IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
March 19, 2007

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 March, 2007

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F __T__ Form 40-F ______

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

Yes ______ No __T__

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is a correction of the English translation of the unaudited consolidated financial statements for the six-month periods beginning on July 1, 2006 and 2005 and ended December 31, 2006 and 2005 filed 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 periods

beginning on July 1, 2006 and 2005

and ended December 31, 2006 and 2005

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Unaudited Consolidated Balance Sheets as of December 31, 2006 and June 30, 2006

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

	December 31, 2006	**June 30, 2006**
ASSETS		
CURRENT ASSETS		
Cash and banks (Note 5)	71,716	103,018
Investments (Note 9)	217,025	130,420
Mortgage and leases receivables, net (Note 6)	167,891	114,911
Other receivables and prepaid expenses (Note 7)	66,047	52,159
Inventories (Note 8)	60,486	81,280
Total Current Assets	583,165	481,788
NON-CURRENT ASSETS		
Mortgages and leases receivables, net (Note 6)	51,123	33,044
Other receivables and prepaid expenses (Note 7)	93,734	97,882
Inventories (Note 8)	81,279	80,830
Investments (Note 9)	618,534	647,981
Fixed assets, net (Note 10)	1,682,841	1,413,212
Intangible assets, net	2,818	3,599
Subtotal Non-Current Assets	2,530,329	2,276,548
Goodwill, net	(14,188)	(18,215)
Total Non-Current Assets	2,516,141	2,258,333
Total Assets	3.099,306	2,740,121
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable	189.369	127,369
Mortgages payable (Note 11)	21,621	18,407
Customer advances (Note 12)	61,349	64,847
Short term-debt (Note 13)	387.986	123,733
Salaries and social security payable	13,377	14,823
Taxes payable	51,413	33,928
Other liabilities (Note 14)	31,853	36,121
Total Current Liabilities	756,968	419,228
NON-CURRENT LIABILITIES		
Trade accounts payable	629	1,196
Mortgages payable (Note 11)	12,694	14,722
Customer advances (Note 12)	63,910	41,482
Long term-debt (Note 13)	215,435	280,560

Taxes payable	12,422	14,926
Other liabilities (Note 14)	45,678	32,252
Total Non-Current Liabilities	350,768	385,138
Total Liabilities	1,107,736	804,366
Minority interest	414,993	449,989
SHAREHOLDERS EQUITY	1,576,577	1,485,766
Total Liabilities and Shareholders Equity	3,099,306	2,740,121

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

Fernando A. Elsztain

Titular Director

acting as President

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IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Income

For the six-month periods beginning on July 1, 2006 and 2005

and ended December 31, 2006 and 2005

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

	December 31, 2006	**December 31, 2005**
Revenues	340,331	256,446
Cost	(142,749)	(113,066)
Gross profit	197,582	143,380
Gain from recognition of inventories at net realizable value	6,965	7,409
Selling expenses	(43,034)	(26,310)
Administrative expenses	(61,162)	(40,927)
Subtotal	(97,231)	(59,828)
Net income from retained interest in securitized receivables	5,514	2,080
Operating income (Note 4)	105,865	85,632
Amortization of goodwill	(498)	(553)
Financial results generated by assets:		
Interest income	4,555	2,619
Interest on discount by assets	(72)	4
Gain on financial operations	28,423	4,681
Exchange gain	(1,752)	16,869
Subtotal	31,154	24,173
Financial results generated by liabilities:		
Interest on discount by liabilities	6	(2)
Discounts		
Exchange loss	1,482	(30,174)
Financial expenses	(20,583)	(26,321)
Subtotal	(19,095)	(56,497)
Financial results, net	12,059	(32,324)
Equity gain from related companies	15,034	28,539
Other income and expenses, net (Note 15)	(7,252)	(4,993)
Net Income before taxes and minority interest	125,208	76,301
Income tax and asset tax	(37,878)	(33,583)
Minority interest	(21,210)	(13,732)
Net income for the period	66,120	28,986
Earnings per common share		
Basic (Note 25)	0.151	0.080
Diluted (Note 25)	0.121	0.077

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

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Titular Director

acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Cash Flows (1)

