

IRSA INVESTMENTS & REPRESENTATIONS INC  
Form 6-K  
November 08, 2007

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 6-K

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REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15b-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of November, 2007

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### 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)

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Form 20-F   T   Form 40-F

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

Yes \_\_\_\_\_ No T

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**IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

**(THE COMPANY )**

**REPORT ON FORM 6-K**

Attached is a copy of the English translation of the Financial Statements for the three-month period ended on September 30, 2007 and on September 30, 2006 filed by the Company with the *Bolsa de Comercio de Buenos Aires* and the *Comisión Nacional de Valores*.

IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

**Free translation of the Unaudited**

**Consolidated Financial Statements**

For the three-month periods

beginning on July 1, 2007 and 2006

and ended September 30, 2007 and 2006

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries**

Unaudited Consolidated Balance Sheets as of September 30, 2007 and June 30, 2007

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

	September 30,	June 30,
	2007	2007
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and banks (Note 5)	149,752	218,356
Investments (Note 9)	609,427	638,351
Mortgage and leases receivables, net (Note 6)	169,602	169,623
Other receivables and prepaid expenses (Note 7)	134,022	114,085
Inventories (Note 8)	63,702	35,375
Total Current Assets	1,126,505	1,175,790
<b><u>NON-CURRENT ASSETS</u></b>		
Mortgage and leases receivables, net (Note 6)	37,743	42,442
Other receivables and prepaid expenses (Note 7)	82,074	81,202
Inventories (Note 8)	130,431	220,828
Investments (Note 9)	682,272	673,273
Fixed assets (Note 10)	2,259,139	2,027,311
Intangible assets	2,047	2,822
Subtotal Non-Current Assets	3,193,706	3,047,878
Goodwill, net	(78,663)	(78,769)
Total Non-Current Assets	3,115,043	2,969,109
Total Assets	4,241,548	4,144,899
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Trade accounts payable	207,646	195,870
Mortgages payable (Note 11)	13,928	17,538
Customer advances (Note 12)	90,957	88,810
Short term-debt (Note 13)	240,256	196,655
Salaries and social security payable	22,348	26,841
Taxes payable	71,354	64,712
Other liabilities (Note 14)	70,406	61,656
Total Current Liabilities	716,895	652,082
<b><u>NON-CURRENT LIABILITIES</u></b>		
Trade accounts payable	20,417	40,942
Mortgages payable (Note 11)	3,901	4,557
Customer advances (Note 12)	70,503	63,908
Long term-debt (Note 13)	1,113,808	1,217,866

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Taxes payable	33,940	29,556
Other liabilities (Note 14)	37,597	38,864
<b>Total Non-Current Liabilities</b>	<b>1,280,166</b>	<b>1,395,693</b>
Total Liabilities	1,997,061	2,047,775
Minority interest	460,492	450,410
SHAREHOLDERS EQUITY	1,783,995	1,646,714
<b>Total Liabilities and Shareholders Equity</b>	<b>4,241,548</b>	<b>4,144,899</b>

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

Eduardo S. Elsztain

President

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

For the three-month periods beginning on July 1, 2007 and 2006

and ended September 30, 2007 and 2006

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

	September 30, 2007	September 30, 2006
Revenues	195,593	169,646
Cost	(81,388)	(81,287)
Gross profit	114,205	88,359
Gain from recognition of inventories at net realizable value	1,909	2,164
Selling expenses	(26,320)	(14,789)
Administrative expenses	(41,265)	(27,956)
Subtotal	(65,676)	(40,581)
Net gain in credit card trust Tarjeta Shopping	6,707	3,567
Operating income (Note 4)	55,236	51,345
Amortization of goodwill	106	(250)
Financial results generated by assets:		
Interest income	9,598	2,145
Interest on discount by assets	(290)	(40)
(Loss) Gain on financial operations	(16,905)	7,085
Exchange differences	12,577	1,483
Subtotal	4,980	10,673
Financial results generated by liabilities:		
Interest on discount by liabilities	(85)	(1)
Exchange differences	(19,147)	(1,824)
Financial expenses	(26,483)	(11,859)
Subtotal	(45,715)	(13,684)
Financial results, net	(40,735)	(3,011)
Equity (Loss) Gain from related companies	(19,548)	1,396
Other income and expenses, net (Note 15)	(2,575)	(4,367)
Net (Loss) Gain before taxes and minority interest	(7,516)	45,113
Income tax and asset tax	(12,429)	(18,949)
Minority interest	(10,078)	(10,545)
Net (Loss) Gain for the period	(30,023)	15,619

