

INTERNET GOLD GOLDEN LINES LTD
Form 6-K
March 18, 2005

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of March 2005

INTERNET GOLD-GOLDEN LINES LTD.
(Name of Registrant)

1 Alexander Yanai Street Petach-Tikva, Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

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

Yes o No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

Internet Gold-Golden Lines Ltd.

6-K Items

1. Financial Statements of Internet Gold -Golden Lines Ltd. as of December 31, 2004
 2. Operating and Financial Review and Prospects
 3. Exhibit 12.1-Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
 4. Exhibit 12.2-Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
 5. Exhibit 13.1-Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 6. Exhibit 13.2-Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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Internet Gold - Golden Lines Ltd.

**Financial Statements
As at December 31, 2004**

Financial Statements as at December 31, 2004

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**Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of
Internet Gold - Golden Lines Ltd.**

We have audited the accompanying consolidated and company balance sheets of Internet Gold - Golden Lines Ltd. (hereinafter - the "Company") as of December 31, 2004 and 2003, and the related consolidated and company statements of operations, changes in shareholders' equity and cash flows, for each of the years in the three year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003 and the results of its operations, the changes in shareholders' equity and its cash flows for each of the years in the three year period ended December 31, 2004, in conformity with generally accepted accounting principles in Israel.

As explained in Note 2C the financial statements for dates and reporting periods subsequent to December 31, 2003 are stated in reported amounts, in accordance with the accounting standards of the Israel Accounting Standards Board. The financial statements for dates and reporting periods that ended up to the aforementioned date are stated in values that were adjusted to that date according to the changes in the general purchasing power of the Israeli currency, in accordance with opinions of the Institute of Certified Public Accountants in Israel.

Accounting principles generally accepted in Israel vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

As discussed in Note 21 to the consolidated financial statements, the Company adopted Financial Standards Board Interpretation No. 46(R) "Consolidation of Variable Interest Entities" in 2004 by restating the consolidated financial statements of 2003 and 2002 with a cumulative effect adjustment as of the beginning of 2002 in the amount of NIS 4,382 thousand.

/s/ Somekh Chaikin
Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International
Tel Aviv, Israel

February 17, 2005

Balance Sheets - Consolidated and Company

		Consolidated		Company		Convenience translation into US Dollars (Note 2E) Consolidated
		December 31 2004 Reported Amounts*	December 31 2003 Adjusted Amounts**	December 31 2004 Reported Amounts*	December 31 2003 Adjusted Amounts**	December 31 2004
	Note	NIS thousands				US\$ thousands
Current assets						
Cash and cash equivalents	3	75,637	81,891	75,323	81,660	17,557
Trade receivables, net	4	52,682	35,569	37,723	26,601	12,231
Other receivables	5	8,948	12,769	7,408	10,539	2,077
Deferred taxes	16	2,564	1,914	-	-	595
Total current assets		139,831	132,143	120,454	118,800	32,460
Investments						
Investments in investee companies	6	-	1,550	16,821	8,287	-
Deferred taxes	16	22	21	-	-	5
		22	1,571	16,821	8,287	5
Property and equipment, net	7	40,583	29,160	36,075	26,796	9,420
Other assets and deferred charges	8	114,956	51,130	112,253	49,895	26,684
Assets allocated to discontinued operation	20	4,631	-	-	-	1,075
Total assets		300,023	214,004	285,603	203,778	69,644

/s/ Eli Holtzman
Eli Holtzman
Chief Executive Officer and Director

/s/ Doron Turgeman
Doron Turgeman
Chief Financial Officer

Date of signature: February 17, 2005

* With respect to discontinuance of adjustment to the effect of inflation as from the CPI of December 2003 (see Note 2C).

** Amounts adjusted to reflect inflation in terms of NIS at December 31, 2003.

The accompanying notes are an integral part of the financial statements.

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		Consolidated		Company		Convenience translation into US Dollars (Note 2E) Consolidated
	Note	December 31 2004	December 31 2003	December 31 2004	December 31 2003	December 31 2004
		Reported Amounts*	Adjusted Amounts**	Reported Amounts*	Adjusted Amounts**	US\$ thousands
		NIS thousands				
Liabilities						
Current liabilities						
Short-term bank loans	9	10,950	5,259	7,668	2,459	2,542
Accounts payable	10	73,383	***36,591	69,414	***33,915	17,034
Other payables	11	13,784	***14,037	8,742	***9,888	3,200
Total current liabilities		98,117	55,887	85,824	46,262	22,776
Long-term liabilities						
Excess of liabilities over assets in investees	6	-	7,706	-	7,706	-
Long-term loans and other long-term obligations	12	72,117	27,389	72,111	27,193	16,740
Deferred revenues		3	23	3	23	1
Liability for severance pay, net	13	6,240	4,928	5,772	4,523	1,448
Total long-term liabilities		78,360	40,046	77,886	39,445	18,189
Liabilities allocated to discontinued operation	20	1,653	-	-	-	384
Shareholders' equity						
Ordinary shares, NIS 0.01 par value (501,000,000 shares authorized; 18,431,500 shares issued and fully paid as at December 31, 2004)		197	197	197	197	46
Additional paid in capital		215,040	215,040	215,040	215,040	49,916
Accumulated deficit		(93344)	(97166)	(93344)	(97166)	(21667)
Total shareholders' equity		121,893	118,071	121,893	118,071	28,295

Total liabilities and Shareholders' equity	300,023	214,004	285,603	203,778	69,644
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* With respect to discontinuance of adjustment to the effect of inflation as from the CPI of December 2003 (see Note 2C).