For the six-month periods beginning on July 1, 2006 and 2005

and ended December 31, 2006 and 2005

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

	December 31, 2006	**December 31, 2005**
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of beginning of year	163,940	142,589
Cash and cash equivalents as of end of period	192,355	159,295
Net increase in cash and cash equivalents	28,415	16,706
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	66,120	28,986
Plus income tax and asset tax accrued for the period	37,878	33,583
Adjustments to reconcile net income to cash flows from operating activities:		
Equity loss from related companies	(15,034)	(28,539)
Minority interest	21,210	13,732
Allowances and reserves	16,662	16,119
Amortization and depreciation	41,996	40,737
Financial results	(27,755)	20,884
Gain from recognition of inventories at net realizable value	(6,965)	(7,409)
Realized gains		(2,428)
Uncollected expenses		4,438
Changes in operating assets and liabilities:		
(Increase) Decrease in current investments	(166)	8,921
Increase in non-current investments	(17,873)	(6,572)
Increase in mortgages and lease receivables	(63,526)	(87,362)
(Increase) Decrease in other receivables	(25,899)	12,617
Decrease in inventories	27,243	18,234
Increase in intangible assets		
in intangible assets		(177)
Decrease in taxes payable, social security payable and customer advances	(23,971)	(3,483)
Increase in trade accounts payable	60,917	32,727
Increase in accrued interest	618	3,470
Increase (Decrease) in other liabilities	2,160	(5,698)
Net cash provided by operating activities	93,615	92,780
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increases in cash (Payments) for companies acquired net of cash acquired	17,112	(4,232)
Framework agreement guarantee deposit	9,111	(8,610)
Decrease in minority interest	(32,139)	(4,149)
Sale of IRSA Telecommunications N.V.		1,719
Purchase and improvements of fixed assets	(187,240)	(27,148)
Security deposit for the construction and purchase of parking lots	(4,902)	

Increase in receivables with related companies	(285)	
Loans granted	(6,939)	
Increase in non-current investments	(607)	
Variation of undeveloped parcels of land	(3,283)	(423)
Net cash used in investing activities	(209,172)	(42,843)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Swap guarantee deposit		1,190
Increase in short-term and long-term debt	197,533	16,414
Payment of short-term and long-term debt	(45,432)	(31,511)
Settlement of debt for the purchase of shares of Mendoza Plaza Shopping S.A.		(5,150)
Increase (Decrease) of mortgages payable	228	(17,574)
Issuance of common stock	14,818	15,850
Dividends payments to minority shareholders of related subsidiaries	(23,175)	(11,130)
Payments to minority shareholders for common stock in reduction in subsidiaries		(1,320)
Net cash provided by (used in) financing activities	143,972	(33,231)
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,415	16,706

(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.

Fernando A. Elsztain

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acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Cash Flows (Continued)

For the six-month periods beginning on July 1, 2006 and 2005

and ended December 31, 2006 and 2005

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

	December 31, 2006	**December 31, 2005**
Supplemental cash flow information		
Interest paid	28,350	23,207
Income tax paid	6,995	413
Non-cash activities:		
Increase in inventories through a decrease in fixed assets		1,422
Increase in intangible assets through a decrease in fixed assets		6
Increase in real estate reserve through a decrease in fixed assets		1,626
Increase in inventories through a decrease in real estate reserve		18,404
Increase in fixed assets through a decrease in real estate reserve	59,912	
Increase in other receivables through a decrease in fixed assets		83
Increase in other receivables through a decrease in long-term investments	3,303	
Increase in long-term investments through an increase in loans	27,522	
Increase in fixed assets through an increase in accounts payable		10,860
Increase in fixed assets through an increase in other receivables	12,161	
Conversion of negotiable obligations into common shares	9,873	4,291

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Unaudited Consolidated Statements of Cash Flows (Continued)

For the six-month periods beginning on July 1, 2006 and 2005

and ended December 31, 2006 and 2005

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

	December 31, 2006	**December 31, 2005**
Acquisitions of subsidiaries:		
Accounts receivables and rent	1,040	
Fixed assets	51,684	
Accounts payable	(512)	
Other receivables	3,177	99
Customer advances	(17,242)	
Salaries and social security payable	(171)	
Undeveloped parcels of land		269
Taxes payable	(463)	
Other liabilities	(8,276)	(89)
Net value of the acquired non-cash assets	29,237	279
Acquired cash	187,689	
Net value of acquired assets	216,926	279
Higher value of undeveloped parcels of land acquired		3,953
Minority interest	(36,578)	
Goodwill	18,750	
Purchase value of acquired subsidiaries	199,098	4,232
Acquired cash	(187,689)	
Amounts financed by sellers	(28,521)	
	(17,112)	4,232

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IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements

For the six-month periods beginning on July 1, 2006 and 2005

and ended December 31, 2006 and 2005

In thousand of pesos

NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL

a. Basis of consolidation

The Company has consolidated its unaudited balance sheets at December 31, 2006 and June 30, 2006 and the unaudited statements of income and cash flows for the six month periods ended December 31, 2006 and 2005 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.