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Earnings per common share		
Basic (Note 24)	(0.064)	0.036
Diluted (Note 24)	(0.064)	0.031

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

Eduardo S. Elsztain

President



**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Unaudited Consolidated Statements of Cash Flows (1)**

For the three-month periods beginning on July 1, 2007 and 2006

and ended September 30, 2007 and 2006

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

	September 30, 2007	September 30, 2006
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as of beginning of year	708,523	163,940
Cash and cash equivalents as of end of period	631,178	173,315
Net (decrease) increase in cash and cash equivalents	(77,345)	9,375
<b>CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (Loss) Gain for the period	(30,023)	15,619
Plus income tax and asset tax accrued for the period	12,429	18,949
Adjustments to reconcile net income to cash flows from operating activities:		
Equity loss from related companies	19,548	(1,396)
Minority interest	10,078	10,545
Allowances and provision	9,665	6,749
Amortization and depreciation	31,024	20,964
Financial results	32,074	(5,439)
Gain from recognition of inventories at net realizable value	(1,909)	(2,164)
Changes in operating assets and liabilities:		
Decrease (Increase) in current investments	7,775	(2,482)
Decrease (Increase) in non-current investments	7,052	(6,371)
Increase in mortgages and lease receivables	(27,042)	(7,669)
Increase in other receivables	(12,556)	(11,703)
(Increase) Decrease in inventories	(381)	27,548
Decrease in taxes payable, social security payable and customer advances	(3,357)	(12,361)
Increase in trade accounts payable	8,937	7,719
Decrease in accrued interest	(2,473)	(284)
Increase in other liabilities	3,429	1,831
Net cash provided by operating activities	64,270	60,055
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Decrease in minority interest		(377)
Acquisitions and improvements of fixed assets	(254,075)	(16,894)
Acquisitions of undeveloped parcels of land	(92)	(1,118)
Security deposit for the construction and purchase of parking lots		(4,902)
Proceeds from investments in equity securities	(758)	
Loans granted	(3,640)	
Increase in receivables with related companies		(285)
Cash collected from the insurance of Alto Avellaneda s shopping center damages	2,102	
Net cash used in investing activities	(256,463)	(23,576)

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CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short term debt and long term debt	8,814	8,110
Payment of short term debt and long term debt	(9,510)	(28,323)
Decrease of mortgages payable	(4,843)	(4,192)
Capital contribution by minority owners in related companies	10,666	
Issuance of common stock	110,647	2,785
Dividends payments to minority shareholders of related subsidiaries	(926)	
Settlement of debt for the purchase of shares of Mendoza Plaza Shopping S.A.		(5,484)
Net cash provided by (used in) financing activities	114,848	(27,104)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(77,345)	9,375

(1) Includes cash and banks and investments with a realization term not exceeding three months.  
The accompanying notes are an integral part of these unaudited consolidated financial statements.

