

IRSA INVESTMENTS & REPRESENTATIONS INC
Form 20-F
December 30, 2008
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United States
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: June 30, 2008

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number: 1-13542

**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)

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Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

(C1066AAB) Buenos Aires, Argentina

(Address of principal executive offices)

Gabriel Blasi

Chief Financial Officer

Tel +(5411) 4323-7449 finanzas@irsa.com.ar

Moreno 877 22nd Floor

(C1091AAQ) Buenos Aires, Argentina

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Global Depository Shares, each representing	
ten shares of Common Stock	New York Stock Exchange
Common Stock, par value one Peso per share	New York Stock Exchange*

* Not for trading, but only in connection with the registration of Global Depository Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of the issuer's common stock as of June 30, 2008 was 578,676,460.

Indicate by check mark if the registrant is a well known **seasoned issuer**, as defined in Rule 405 of the Securities Act:

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

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Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer **Accelerated filer** **Non-accelerated filer**

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by
the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a **shell company** (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward looking statements.

This annual report includes forward-looking statements, principally under the captions Summary, Risk Factors, Operating and Financial Review and Prospects and Business Overview. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

changes in general economic, business, political or other conditions in Argentina or changes in general economic or business conditions in Latin America;

changes in capital markets in general that may affect policies or attitudes toward lending to or investing in Argentina or Argentine companies;

changes in exchange rates or regulations applicable to currency exchanges or transfer;

unexpected developments in pending litigation;

increased costs;

unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

the risk factors discussed under Risk Factors .

The words believe, may, will, aim, estimate, continue, anticipate, intend, expect, forecast and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

CERTAIN MEASUREMENTS AND TERMS

As used throughout this annual report, the terms IRSA, the Company, we, us, and our refer to IRSA Inversiones y Representaciones Sociedad Anónima, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

In Argentina the standard measure of area in the real estate market is the square meter (m²), while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq. ft.). All units of area shown in this annual report (e.g., gross leasable area of buildings and size of undeveloped land) are expressed in terms of square meters. One square meter is equal to approximately 10.764 square feet. One hectare is equal to approximately 10,000 square meters and approximately 2.47 acres.

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

In this annual report where we refer to *Peso*, *Pesos*, or *Ps.* we mean Argentine pesos, the lawful currency in Argentina; when we refer to *U.S. dollars*, or *US\$* we mean United States dollars, the lawful currency of the United States of America; and when we refer to *Central Bank* we mean the Argentine Central Bank.

This annual report contains our audited consolidated financial statements as of June 30, 2008 and 2007 and for the fiscal years ended June 30, 2008, 2007 and 2006 (our audited consolidated financial statements), which have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein.

We prepare our consolidated financial statements as of June 30, 2008 and 2007 in thousands of Pesos and in accordance with generally accepted accounting principles in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (*FACPCE*) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (*CPCECABA*) (collectively, *Argentine GAAP*) and the regulations of the *Comisión Nacional de Valores*, which differ in certain significant respects from accepted accounting principles in the United States of America (*U.S. GAAP*). Such differences involve methods of measuring the amounts shown in the consolidated financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the U.S. Securities and Exchange Commission (*SEC*). See Note 28 to our consolidated financial statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income and shareholders' equity.

In order to comply with regulations of the *Comisión Nacional de Valores*, we recognized deferred income taxes on an undiscounted basis. This accounting practice represented a departure from Argentine GAAP for the years ended June 30, 2006. However, such departure has not had a material effect on our consolidated financial statements. As further discussed below, the CPCECABA issued revised accounting standards, one of which required companies to account for deferred income taxes on an undiscounted basis, thus aligning its accounting practices with that of the *Comisión Nacional de Valores*. Since the *Comisión Nacional de Valores* adopted the CPCECABA standards effective for our fiscal year ended June 30, 2007, there was no longer a difference on this subject between Argentine GAAP and the *Comisión Nacional de Valores* regulations.

In order to comply with the regulations of the *Comisión Nacional de Valores*, we discontinued inflation accounting as of February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on the consolidated financial statements.

In compliance with Rule 3-09 of Regulation S-X, also contained in this annual report are the consolidated financial statements of Banco Hipotecario S.A. (*Banco Hipotecario*) as of June 30, 2008 and 2007 and for the twelve months ended June 30, 2008, 2007 and 2006, which also have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein.

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The *Comisión Nacional de Valores* issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively, adopting with certain modifications, the new accounting standards previously issued by the CPCECABA through its Resolution CD 93/2005. These standards were effective for our fiscal year ended June 30, 2007. The most significant changes included in the accounting standards adopted by the *Comisión Nacional de Valores* related to (i) changes in the impairment test of long-lived assets and (ii) changes to deferred income tax accounting. Under the new standards, the carrying value of a long-lived asset is considered impaired by a company when its value in use or its net realizable value, whichever is greater, is less than its carrying value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the assets less costs to sell. The new standards also provided for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting standard mandated companies to treat these differences as temporary but allowed a one-time accommodation to continue treating those differences as permanent at the time of adoption of the standard. As a result, we elected to continue treating differences as permanent.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the exchange rate quoted by the Central Bank for June 30, 2008, which was Ps.3.025 = US\$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

References to fiscal years 2004, 2005, 2006, 2007 and 2008 are to the fiscal years ended June 30 of each such year.