Consolidated Financial statements corresponding to the six-month periods ended December 31, 2006 and 2005 have not been audited. The Company s management believes they include all necessary adjustments to reasonably show the consolidated results of each period.

Consolidated Income statement for the six-month periods ended December 31, 2006 and 2005 do not necessarily reflect the portion of the Company s consolidated results for such complete years. All significant intercompany balances and transactions have been eliminated in consolidation.

The following table shows the data concerning the corporate control:

	DIRECT AND INDIRECT % OF CAPITAL		**DIRECT AND INDIRECT % OF VOTING SHARES**	
	December 31, 2006	**June 30, 2006**	**December 31, 2006**	**June 30, 2006**
COMPANIES				
Ritelco S.A.	100.00	100.00	100.00	100.00
Palermo Invest S.A.	100.00	66.67	100.00	66.67
Abril S.A.	83.33	83.33	83.33	83.33
Pereiraola S.A.	83.33	83.33	83.33	83.33
Baldovinos S.A.	83.33	83.33	83.33	83.33
Hoteles Argentinos S.A.	80.00	80.00	80.00	80.00
Llao LLao Resorts S.A.	50.00	50.00	50.00	50.00
Patagonian Investment S.A.	100.00		100.00	
Alto Palermo S.A. (APSA)	61.67	61.54	61.67	61.54
Canteras Natal Crespo S.A. (1)	55.02	43.18	55.02	43.18

(1) The Company holds joint control of Canteras Natal Crespo S.A. with ECIPSA, see Note 17 to the unaudited basic Financial Statement.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 1: (Continued)

b. Comparative Information

Balance sheet items as of June 30, 2006 shown in these unaudited consolidated financial statements for comparative purposes arise from the audited annual consolidated financial statements corresponding to the year then ended.

The balances at December 31, 2006 of the unaudited Statements of Income, Changes in Shareholders´ Equity and Cash Flows are disclosed in comparative format with the same period of the previous fiscal year.

Certain amounts in the unaudited financial statements at December 31, 2005 were reclassified for disclosure on a comparative basis with those for the period ended December 31, 2006.

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, 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 is the domestic wholesale 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 and mentions the recently approved unification of accounting standards that will be applicable at the beginning of the next fiscal year. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that note.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 3: (Continued)

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.

b. Revenue recognition

The Company s revenues mainly stem from office leases, shopping center operations, development and sale of real estate and hotel operations.

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 sales (the Percentage Rent) (which generally ranges between 4% and 8% of tenant s gross sales).

Furthermore, pursuant to the rent adjustment clause in most leases, the 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 nine 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.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 3: (Continued)

b. (Continued)

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.

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.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

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.

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, 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. EMPALME and Emprendimiento Recoleta S.A., which is amortized through the straight-line method over a period that not exceeds 10 years.

The goodwill for the acquisition of the controlled companies Empalme S.A.I.C.F.A. y G. (Empalme) 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.

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

NOTE 4: 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 five reportable segments. These segments are Sale and development of properties, Office and others, Shopping centers, 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.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 4: (Continued)

A general description of each segment follows:

Sale and development of properties

This segment includes the operating results of the Company s construction and ultimate 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. 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.

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.