Eduardo S. Elsztain

President

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Unaudited Consolidated Statements of Cash Flows (Continued)**

For the three-month periods beginning on July 1, 2007 and 2006

and ended September 30, 2007 and 2006

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

	September 30,	September 30,
	2007	2006
Supplemental cash flow information		
Interest paid	35,121	17,044
Income tax paid	1,798	2,164
Non-cash activities:		
Increase in inventories through a decrease in non-current investments	3,827	
Increase in fixed assets through an increase in trade accounts payable	2,676	
Issuance of Trust Exchangeable Certificates	29,273	3,357
Conversion of negotiable obligations into common shares	56,657	1,232

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)****In thousand of pesos**

For the three-month periods beginning on July 1, 2007 and 2006

and ended September 30, 2007 and 2006

**NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL****a. Basis of consolidation**

The Company has consolidated its unaudited balance sheets at September 30, 2007 and June 30, 2007 and the unaudited statements of income and cash flows for the three-month periods ended September 30, 2007 and 2006 line by line with the financial statements of its subsidiaries, following the procedure established in Technical Resolution No. 21 of the Argentine Federation of Professional Councils in Economic Sciences and approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires and by the National Securities Commission.

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

The following table shows the data concerning the corporate control:

COMPANIES	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
	September 30, 2007	June 30, 2007	September 30, 2007	June 30, 2007
Ritelco S.A.	100.00	100.00	100.00	100.00
Palermo Invest S.A.	100.00	100.00	100.00	100.00
Pereiraola S.A.	100.00	100.00	100.00	100.00
Hoteles Argentinos S.A.	80.00	80.00	80.00	80.00
Llao LLao Resorts S.A.	50.00	50.00	50.00	50.00
Patagonian Investment S.A. (Note 33)	100.00	100.00	100.00	100.00
Alto Palermo S.A. ( APSA )	62.48	62.48	62.48	62.48
Rummaala S.A (Note 43)	50.00	100.00	50.00	100.00
Inversora Bolivar S.A.	100.00	100.00	100.00	100.00
Solares de Santa María S.A. (Note 47)	90.00	90.00	90.00	90.00
CYRSA S.A. ( CYRSA ) (2)	50.00	100.00	50.00	100.00
Canteras Natal Crespo S.A. (1)	50.00	50.00	50.00	50.00
Financel Communications S.A. (Note 48)	80.00		80.00	

- (1) The Company holds joint control of Canteras Natal Crespo S.A. with ECIPSA, see Note 16 to the unaudited basic financial statements.
- (2) The Company holds joint control with Cyrela Brazil Realty S.A., see Note 45 to the unaudited basic financial statements. The Company exercises joint control over CYRSA. As required by Technical Resolution N° 21 Equity Method of Accounting. Consolidation of Financial Statements and Related Party Transactions ( RT N° 21 ), under Argentine GAAP, the Company accounted for this investment under the proportionate consolidation method. Accordingly, these unaudited financial statements reflects the Company's pro rata equity interest in

these investments on a line-by-line basis.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 1:** (Continued)

b. Comparative Information

Certain amounts in the unaudited financial statements at September 30, 2006 were reclassified for disclosure on a comparative basis with those for the period ended September 30, 2007.

**NOTE 2:** CONSIDERATION OF THE EFFECTS OF INFLATION

The unaudited financial statements have been prepared in constant monetary units, reflecting the overall effects of inflation through August 31, 1995. From that date and until December 31, 2001 the government discontinued the restatement of the financial statements due to a period of monetary stability. From January 1, 2002 up to February 28, 2003 the effects of inflation were recognized due to the existence of an inflationary period. As from that date again, the restatement of the financial statements was discontinued.

This criterion is not in line with current professional accounting standards, which establish that the financial statements should be restated through September 30, 2003. However, due to the low level of inflation rates during the period from March to September 2003, this deviation has not had a material effect on the consolidated financial statements taken as a whole.

The rate used for restatement of items was the domestic whole revenue price index published by the National Institute of Statistics and Census.

**NOTE 3:** SIGNIFICANT ACCOUNTING POLICIES

The unaudited 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. The Note 1 to the unaudited basic financial statements details the most significant accounting policies applied by the Company. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that Note.

a. Banco Hipotecario S.A. shares

Banco Hipotecario S.A. shares were valued by using the equity method of accounting by the end of the period. See Note 1.5.i. to the unaudited basic financial statements.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 3:** (Continued)

b. Revenue recognition

In addition to the description in the unaudited basic financial statements:

Net income for admission rights and rental of stores and stands

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 sales (the Percentage Rent ) (which generally ranges between 4% and 10% of tenant's gross sales).

