were acquired by Tarshop S.A. As a credit protection for investors, Tarshop has established cash reserves for losses amounting to Ps. 1.3 million.

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 17: PURCHASE OF SHARES AND OPTION 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 warrants at US$ 33,86 each, granting the right to purchase an additional total of 3,753,700 shares. This transaction implied a total disbursement of US$ 11.1 million.

Subsequent to December 31, 2003, the Company exercised a substantial part of the above options purchased together with the options it had prior to the closing of the period.

Therefore, at the date of issuing these financial statements, the total holding amounted to 19,969,716 shares.

NOTE 18: IRSA INTERNATIONAL LIMITED INVESTMENT´S 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.

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 18: (Continued)

In September and December 2000, the Company had made additional contributions to ITNV for US$ 3 million, generating an increase in its participation in the capital stock at that date of 62%.

As a result of the Reorganization, the Companies are now wholly owned subsidiaries of ITNV. Following the Reorganization, the Company held a 49.36% interest in ITNV.

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

NOTE 19: MORTGAGE RECEIVABLE SECURITIZATION

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

On December 17, 2001, IRSA, Inversora Bolivar S.A. and Baldovinos S.A., parties of the first part (hereinafter the Trustors) and Banco Sudameris Argentina S.A., party of the second part (hereinafter the Trustee), have 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 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:

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 19: (Continued)

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.

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 Flow, 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, assets and debts in U.S. dollars or other foreign currencies 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 was 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 (coefficient of salary fluctuation), and also to modify the face of the Participation Certificates Class D, with the new face value being Ps. 10,321,280.

At December 31, 2003, the Exchangeable Class C and D Participation Certificates amounted to thousand Ps. 6,556 in IRSA, thousand Ps. 1,045 in Inversora Bolivar S.A., and thousand Ps. 270 in Baldovinos S.A. Class A and B Certificates are totally amortized at the closing of the period.

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 20: CAPITAL REDUCTION IN PALERMO INVEST S.A. AND INVERSORA BOLIVAR S.A.

On November 9, 2001, IRSA Inversiones y Representaciones S.A. (the Company) and GSEM/AP Holdings L.P. (GSEM) entered into a first amendment to the Shareholders Agreement entered into on February 25, 1998, which was followed by a second amendment dated November 27, which established, among other issues, the following:

a) The capital reduction of Palermo Invest S.A. by thousand Ps. 37,169.

b) The unanimous approval of Palermo Invest S.A. s shareholders of a cash dividend for a total amount in pesos equivalent to thousand US$ 19,702, provided this amount does not exceed, on the payment dates, the amount legally distributable. As stated in Decree No. 214/02, the dollar rate of exchange mentioned above has been left without effect.

c) The assignment by the Company in favor of GSEM of rights proportional to the dividends mentioned in b) (called IRSA Dividend Right), in such a way that GSEM will have the right to collect all the dividends that may be approved (called GSEM Dividend Right), with the scope defined in point g).

d) The Company s obligation to pay a total amount of thousand US$ 13,135 to GSEM (called GSEM Credit), to be settled in two equal installments for a total amount of US$ 6,567 each, plus interest accrued at the time of payment, the first installment falling due on January 31, 2002 and the second on April 30, 2002.

e) The entering into a Share Trust Agreement pursuant to which the Company has assigned in trust, under the terms of Law No. 24,441, in favor of the Trustee (ABN AMRO BANK N.V.), all the shares it owns in Palermo Invest S.A. Under no circumstances, may the Trustee transfer, pledge or otherwise assign IRSA s shares either wholly or partially to any Person, and it must at all times exercise the voting rights granted by the shares as indicated by IRSA. Under the trust provisions, GSEM is not empowered, at any time, to request the trustee to extinguish the right to redeem IRSA s shares. Upon the Company s total fulfillment of its obligations to GSEM, the trustee must return the shares to IRSA under the terms and conditions of the trust agreed with the Trustee.

f) GSEM is empowered to collect all the distributions that Palermo Invest S.A. may resolve, provided the Company has not settled all the obligations generated in favor of GSEM, as provided in point d) above.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 20: (Continued)

g) Finally, the Company and GSEM/AP Holdings L.P. acknowledge that: i) all the amounts received in cash by GSEM from Palermo Invest S.A. on account of IRSA Dividend Right, must be considered as a reduction in the amount owed by IRSA under the GSEM Credit, and ii) all the amounts received in cash by GSEM on account of the GSEM Credit will oblige GSEM to return to IRSA the equivalent portion of IRSA Dividend Right, but if IRSA pays the total amount plus all accrued interest and reasonable costs to GSEM, IRSA may then recover its rights regarding the IRSA Dividend Right.