MARKET DATA

Market data used throughout this annual report were derived from reports prepared by unaffiliated third-party sources. Such reports generally state that the information contained therein has been obtained from sources believed by such sources to be reliable.

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PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

This item is not applicable.

ITEM 2. Offer Statistics and Expected Timetable

This item is not applicable.

ITEM 3. Key Information

A. Selected Financial Data

The following selected consolidated financial data has been derived from our audited consolidated financial statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this annual report. The selected consolidated statement of income data for the years ended June 30, 2008, 2007, and 2006 and the selected consolidated balance sheet data as of June 30, 2008 and 2007 have been derived from our consolidated financial statements which have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm.

The selected consolidated income statement data for the years June 30, 2005 and 2004 and the selected consolidated balance sheet data as of June 30, 2006 and 2005 have been derived from our audited consolidated financial statements as of June 30, 2006 and 2005 and for the three years in the period ended June 30, 2006 which are not included herein. Certain reclassifications have been made to financial data derived from the audited consolidated financial statements as of June 30, 2006 and 2005 and for the three years in the period ended June 30, 2006 to conform to the presentation of our fiscal year ended June 30, 2008. The reclassifications had no impact on previously reported net income, net income per share, shareholders equity or cash flows.

The selected consolidated balance sheet data as of June 30, 2004 have been derived from our audited consolidated financial statements as of June 30, 2005 and 2004 and for each of the three years in the period ended June 30, 2005, which are not included herein. Certain reclassifications have been made to financial data derived from the audited consolidated financial statements as of June 30, 2005 and 2004 and for the three years in the period ended June 30, 2005 to conform to the presentation of our fiscal year ended June 30, 2008. The reclassifications had no impact on previously reported net income, net income per share, shareholders equity or cash flows.

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	(in thousands of US\$, except ratios) 2008 ⁽¹⁾	As of and for the year ended June 30,				
		2008	2007	2006	2005	2004
STATEMENT OF INCOME DATA						
<i>Argentine GAAP</i>						
Revenues:						
Development and sale of properties	65,061	196,811	75,751	103,966	32,311	30,257
Office and other non-shopping center rental properties	33,385	100,989	55,683	30,565	19,431	15,144
Shopping centers	114,180	345,395	270,266	215,003	165,529	113,216
Consumer financing	96,208	291,030	212,965	122,969	64,558	30,034
Hotel operations	49,206	148,847	122,681	103,763	87,120	71,295
Financial operations and others	387	1,170	1,410	1,414	940	859
Total revenues	358,427	1,084,242	738,756	577,680	369,889	260,805
Costs	(161,871)	(489,661)	(311,647)	(243,831)	(168,074)	(147,416)
Gross profit (loss):						
Development and sale of properties	15,179	45,917	17,928	49,766	14,769	4,408
Office and other non-shopping center rental properties	24,850	75,171	38,984	21,578	11,685	6,871
Shopping centers	81,395	246,220	179,154	137,621	95,748	52,734
Consumer financing	53,555	162,005	136,714	79,036	41,456	18,069
Hotel operations	21,364	64,627	53,721	45,792	38,196	31,246
Financial operations and others	212	641	608	56	(39)	61
Total gross profit	196,556	594,581	427,109	333,849	201,815	113,389
Gain from recognition of inventories at net realizable value	936	2,832	20,737	9,063	17,317	
Selling expenses	(54,210)	(163,986)	(113,709)	(60,105)	(36,826)	(21,988)
Administrative expenses	(59,502)	(179,994)	(141,427)	(96,882)	(70,670)	(51,400)
Net (loss) income from retained interest in securitized receivables	(417)	(1,261)	3,254	2,625	423	261
Gain from operations and holdings of real estate assets, net	883	2,670	2,568	12,616	27,938	63,066
Operating income (loss):						
Development and sale of properties	6,370	19,270	6,177	44,277	20,566	183
Office and other non-shopping center rental properties	17,286	52,289	19,626	11,862	13,220	29,685
Shopping centers	60,252	182,261	124,832	105,583	81,638	58,771
Consumer financing	(5,838)	(17,659)	32,636	24,836	13,546	4,490
Hotel operations	5,964	18,040	14,653	14,552	11,066	10,138
Financial operations and others	212	641	608	56	(39)	61
Total operating income	84,245	254,842	198,532	201,166	139,997	103,328
Amortization of negative goodwill, net	541	1,				