Furthermore, pursuant to the rent adjustment clause in most leases, the tenant's Base Rent generally increases between 7% and 12% 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.

Additionally, the Company monthly charges its tenants administration fees, which are prorated among the tenants according to their leases and 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 accrued. In addition to rent, tenants are generally charged admission rights, that tenants may be required to pay upon entering into a lease or upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized in earnings using the straight-line method over the life of the respective lease agreements.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 3:** (Continued)

b. (Continued)

Lease agent operations

FIBESA S.A. and Comercializadora Los Altos S.A. (formerly Altocity.com S.A.), companies in which APSA have shares of 99.9999% and 100% respectively, act as the leasing agents for APSA bringing together that company and potential lessees for the retail space available in certain of APSA's shopping centers. FIBESA's and Comercializadora Los Altos S.A. (formerly Altocity.com S.A.) revenues are derived primarily from collected fees calculated as a percentage of the final rental income value. Revenues are recognized at the time that the transaction is successfully concluded. A transaction is considered successfully concluded when both parties have signed the related lease contract.

Credit card operations

Revenues derived from credit card transactions include commissions and financing income, charges to users for life and disability insurance and statements of accounts. Commissions are recognized at the time the merchants' transactions are processed, while the remaining income is recognized at the time it is accrued.

Hotel operations

The Company recognizes revenues from its rooms, catering, and restaurant facilities as accrued on the close of each business day.

Net operating results from each business unit are disclosed in Note 4.

c. Intangible assets

Intangible assets are carried at cost restated as mentioned in Note 2, less accumulated amortization and corresponding allowances for impairment in value. Included in the Intangible Assets caption are the following:

Trademarks

Trademarks include the expenses and fees related to their registration.

Pre-operating expenses

This item reflects expenses generated by the opening of new shopping malls restated as mentioned in Note 2. Those expenses are amortized by the straight-line method in 3 years, beginning as from the date of opening of the shopping center.





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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 3:** (Continued)

c. (Continued)

Property development expenses

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

The value of these assets does not exceed its estimated recoverable value at the end of each period/year.

d. Goodwill

Negative goodwill represents the excess of the market value of net assets of the subsidiaries at the percentage participation acquired over the acquisition cost. Goodwill has been restated following the guidelines mentioned in Note 2 and amortization has been calculated by the straight-line method based on an estimated useful life, that in no case exceed 20 years, considering the weighted-average of the remaining useful life of identifiable assets acquired subject to depreciation.

Additionally, also included was the goodwill from the subsidiary APSA, originating from the purchase of shares of Tarshop S.A., Fibesa S.A., Panamerican Mall S.A., Empalme S.A.I.C.F.A. y G. and Emprendimiento Recoleta S.A., which is amortized through the straight-line method over a period that not exceeds 10 years.

Goodwill corresponding to the acquisition of Panamerican Mall S.A. has been valued at cost, calculated as the difference between the value paid for such investment and the estimated current value of the assets acquired. The goodwill for the acquisition of the controlled companies Empalme S.A.I.C.F.A. y G. and Palermo Invest S.A. has been valued at cost, calculated as difference between the value paid for such investment and the book value of the participation acquired. The Company is currently analyzing the current value of assets and liabilities acquired in line with Technical Resolution No. 21. The goodwill originated for the acquisition of Empalme S.A.I.C.F.A. y G. shares is amortized over 17 years. Amortization has been classified under Amortization of goodwill in the Statements of Income.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 4: NET OPERATING INCOME BY BUSINESS UNIT**

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 six reportable segments. These segments are Sales and development of properties, Office and others, Shopping centers, Credit card, Hotel and financial operations and others. As mentioned in Note 1, the unaudited consolidated statements of income were prepared following the guidelines of Technical Resolution No. 21 of the F.A.C.P.C.E.

A general description of each segment follows:

**Sale and development of properties**

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

**Office and others**

This segment includes the operating results of the Company's lease and service revenues of office space and other 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.