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

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 4: (Continued)

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

As of December 31, 2006

	Development and sale of properties	Office and Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Others	Total
Revenues	30,753	22,989	222,520	62,651	1,418	340,331
Costs	(30,826)	(4,686)	(72,800)	(33,683)	(754)	(142,749)
Gross profit	(73)	18,303	149,720	28,968	664	197,582
Income from valuation of inventories at net sale value	6,965					6,965
Selling expenses	(2,324)	(1,398)	(33,124)	(6,188)		(43,034)
Administrative expenses	(6,780)	(5,987)	(35,603)	(12,792)		(61,162)
Net income from retained interest in securitized receivables			5,514			5,514
Operating income	(2,212)	10,918	86,507	9,988	664	105,865
Depreciation and amortization (b)		4,134	32,167	5,189		41,490
Addition of fixed assets and intangible assets	483	61,454	149,943	35,272		247,152
Non-current investments in other companies					281,437	281,437
Operating assets	362,497	432,419	1,404,535	181,267		2,380,718
Non- Operating assets	40,737	48,596	49,433	9,645	570,177	718,588
Total assets	403,234	481,015	1,453,968	190,912	570,177	3,099,306
Operating liabilities	14,430	42,104	325,578	32,250		414,362
Non-Operating liabilities	120,731	107,697	348,334	79,154	37,458	693,374
Total liabilities	135,161	149,801	673,912	111,404	37,458	1,107,736

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

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 4: (Continued)

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

As of December 31, 2005

	Development and sale of properties	Office and Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Others	Total
Revenues	27,706	13,394	161,472	53,019	855	256,446
Costs	(22,127)	(4,343)	(57,049)	(28,778)	(769)	(113,066)
Gross profit (loss)	5,579	9,051	104,423	24,241	86	143,380
Income from valuation of inventories at net sale value	7,409					7,409
Selling expenses	(952)	(512)	(19,199)	(5,647)		(26,310)
Administrative expenses	(4,926)	(4,705)	(20,741)	(10,555)		(40,927)
Net income from retained interest in securitized receivables			2,080			2,080
Operating income	7,110	3,834	66,563	8,039	86	85,632
Depreciation and amortization (b)	171	3,980	31,414	4,827		40,392
Addition of fixed assets and intangible assets (c)	619	320	33,110	20,070		54,119
Non-current investments in other companies (c)			129		265,082	265,211
Operating assets (c)	386,740	359,725	1,213,915	145,796		2,106,176
Non- Operating assets (c)	49,624	46,158	29,191	13,310	495,662	633,945
Total assets (c)	436,364	405,883	1,243,106	159,106	495,662	2,740,121
Operating liabilities (c)	15,183	52,688	227,622	21,281		316,774
Non-Operating liabilities (c)	81,414	72,126	256,575	59,030	18,447	487,592
Total liabilities (c)	96,597	124,814	484,197	80,311	18,447	804,366

(a) Includes offices, commercial and residential premises.
(b) Included in operating income.
(c) Information as of June 30, 2006.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 5: CASH AND BANKS

The breakdown for this item is as follows:

	December 31, 2006	June 30, 2006
Cash in local currency	2,356	2,288
Cash in US$	2,636	2,472
Banks in local currency	14,532	28,599
Banks in US$	33,929	37,826
Banks in EUR	469	458
Special current accounts in local currency	5,023	1,645
Foreign accounts	11,767	28,666
Checks to be deposited	1,004	1,064
	71,716	103,018

NOTE 6: MORTGAGES AND LEASES RECEIVABLES, NET

The breakdown for this item is as follows:

	December 31, 2006		June 30, 2006	
	Current	Non-Current	Current	Non-Current
Debtors from sale of real estate	12,405	7,384	9,150	13,352
Interest to be accrued	(182)		(79)	(51)
Debtors from leases and credit card	129,186	45,685	92,449	21,076
Debtors from leases under legal proceedings	23,534		23,338	
Debtors from sales under legal proceedings	1,474		2,051	
Checks to be deposited	38,630		26,155	
Related companies	481		295	
Mortgages accounts receivable from hotel activities	9,373		5,595	
Less:				
Allowance for doubtful accounts	(209)		(505)	
Allowance for doubtful leases	(46,801)	(1,946)	(43,538)	(1,333)
	167,891	51,123	114,911	33,044

NOTE 7: OTHER RECEIVABLES AND PREPAID EXPENSES

The breakdown for this item is as follows:

December 31, 2006	June 30, 2006
Current	Current

		Non-Current		Non-Current
Asset tax credits	8,669	28,942	7,321	26,000
Value added tax (VAT) receivable	1,770	1,198	5,344	1,186
Related companies	11,788	199	6,542	51
Guarantee deposits (1) (2)	5,964	390	9,391	282
Prepaid expenses and services	8,267	361	7,176	456
Guarantee of defaulted credits (3)	215	3,626	280	15,889
Advance for the acquisition of companies (Note 42)	2,064		2,064	
Expenses to be recovered	4,141		4,965	
Fund administration and reserve			243	
Gross sales tax	859	1,048	790	883
Deferred income tax		47,912		47,936
Debtors under legal proceeding	283		470	