** Amounts adjusted to reflect inflation in terms of NIS of December 31, 2003.

*** Reclassified

The accompanying notes are an integral part of the financial statements.

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Statements of Operations - Consolidated and Company

		Consolidated			Company		Convenience translation into US Dollars (Note 2E) Consolidated	
		Year ended December 31 2004	Year ended December 31 2003	Year ended December 31 2002	Year ended December 31 2004	Year ended December 31 2003	Year ended December 31 2002	Year ended December 31 2004
		Reported Amounts*	Adjusted Amounts**	Adjusted Amounts**	Reported Amounts*	Adjusted Amounts**	Adjusted Amounts**	
	Note	NIS thousands (except for per share data)						US\$ thousands
Revenues	15A	219,577	179,642	184,318	180,343	157,394	169,052	50,970
Costs and expenses:								
Cost of revenues	15B	96,820	92,871	99,564	80,819	78,008	85,798	22,474
Selling and marketing expenses	15C	73,155	41,393	37,125	65,842	42,538	37,981	16,981
General and administrative expenses	15D	24,258	21,908	21,209	19,810	18,959	18,712	5,631
Total costs and expenses		194,233	156,172	157,898	166,471	139,505	142,491	45,086
Income from operations		25,344	23,470	26,420	13,872	17,889	26,561	5,884
Financing income (expenses), net	15E	122	(3,235)	2,151	2,452	587	3,701	28
Other (expenses) income, net		(1,077)	(2,592)	(3)	503	17	(110)	(250)
Income from continued operations before income taxes		24,389	17,643	28,568	16,827	18,493	30,152	5,662
Income tax benefit	16	301	1,935	-	-	-	-	70
Income after income tax		24,690	19,578	28,568	16,827	18,493	30,152	5,732
Company's share in net income (loss) of investees		(396)	(1,538)	(1,530)	7,467	(453)	(3,114)	(92)
Income from continued operations		24,294	18,040	27,038	24,294	18,040	27,038	5,640
Company's share in loss of a subsidiary								

from discontinued operations	20	(4,763)	(3,737)	(7,080)	(4,763)	(3,737)	(7,080)	(1,106)
Net income		19,531	14,303	19,958	19,531	14,303	19,958	4,534
Income (loss) per share, basic and diluted								
Net income per NIS 0.01 par value of shares (in NIS) from continuing operations								
		1.32	0.98	1.47	1.32	0.98	1.47	0.31
Net loss per NIS 0.01 par value of shares (in NIS) from discontinued operation								
		(0.26)	(0.20)	(0.39)	(0.26)	(0.20)	(0.39)	(0.06)
Net income per NIS 0.01 par value of shares (in NIS)								
		1.06	0.78	1.08	1.06	0.78	1.08	0.25
Weighted average number of shares outstanding (in thousands)								
		18,432	18,432	18,432	18,432	18,432	18,432	18,432

* With respect to discontinuance of adjustment to the effect of inflation as from the CPI of December 2003 (see Note 2C).

** Amounts adjusted to reflect inflation in terms of NIS at December 31, 2003.

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Shareholders' Equity

	Share capital *		Additional paid-in capital	Accumulated Deficit	Total
	Number of shares	Amount			
	Amounts adjusted to the effect of inflation in terms of NIS of December 2003 NIS 0.01 par value			NIS thousands	
Balance as of January 1, 2002	18,431,500	197	215,040	(131427.00)	83,810
Changes during 2002					
Net income for the year	-	-	-	19,958	19,958
Balance as of December 31, 2002	18,431,500	197	215,040	(111469.00)	103,768
Changes during 2003:					
Net income for the year	-	-	-	14,303	14,303
Balance as of December 31, 2003	18,431,500	197	215,040	(97166.00)	118,071
	Share capital (*)		Additional paid-in capital	Accumulated Deficit	Total
	Number of shares	Amount			
	NIS 0.01 par value			Reported Amounts** NIS thousands	
Balance as of December 31, 2003	18,431,500	197	215,040	(97166.00)	118,071
Changes during 2003:					
Capital reserve from purchase of investee company	-	-	-	(15709.00)	(15709.00)
Net income for the year	-	-	-	19,531	19,531
Balance as of December 31, 2004	18,431,500	197	215,040	(93344.00)	121,893

* Number of authorized shares - 501,000,000

** With respect to discontinuance of adjustment to the effect of inflation as from the CPI at December 31, 2003 (see Note 2C).

The accompanying notes are an integral part of the financial statements.

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Statements of Cash Flows - Consolidated and Company

Convenience