**Credit card**

This segment includes the operating results from operations with credit cards, which include commissions, financing income, charges to users by life and incapacity insurance and accounts' summaries, among others.

**Hotel operations**

This segment includes the operating results of the Company's hotels principally comprised of room, catering and restaurant revenues.

**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 gain/loss in equity investments of the Company relating to the banking activity.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 4:** (Continued)

The Company measures its reportable segments based on operating result. Inter-segment transactions, if any, are accounted for at current market prices. The Company evaluates performance of its segments and allocates resources to them based on operating result. The Company is not dependent on any single customer.

The accounting policies of the segments are the same as those described in Note 1 to the unaudited basic financial statements and in Note 3 to the unaudited consolidated financial statements.

## IRSA Inversiones y Representaciones Sociedad Anónima

## and subsidiaries

## Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousand of pesos

**NOTE 4:** (Continued)

The following information provides the operating results from each business unit:

As of September 30, 2007

	Development and sale of properties	Office and Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Credit card	Others	Total
Revenues	1,216	20,695	80,140	35,278	57,993	271	195,593
Costs	(1,012)	(7,760)	(25,883)	(19,769)	(26,837)	(127)	(81,388)
Gross profit	204	12,935	54,257	15,509	31,156	144	114,205
Income from valuation of inventories at net realizable value	1,909						1,909
Selling expenses	(794)	(936)	(6,680)	(3,390)	(14,520)		(26,320)
Administrative expenses	(5,012)	(5,594)	(8,105)	(7,217)	(15,337)		(41,265)
Net gain in credit card trust Tarjeta Shopping					6,707		6,707
Operating income	(3,693)	6,405	39,472	4,902	8,006	144	55,236
Depreciation and amortization (b)	37	7,558	17,919	3,153	464		29,131
Addition of fixed assets and intangible assets	235	177,305	61,599	14,064	872		254,075
Non-current investments in other companies						287,350	287,350
Operating assets	439,907	841,462	1,421,032	213,249	139,819		3,055,469
Non-Operating assets	40,434	77,342	2,275	11,978	7,451	1,046,599	1,186,079
Total assets	480,341	918,804	1,423,307	225,227	147,270	1,046,599	4,241,548
Operating liabilities	16,459	66,834	209,708	32,267	175,786		501,054
Non-Operating liabilities	268,106	242,146	705,075	152,866	41,988	85,826	1,496,007
Total liabilities	284,565	308,980	914,783	185,133	217,774	85,826	1,997,061

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

## IRSA Inversiones y Representaciones Sociedad Anónima

## and subsidiaries

## Notes to the Unaudited Consolidated Financial Statements (Continued)

## In thousand of pesos

## NOTE 4: (Continued)

The following information provides the operating results from each business unit:

As of September 30, 2006

	Development and sale of properties	Office and Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Credit card	Others	Total
Revenues	29,702	9,500	60,851	28,606	40,240	747	169,646
Costs	(28,467)	(2,517)	(18,715)	(15,706)	(15,356)	(526)	(81,287)
Gross profit	1,235	6,983	42,136	12,900	24,884	221	88,359
Income from valuation of inventories at net realizable value	2,164						2,164
Selling expenses	(808)	(491)	(2,378)	(2,889)	(8,223)		(14,789)
Administrative expenses	(3,316)	(2,930)	(6,655)	(5,938)	(9,117)		(27,956)
Net gain in credit card trust Tarjeta Shopping					3,567		3,567
Operating income	(725)	3,562	33,103	4,073	11,111	221	51,345
Depreciation and amortization (b)		1,907	15,718	2,419	261		20,305
Addition of fixed assets and intangible assets (c)	2,895	263,104	157,857	57,115			480,971
Non-current investments in other companies (c)						306,853	306,853
Operating assets (c)	508,742	675,321	1,336,166	202,113	139,657		2,861,999
Non-Operating assets (c)	30,516	24,662	39,073	6,318	18,771	1,163,560	1,282,900
Total assets (c)	539,258	699,983	1,375,239	208,431	158,428	1,163,560	4,144,899
Operating liabilities (c)	31,472	83,073	199,616	23,304	165,713		503,178
Non-Operating liabilities (c)	278,615	247,763	734,370	153,117	44,722	86,010	1,544,597
Total liabilities (c)	310,087	330,836	933,986	176,421	210,435	86,010	2,047,775