At 30 June 2003, the Company has settled all the installments referred to in item d) amounting to a total of Ps. 39,208 thousand, recording a profit of Ps. 25,962 thousand as a result of a remission by GSEM. Along these lines, at the date of issue of these unaudited financial statements, the aspects referred to in items c), e), f) and g) are null and void.

NOTE 21: DERIVATIVE INSTRUMENTS

The Company 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

- Interest rate swaps

Interest rate swaps are used to hedge interest rate exposure. Liabilities generated by the interest rate swap have been valued at estimated settlement cost.

Differences generated by application of the mentioned criteria to assets and liabilities under swaps for derivatives were recognized in the results for the period.

In order to minimize its financing costs and manage interest rate exposure, 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.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 21: (Continued)

At March 31, 2001 the Company had an interest rate swap agreement outstanding with an aggregate notional amount of Ps. 85.0 million with maturities through March 2005. This swap agreement initially allowed the Company to reduce the net cost of its debt. However, subsequent to June 30, 2001, the Company 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, the Company 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 maturities through March 2005, which as of December 31, 2003 has a fair value of US$ 44.98 million. Any difference payable or receivable it accrued an recorded as an adjustment to disbursements for interest in the Statement of Results. During the periods ended December 31, 2003 and 2002, APSA recognized a gain of Ps. 9.42 million and of Ps. 27.16 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

Futures Silver March 2004 New York Market

Metal	Number of ounces	Average Purchasing Price US$	Quotation at 12-31-2003 US$
Silver	1,000,000	5.450	5.965

The results generated at December 31, 2003 corresponding to the silver futures transaction amount to Ps. 1,483,200 equivalent to US$ 515,000 and are recorded in the line Financial results generated by assets in the Statement of Results.

Futures Gold February 2004 New York Market

Metal	Number of ounces	Average Purchasing Price US$	Quotation at 12-31-2003 US$

Gold	14,000	402.40	416.10

The results generated at December 31, 2003 corresponding to the gold futures transaction amount to Ps. 552,385 equivalent to US$ 191,800 and are recorded in the line Financial results generated by assets in the Statement of Results.

In guarantee of both futures transactions, the Company deposited US$ 553,500 in the account of the Stock Broker.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the unaudited consolidated financial statements (Contd.)

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

On July 19, 2002, Alto Palermo S.A. issued Series I of Negotiable Obligations convertible for ordinary, book-entry 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 will be converted at the option of each holder into ordinary book entry 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.

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.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 22: (Continued)

The Convertible Negotiable Obligations were paid in cash or by using liabilities due from APSA on the subscription date.

The Company 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 December 31, 2003, third party holders of Convertible Negotiable Obligations to ordinary Company shares, have exercised their right to convert them for a total US$ 669,144, generating the issuing of 19,902,543 ordinary shares with a face value of Ps. 0.1 each. As a result of conversions, the Company has recorded a loss of Ps. 7.9 million arising from the stock watering of 1.07 % of its shareholding in APSA, which is disclosed in the Net loss in related companies line in the consolidated Statement of Results.

The total amount of Convertible Negotiable Obligations at December 31, 2003 was US$ 49.3 million.

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

The Company and Telefónica de Argentina S.A. have undertaken 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. 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.

In addition, E-Commerce Latina S.A. has granted an irrevocable option to acquire Class B shares representing 15% of the corporate capital of Altocity.com S.A. in favor of Consultores Internet Managers Ltd., a company organized in the Cayman Islands, in order to act as representative of the Management of Altocity.com S.A. and represented by an independent lawyer. That option may be exercised during a term of 8 years as from February 26, 2000, at a price equivalent to current and future contributions to be made in Altocity.com S.A., plus interest to be accrued at a rate of 14% and to be capitalized annually.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the unaudited consolidated financial statements (Contd.)

NOTE 24: EARNINGS PER SHARE

Below is a reconciliation between the weighted average of ordinary outstanding shares and the weighted average of diluted ordinary shares. The latter has been determined considering the possibility of holders of Negotiable Obligations convertible into Ordinary Shares of the Company for a nominal value of up to US$ 100,000,000, mentioned in Note 11 to the basic financial statements, exercising their right to convert the bonds held by them into shares.

Weighted average outstanding shares total 213,469.

Conversion of securities into debt.

Weighted average diluted ordinary shares total 561,251

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

	31.12.03	**31.12.02**
Result for calculation of basic earnings per share	32,413	165,550
Exchange difference	13,121	(16,000)
Interest	11,401	3,520
Result for calculation of diluted earnings per share	56,935	153,070
Net basic earnings per share	0.152	0.797
Net diluted earnings per share	0.101	0.508

IRSA Inversiones y Representaciones

Sociedad Anónima

Free translation of the

Unaudited Financial Statements

for the six-month period ended as of

December 31, 2003

In comparative format

IRSA Inversiones y Representaciones Sociedad Anónima

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 December 31, 2003

compared with the previous year

Stated in thousand of pesos

Fiscal year No. 61 beginning July 1º, 2003

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 Schedule C.