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 7: (Continued)

	December 31, 2006		June 30, 2006	
	Current	Non-Current	Current	Non-Current
Sundry debtors	2,980		2,544	
Income tax advances and withholdings	1,052		1,638	
Country club debtors	412		412	
Trust programs account receivables	9,294	10,736	1,100	5,805
Mortgages receivable under legal proceeding				2,208
Allowance for doubtful accounts				(2,208)
Tax on personal assets to be recovered			836	
Loans granted (4)	7,004			
Pre-paid insurance			48	
Judicial attachments (Note 26)	861		861	
Present value other receivables		(826)		(752)
Stock transactions to be liquidated	191			
Other	233	148	134	146
	66,047	93,734	52,159	97,882

(1) Includes: a) US$ 3 million deposit in guarantee kept in the Deustche Bank in favor of Argentimo S. A. related to an agreement entered into between Alto Palermo S.A., Argentimo S.A. and Constructora San José Argentina S.A. by which the guidelines are established for negotiating the acquisition of land to develop a shopping center and a dwelling and/or office building as of June 30, 2006. As of December 26, 2006 this guarantee kept to APSA (see Note 41).

b) a guarantee deposit of U$S 1.0 million in custody with the Deutsche Bank in favor of Grupo Seis S.C. in respect of an agreement for construction and purchase of garages that will be located in a building close to the Paseo Alcorta Commercial Center. This transaction is subject to the approval of the government of City of Buenos Aires.

(2) Includes restricted cash (see Note 16.b)

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

(4) See Note 4 to the unaudited basic financial statements

NOTE 8: INVENTORIES

The breakdown for this item is as follows:

	December 31, 2006		June 30, 2006	
	Current	Non-Current	Current	Non-Current
Edificios Cruceros	1,858		3,629	
Dique 13	1,595		1,605	
Dorrego 1916	13		13	
Minetti D	72		72	
Credit from Barter of Caballito		22,663		22,663

Torres Jardín	169	303	472	
V. Celina	43		43	
Abril / Baldovinos	6,430	1,653	5,670	2,872
San Martín de Tours	16,504		14,211	
Credit from barter of Benavidez (Note 27)	2,329	6,213	2,329	6,213
Torres de Abasto	312		312	
Credit from barter of Parcel 1 c) Dique III (1)	18,512	8,639	15,587	7,274
Torres Rosario	7,503		7,325	
Dique III parcel 1 d) (1)			25,549	
Credit from barter of Dique III 1e) (1)		41,808		41,808
Advance on purchase of inventories (Note 42)	1,773		1,773	
Other inventories	3,373		2,690	
	60,486	81,279	81,280	80,830

(1) See Note 20 to the unaudited basic financial statements.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 9: INVESTMENTS

The breakdown for this item is as follows:

	December 31, 2006	June 30, 2006
Current		
Boden (1)	550	644
Mortgage bonds (1)	2,342	2,704
IRSA I Trust Exchangeable Certificate (1)	136	184
Time deposits and money markets	49,762	6,431
Mutual funds (2)	148,758	108,732
Tarshop Trust (1)	10,252	10,319
Fiduciary bonds (1)	451	324
Banco Ciudad de Bs. As. Bond (1)	344	439
Other investments (1)	4,430	643
	217,025	130,420
Non-current		
Banco de Crédito y Securitización S.A.	5,494	4,782
Banco Hipotecario S.A.	275,943	260,300
E-Commerce Latina S.A		129
IRSA I Trust Exchangeable Certificate	1,641	2,126
Tarshop Trust	49,635	37,814
Fiduciary bonds	1,224	752
Banco Ciudad de Bs. As. Bond		117
Other investments	647	1,287
	334,584	307,307
Undeveloped parcels of land:		
Dique IV	6,704	6,704
Terreno General Paz		59,837
Torres de Rosario plot of land	16,111	16,079
Terrenos de Caballito	9,223	9,223
Padilla 902	92	92
Pilar	3,408	3,408
Torres Jardín IV	3,030	3,030
Puerto Retiro (Note 16)	46,443	46,518
Santa María del Plata	114,397	114,397
Pereiraola	21,875	21,875
Air space Coto	13,143	13,143
Caballito	36,681	36,622
Canteras Natal Crespo	6,328	4,427
Other undeveloped parcels of land	6,515	5,319
	283,950	340,674

	618,534	647,981

(1) Not considered cash equivalent for purposes of presenting the unaudited consolidated statements of cash flows.