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(c) Information at June 30, 2007.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 5: CASH AND BANKS**

The breakdown for this item is as follows:

	<b>September 30, 2007</b>	<b>June 30, 2007</b>
Cash in local currency	3,232	3,331
Cash in foreign currency	782	736
Banks in local currency	25,321	128,697
Banks in foreign currency	119,060	84,781
Checks to be deposited	1,357	811
	149,752	218,356

**NOTE 6: MORTGAGE AND LEASES RECEIVABLES, NET**

The breakdown for this item is as follows:

	<b>September 30, 2007</b>		<b>June 30, 2007</b>	
	<b>Current</b>	<b>Non-Current</b>	<b>Current</b>	<b>Non-Current</b>
Debtors from leases and credit card	136,891	38,920	152,755	43,509
Checks to be deposited	43,658		31,626	
Debtors from leases under legal proceedings	26,254		23,603	
Debtors from sale of real estate	9,595	723	7,670	888
Debtors from hotel activities	8,187		7,909	
Debtors from sales under legal proceedings	1,430		1,302	
Related companies	878		910	
Interest to be accrued	(66)	(43)	(76)	
Less:				
Allowance for doubtful leases	(57,015)	(1,857)	(55,875)	(1,955)
Allowance for doubtful accounts	(210)		(201)	
	169,602	37,743	169,623	42,442



**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 7: OTHER RECEIVABLES AND PREPAID EXPENSES**

The breakdown for this item is as follows:

	September 30, 2007		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Related companies	48,743	45	38,904	84
Value added tax ( VAT ) receivable	23,664	6,330	17,640	10,637
Prepaid expenses and services	20,275	217	19,983	233
Asset tax credits	14,041	28,405	16,595	21,037
Loans granted (3)	8,061		4,290	
Gross sales tax	3,666	1,246	1,242	1,153
Expenses to be recovered	2,958		3,098	
Trust programs account receivables (Note 17)	2,780	10,485	2,926	18,976
Stock transactions to be liquidated	1,601		129	
Income tax advances and withholdings	1,213		978	
Judicial liens (Note 25)	888		1,150	
Guarantee of defaulted credits (2)	681	3,460	785	3,096
Guarantee deposits (1)	325	565	58	509
Administration and reserve fund	204		205	
Tax on personal assets to be recovered	53		287	
Pre-paid insurance	1		45	
Deferred income tax		31,152		25,402
Mortgages receivable under legal proceeding		2,208		2,208
Allowance for doubtful accounts		(2,208)		(2,208)
Present value other receivables		(378)		(473)
Other	4,868	547	5,770	548
	134,022	82,074	114,085	81,202

(1) Includes restricted cash (see Note 16).

(2) See Note 15 to the unaudited basic financial statements and Note 16 to the unaudited consolidated financial statements.

(3) See Note 4 (1) to the unaudited basic financial statements.

**NOTE 8: INVENTORIES**

The breakdown for this item is as follows:

	September 30, 2007		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Credit from barter of Dique III 1 e) (2)	41,808			41,808

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Credit from barter of Dique III 1 c) (2)	6,891	34,784	13,068	26,800
San Martín de Tours	3,211		3,929	
Credit from barter of Benavidez (Note 26)	2,699	7,296	2,722	7,273
Abril / Baldovinos	2,591	6,573	2,646	6,661
Dock 13	1,595		1,595	
Torres de Abasto	623		622	
Edificios Cruceros	487		487	
Torres Jardín	466		472	
Minetti D	72		72	
V. Celina	43		43	
Dorrego 1916	13		13	
Libertador 1703 y 1755 (Note 43)		59,115		115,623
Credit from Barter of Caballito (1)		22,663		22,663
Torres de Rosario			6,338	
Other inventories	3,203		3,368	
	63,702	130,431	35,375	220,828

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- (1) See Note 19 to the unaudited basic financial statements.  
(2) See Note 18 to the unaudited basic financial statements.