CAPITAL COMPOSITION (Note 9)

	Authorized for Public Offer of	**In thousands of pesos**	
Type of stock	**Shares**	**Subscribed**	**Paid up**
Common stock, 1 vote each	229,289,058	229,290	229,290

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Balance Sheets as of December 31, 2003 and June 30, 2003

In thousand of pesos (Note 1)

	December 31, 2003	June 30, 2003
ASSETS		
CURRENT ASSETS		
Cash and banks (Schedule G)	32,173	54,569
Investments (Schedules C, D and G)	27,381	79,569
Mortgages and leases receivables (Note 2)	3,158	2,889
Other receivables (Note 3 and Schedule G)	26,134	20,035
Inventories (Note 4)	1,779	8,172
Total Current Assets	90,625	165,234
NON-CURRENT ASSETS		
Mortgages receivables (Note 2)	232	256
Other receivables (Note 3)	133,133	87,443
Inventories (Note 4)	2,630	3,382
Investments, net (Schedules C, D and G)	958,597	883,664
Fixed assets, net (Schedule A)	181,689	185,854
Intangible assets, net (Schedule B)		
Total Non-Current Assets	1,276,281	1,160,599
Total Assets	1,366,906	1,325,833
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable (Schedule G)	2,070	2,323
Mortgages payable (Schedule G)	2,197	2,100
Customer advances	556	899
Short - term debt (Note 5 and Schedule G)	12,418	38,581
Salaries and social security payable	479	559
Taxes payable (Schedule G)	3,790	3,011
Other liabilities (Note 6)	8,371	10,495
Total Current Liabilities	29,881	57,968
NON-CURRENT LIABILITIES		
Long - term debt (Note 5 and Schedules G)	463,848	457,838
Customer advances		18
Taxes payable	51	74
Other liabilities (Note 6 and Schedule G)	1,076	749
Total Non-Current Liabilities	464,975	458,679

Total Liabilities	494,856	516,647
SHAREHOLDERS EQUITY (As per relevant statement)	872,050	809,186
Total Liabilities and Shareholders Equity	1,366,906	1,325,833

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

Saúl Zang

Vicepresident and acting president

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Results

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

In thousand of pesos (Note 1)

	December 31, 2003	**December 31, 2002**
Sales, leases and services	16,894	21,210
Cost of sales, leases and services (Schedule F)	(13,950)	(21,548)
Gross Income (loss)	2,944	(338)
Selling expenses (Schedule H)	(860)	(914)
Administrative expenses (Schedule H)	(4,487)	(3,931)
Subtotal	(5,347)	(4,845)
Results from operations and holding of real estate assets		(781)
Operating results	(2,403)	(5,964)
Financial results generated by assets:		
Interest income	5,625	870
Exchange gain (loss)	15,206	(21,615)
Loss on exposure to inflation		(34,152)
Gain on financial operations	18,178	7,325
Interest on discount of assets	79	
Subtotal	39,088	(47,572)
Financial results generated by liabilities:		
Discounts		26,154
Exchange (loss) gain	(21,759)	126,849
Gain on exposure to inflation		26,804
Interest on discount of liabilities	34	36,472
Financial expenses (Schedule H)	(20,589)	(22,421)
Subtotal	(42,314)	193,858
Financial results, net	(3,226)	146,286
Equity in earnings of controlled and affiliated companies (Note 8 c.)	41,249	27,281
Other expenses, net (Note 7)	(875)	(1,009)
Income before tax	34,745	166,594
Income tax and asset tax (Note 1.6 m., n. and 12)	(2,332)	(1,044)
Income for the period	32,413	165,550

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

Saúl Zang

Vicepresident and acting president

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Changes in Shareholders Equity

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

In thousand of pesos (Note 1)

	Shareholders contributions						Reserved Earnings			
Items	**Common Stock**	**Treasury stock**	**Inflation adjustment of common stock**	**Inflation adjustment of treasury stock**	**Additional paid-in-capital**	**Total**	**Legal reserve**	**Retained deficit**	**Total as of December 31, 2003**	**Total as of December 31, 2002**
Balances as of beginning of year	212,013		274,387		569,489	1,055,889	19,447	(266,150)	809,186	522,720
Issuance of common stock	17,277				13,174	30,451			30,451	
Income for the period								32,413	32,413	165,550
Balances as of December 31, 2003	229,290		274,387		582,663	1,086,340	19,447	(233,737)	872,050	
Balances as of December 31, 2002	207,412	4,588	268,524	5,863	569,481	1,055,868	19,447	(387,045)		688,270

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

Saúl Zang

Vicepresident and acting president

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Cash Flows (1)

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

In thousand of pesos (Note 1)