(2) Include Ps. 74,253 and Ps. 49,976 at December 31, 2006 and at June 30, 2006, respectively, corresponding to Dolphin Fund PLC , not considered cash equivalent for purposes of presenting unaudited consolidated statement of cash flows.

Include Ps. 3,149 and Ps. 3,174 at December 31, 2006 and at June 30, 2006, respectively, corresponding to NCH Development Partner fund not considered cash equivalent for purposes of presenting unaudited consolidated statement of cash flows.

Include Ps. 479 and Ps. 1,091 at December 31, 2006 and at June 30, 2006, respectively, corresponding to Gainvest funds not considered cash equivalent for purposes of presenting unaudited consolidated statements of cash flows.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 10: FIXED ASSETS

The breakdown for this item is as follows:

	December 31, 2006	June 30, 2006
Hotels		
Llao-Llao	51,862	44,096
Intercontinental	53,966	55,573
Libertador	40,793	38,196
Terrenos Bariloche (Note 36)	21,900	
	168,521	137,865
Office buildings		
Avda. de Mayo 595	4,576	4,630
Avda. Madero 942	2,625	2,651
Edificios Costeros (Dique II)	18.837	19,020
Laminar Plaza	29,762	30,032
Libertador 498	42,081	42,490
Libertador 602	2,901	2,929
Madero 1020	1,800	1,818
Maipú 1300	43,299	43,726
Reconquista 823	19,364	19,560
Rivadavia 2768	317	321
Sarmiento 517	88	86
Suipacha 652	11,676	11,808
Intercontinental Plaza	65,516	66,277
Costeros Dique IV	21,272	21,463
Bouchard 710	70,069	70,786
Dock del Plata	26,854	
Advances	46,245	
	407,282	337,597
Commercial real estate		
Constitución 1111	752	760
	752	760
Other fixed assets		
Abril	1,094	1,115
Alto Palermo Park	516	519
Thames	3,033	3,033
Santa María del Plata	10,513	10,513
Store Cruceros	291	293

Constitución 1159	2,000	2,000
Other	1,877	1,834
	19,324	19,307
Shopping Center		
Alto Avellaneda	86,650	86,289
Alto Palermo	184,885	193,513
Paseo Alcorta	60,787	62,260
Abasto	191,293	194,892
Patio Bullrich	106,027	109,409
Buenos Aires Design	17,239	18,517
Alto Noa	28,077	29,016
Alto Rosario	84,837	85,516
Mendoza Plaza Shopping	90,739	88,601
Neuquén Project	10,012	10,012
Panamerican Mall	123,568	
Córdoba Shopping Villa Cabrera	50,862	
Other properties	9,081	9,302
Other fixed assets	42,905	30,356
	1,086,962	917,683
Total	1,682,841	1,413,212

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 11: MORTGAGES PAYABLE

The breakdown for this item is as follows:

	December 31, 2006		June 30, 2006	
	Current	Non-Current	Current	Non-Current
Mortgage payable San Martin de Tours (1)	3,632		3,598	
Mortgage payable Bouchard 710 (1)	15,328	6,781	14,809	14,722
Mortgage payable Terrenos Bariloche	2,661	5,913		
	21,621	12,694	18,407	14,722

(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:

	December 31, 2006		June 30, 2006	
	Current	Non-Current	Current	Non-Current
Admission rights	28,209	35,353	23,659	29,803
Leases and service advances (1)	13,740	26,064	12,302	11,679
Advanced payments from customers	16,977	2,493	26,520	
Advance for the sale of Rosario plot of land (2)	2,423		2,366	
	61,349	63,910	64,847	41,482

(1) The balance of rents and services advance payments include Ps 1,220 and Ps 4,644 current and non-current, respectively, that represent advance payments provided by Hoyts Cinema for the construction of the movie complexes of the Abasto Shopping and Centro Comercial Alto Noa. These advance payments accrue an interest equivalent to the semiannual Libo rate added 2-2.25 points. As of December 31, 2006 the semiannual Libo rate was 5.36938%. 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) This is a money advance of Euros 600 that the Company received from Villa Hermosa S.A. related to a purchase contract of a plot of land located in the city of Rosario. The liabilities amount is shown net of expenses incurred by the Company on account of Villa Hermosa S.A. The preliminary purchase contract referred to above was subscribed on December 9, 2005. As of the date of issuance of these unaudited financial statements the deed has not been signed yet. The plot is valued at its fair market value as conditions provided in Technical Resolution No. 17 are complied with.