## IRSA Inversiones y Representaciones Sociedad Anónima

## and subsidiaries

## Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousand of pesos

NOTE 9: INVESTMENTS

The breakdown for this item is as follows:

	September 30, 2007	June 30, 2007
<u>Current</u>		
Time deposits and money markets	296,024	5,024
Mutual funds (2)	275,968	600,919
Tarshop Trust (1)	26,125	22,104
Boden (1)	6,940	428
Mortgage bonds (1)	1,818	2,073
IRSA I Trust Exchangeable Certificate (1)	152	106
Banco Ciudad de Bs. As. Bond (1)		126
NOBACS bonds (1)		6,159
Other investments (1)	2,400	1,412
	609,427	638,351
<u>Non-current</u>		
Banco Hipotecario S.A.	282,134	301,672
Tarshop Trust	79,738	55,683
Banco de Crédito y Securitización S.A.	5,216	5,181
Advance for the acquisition of a Company (Note 49)	1,866	1,108
IRSA I Trust Exchangeable Certificate	502	687
Other investments	111	40
	369,567	364,371
Undeveloped parcels of land:		
Santa María del Plata	135,785	135,785
Puerto Retiro (Note 16)	54,841	54,861
Caballito	36,683	36,681
Pereiraola	21,717	21,717
Torres de Rosario plot of land	19,938	16,111
Air space Coto	13,143	13,143
Caballito plots of land	9,223	9,223
Canteras Natal Crespo	5,555	5,559
Pilar	3,408	3,408
Torres Jardín IV	3,010	3,010
Padilla 902	94	94
Other undeveloped parcels of land	9,308	9,310
	312,705	308,902

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- (1) Not considered cash equivalent for purposes of presenting the unaudited consolidated statements of cash flows.
- (2) As of September 30, 2007 includes: Ps. 3,143 corresponding to NCH Development Partner fund, Ps. 505 corresponding to common investment fund Gainvest Renta Fija , Ps. 80,156 corresponding to common investment fund Dolphin Fund PLC , Ps. 6,762 corresponding to common investment fund Banco Itau Buen Ayres not considered as cash for the purpose of the unaudited statement of cash flows, and as of June 30, 2007: Ps. 96,687 corresponding to common investment fund Dolphin Fund PLC , Ps. 3,085 corresponding to NCH Development Partner fund, Ps. 1,749 corresponding to Goal Capital Plus Class B Banco Itau fund, Ps. 3,056 corresponding to Premier Renta Plus Banco Superville fund, Ps. 6,280 corresponding to Delta Ahorro Pesos Raymond James Argentina fund, Ps. 1,813 corresponding to Fima Ahorro Banco Galicia fund, Ps. 2,603 corresponding to 1784 Ahorro Pesos Class A Standard Bank fund, Ps. 503 corresponding to Gainvest fund not considered as cash for the purpose of the statement of cash flows.

## IRSA Inversiones y Representaciones Sociedad Anónima

## and subsidiaries

## Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousand of pesos

**NOTE 10: FIXED ASSETS**

The breakdown for this item is as follows:

	September 30,	June 30,
	2007	2007
<b>Hotels</b>		
Llao-Llao	75,226	66,992
Intercontinental	61,215	61,404
Libertador	43,816	40,950
Bariloche plots of land (Note 35)	21,900	21,900
	202,157	191,246
<b>Office buildings</b>		
Bouchard 551	239,912	241,899
Della Paolera 265 (Nota 24 of the unaudited financial statements)	171,904	
Intercontinental Plaza	93,185	94,992
Bouchard 710	67,791	68,390
Maipú 1300	42,002	42,347
Libertador 498	40,704	41,061
Laminar Plaza	28,976	29,187
Dock del Plata	25,913	26,194
Costeros Dique IV	20,728	20,875
Reconquista 823	18,937	19,093
Edificios Costeros (Dique II)	18,334	18,471
Suipacha 652	12,179	12,292
Avda. de Mayo 595	5,077	5,134
Libertador 602	2,806	2,831
Avda. Madero 942	2,422	2,468
Madero 1020	1,663	1,694
Rivadavia 2768	289	295
Sarmiento 517	98	98
	792,920	627,321
<b>Commercial real estate</b>		
Constitución 1111	769	777
	769	777
<b>Other fixed assets</b>		
Work in progress Dique IV	13,954	9,684
Santa María del Plata	12,494	12,494