	December 31, 2003	December 31, 2002
CHANGES IN CASH		
Cash and cash equivalents as of beginning of year	120,292	5,035
Net (decrease) increase in cash and cash equivalents	(79,097)	142,643
Cash and cash equivalents as of end of period	41,195	147,678
CAUSES OF CHANGES IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income for the period	32,413	165,550
Adjustments to reconcile net income to cash flow from operating activities:		
Equity in earnings of controlled and affiliated companies	(41,249)	(27,281)
Results from operations and holding of real estate assets		781
Allowances and provisions	32	125
Amortization and depreciation	2,569	3,991
Financial results	(2,893)	(166,362)
Income tax and asset tax	2,332	1,044
Changes in assets and liabilities:		
Decrease (Increase) in current investments	4,992	(1,863)
Increase in non-current investments	(610)	(17,722)
Decrease in mortgages and leases receivables	109	6,160
(Increase) Decrease in other receivables	(3,572)	22,343
Decrease in inventory	3,861	14,140
Increase (Decrease) in taxes payable, salaries and social security and customer advances	314	(140)
Decrease in accounts payable	(252)	(1,136)
Increase in accrued interest	3,940	8,255
Decrease in other liabilities	(7,259)	(1,570)
Net cash (used in) provided by operating activities	(5,273)	6,315
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease from equity interest in subsidiary companies	618	6,328
Increase interest in subsidiary companies	(41,886)	(22,643)
Purchase of shares and options of Banco Hipotecario S.A.	(63,747)	
Sale of shares of Banco Hipotecario S.A.	28,577	
Purchase of Alto Palermo S.A. shares	(2,718)	
Loans granted to related parties	15,622	(31,320)
Purchase and improvements of fixed assets	(435)	(3,792)

Dividends collected	5,464	
Net cash used in investing activities	(58,505)	(51,427)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Prceeds from short-term and long-term debt		351,652
Payment of short-term and long-term debt	(30,464)	(162,707)
Payment for seller financing	(1,150)	
Issuance of common stock	16,295	
Loan granted by related companies		(1,190)
Net cash (used in) provided by financing activities	(15,319)	187,755
Net (decrease) increase in cash and cash equivalents	(79,097)	142,643

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

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

Saúl Zang

Vicepresident and acting president

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Cash Flows (Continued)

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

In thousand of pesos (Note 1)

	December 31, 2003	December 31, 2002
Supplemental cash flow information		
Non-cash activities:		
Increase in inventory through a decrease in fixed assets	2,606	7,240
Increase in fixed assets through a decrease in inventory		171
Increase in undeveloped parcels of land through a decrease in inventory		25,312
Decrease in short and long term debt through an increase in other payable	1,326	
Decrease in short and long term debt through an increase in other receivables		7,447
Decrease in other receivable for APSA bond		82,299
Decrease in non current investments through an increase in other receivables	9,298	
Increase in non current investments through a decrease in other receivables	14,200	458
Increase in other current liabilities through an increase in other receivables	5,313	
Increase in fixed assets through an increase in mortgages payable		927
Conversion of negotiable obligations into shares	14,148	

Saúl Zang

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements

For the six month periods beginning on

July 1, 2003 and 2002

and ended December 31, 2003 and 2002

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; establishing that those Technical Pronouncements and amendments to them will come into force for fiscal years commencing as from July 1, 2002, (except for TR 20, whose effective date tallies with the financial years commencing January 1, 2003).

The National Securities Commission has adopted the mentioned Technical Pronouncements, incorporating certain amendments, to be in effect as from years commenced on January 1, 2003.

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 incorporates, became effective for financial years beginning as from April 1, 2003. However, the National Securities Commission had not accepted it at the date of these financial statements.

The principal changes incorporated by the new Technical Pronouncements, which have had a material effect on the financial statements of the Company, are as follows:

Incorporation of strict guidelines for purposes of comparison against recoverable values.

Obligatory requirement regarding application of the deferred tax method for recognition of income tax.

Incorporation of new disclosure requirements, including information by segment, earnings per share and comparative information to be filed.

Adoption of an accounting model in which the intention of the Company prevails in defining the valuation criteria to be adopted. Furthermore, receivables and payables were recognized in general at their discounted values.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

Determination of guidelines for recognition, measurement and disclosure of derivatives and hedge operations.

Research, development, trademarks, advertising, reorganization and other costs cannot be capitalized. Only organization and pre-operating costs that meet certain requirements can be capitalized.

Change of method for recognition of business combinations (acquisitions, pooling of interests, spin-offs and mergers).

Incorporation of guidelines to be followed to determine whether certain transactions (financial instruments issued by the Company, irrevocable contributions, preferred shares) must be classified under liabilities or shareholders equity.

A detail of effect on results at December 31, 2002 from application of the new accounting standards is included in the following table:

Item	Effect on results at 31.12.02 (comparative) Ps.