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Thames	3,899	3,899
Abril	3,043	3,094
Constitución 1159	2,050	2,050
Alto Palermo Park	555	560
Store Cruceros	283	285
Other	3,146	3,278
	39,424	35,344
<b>Shopping Center</b>		
Panamerican Mall	194,234	167,606
Abasto	185,668	187,436
Alto Palermo	176,248	175,517
Patio Bullrich	103,499	103,137
Alto Avellaneda	93,690	89,664
Mendoza Plaza Shopping	88,167	89,004
Alto Rosario	83,504	84,145
Córdoba Shopping Villa Cabrera	74,527	75,508
Paseo Alcorta	67,910	64,432
Alto Noa	26,575	27,040
Buenos Aires Design	15,468	16,082
Neuquén Project	12,303	12,302
Financial advances for fixed assets purchase	24,866	36,882
Other properties	41,528	8,902
Other fixed assets	35,682	34,966
Subtotal Shopping Center	1,223,869	1,172,623
<b>Total</b>	<b>2,259,139</b>	<b>2,027,311</b>

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)****In thousand of pesos****NOTE 11: MORTGAGES PAYABLE**

The breakdown for this item is as follows:

	September 30, 2007		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Mortgage payable Bouchard 710 (1)	11,044		14,755	
Mortgage payable Hotel Llo Llo	2,884	3,901		
Mortgage payable Bariloche plots of land (Note 35)			2,783	4,557
	13,928	3,901	17,538	4,557

(1) See details in Notes 6 and 12 to the unaudited basic financial statements.

**NOTE 12: CUSTOMER ADVANCES**

The breakdown for this item is as follows:

	September 30, 2007		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Advanced payments from customers	42,174		38,412	
Admission rights	32,305	39,976	30,563	37,356
Leases and service advances (1) (Note 37)	16,478	30,527	17,325	26,552
Advance for the sale of Rosario plot of land (2)			2,510	
	90,957	70,503	88,810	63,908

- (1) The balance of rents and services advance payments include Ps 1,1 million and Ps 3.6 million current and non-current, respectively, that represent advance payments provided by Hoyts Cinema for the construction of the movie complexes of the Abasto and Alto Noa shopping centers. These advance payments accrue an interest equivalent to the semiannual Libo rate added 2-2.25 points. As of September 30, 2007 the semiannual Libo rate was 5.1325 %. Due to an agreement between APSA and Hoyts Cinema, the amount is being applied to the accrual of the rents originated in the place used by Hoyts Cinema.
- (2) As of June 30, 2007 this was a money advance of Euros 600 that APSA received from Villa Hermosa S.A. related to a purchase contract of a plot of land located in the city of Rosario. As of September 30, 2007 the transaction was cancelled.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

**In thousand of pesos**

**NOTE 13: SHORT AND LONG - TERM DEBT**

The breakdown for this item is as follows:

	September 30, 2007		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Bank loans (2)	101,227	21,693	66,715	51,158
Bank loans Accrued interest (2)	12,783		2,109	8,039
Negotiable obligations 2009 principal amount (4)	62,557		23,123	44,082
Negotiable obligations 2009 accrued interest (4)	14,140		662	13,109
Debt related to purchase of subsidiaries (5)	23,057	51,248	22,357	76,841
Negotiable obligations APSA US\$ 120 M. principal amount (7)		378,000		371,160