NOTE 13: SHORT AND LONG - TERM DEBT

The breakdown for this item is as follows:

	December 31, 2006		June 30, 2006	
		Non-		Non-
	Current	Current	Current	Current
APSA 2006 Convertible Notes (1)		47,429		47,812
APSA 2006 Convertible Notes - Accrued interest (1)	2,144		2,161	
Bank loans (2)	246,653	61,979	86,421	59,872

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 13: (Continued)

	December 31, 2006		June 30, 2006	
	Current	Non-Current	Current	Non-Current
Bank loans Accrued interest (2)	2,458	7,735	3,268	7,491
IRSA Convertible Notes (3)	75,670			86,120
IRSA Convertible Notes Interest (3)	775		882	
Negotiable obligations 2009 principal amount (4)	22,892	55,086	17,303	67,054
Negotiable obligations 2009 accrued interest (4)	750	12,586	764	12,211
Debt related to purchase of subsidiaries (5)	36,644	30,620	12,934	
	387,986	215,435	123,733	280,560

(1) Corresponds to the outstanding balance of Negotiable Obligations convertible into shares (CNB) issued originally by APSA for an outstanding amount of US$ 50 million, as detailed in Note 23 to the unaudited consolidated financial statements, net of the CNB underwritten by the Company and net of fees and expenses related to issue of debt to be accrued.

(2) The outstanding balance at December 31, 2006 includes mainly the following loans:

(a) Unsecured loan expiring in 2009 as set out in Note 7 (1) to the unaudited basic financial statements amounted to Ps. 47,980 (Ps. 51,904 at June 30, 2006).

(b) On April 5, 2005 APSA accepted a syndicated loan from Banco Río de la Plata S.A. and Bank Boston N.A. amounting to Ps. 50 million, payable in 4 equal and consecutive semiannual installments beginning in October 2005. The final due date of the transaction falls on April 5, 2007. During the first year this loan will accrue interest at a fixed interest rate of 7.875 % and during the second year, will accrue the interest at the Encuesta rate plus 3 %, payable quarterly as from July 2005.

The terms of this loan require APSA to maintain certain financial ratios and conditions, and certain indicators and levels of indebtedness. The funds obtained from this loan were used to settle the outstanding balance, amounting to Ps. 48.4 million, of Negotiable Obligations, originally issued for an amount of Ps. 85 million. On October 5, 2005, April 5, 2006 and October 5, 2006 the first, second and third principal installments of Ps. 12.5 million each were paid by APSA.

(c) Hoteles Argentinos S.A. mortgage loan amounting to US$ 6,000. See Note 16.

(d) Current accounts overdrafts, mainly in Banco Macro, Citibank and Bank Boston.

(e) As a result of the acquisitions of the current quarter APSA has used current accounts overdrafts. Consequently, it has a negative working capital of Ps. 191.7 million. APSA shareholders are currently analyzing actions to be taken to solve this situation.

(3) Corresponds to the issue of Convertible Negotiable Obligations of the Company for a total value of US$ 100 million as set forth in Notes 7 and 13 to the unaudited basic financial statements.

(4) Corresponds to the issue of Negotiable Obligations secured with certain Company assets maturing in 2009, as detailed in Note 7 and 12 b. to the unaudited basic financial statements.

(5) The balance as of December 31, 2006 mainly includes: a) Ps. 9,140 related to the financing for acquiring the shares of Shopping Neuquén S.A. On February 2, 2007 the debt was fully cancelled; (b) Ps. 28.5 million of the amount owed for the acquisition of the shareholding of Empalme S.A.I.C.F.A. y G. This loan accrues 6% nominal annual interest, payable in 4 installments of US$ 2.0 million each, due on June 25, 2007; December 22, 2007; June 19, 2008 and December 16, 2008; and (c) Ps. 28.2 million related to the purchase of 33.33% of the shareholding of Palermo Invest S.A. (See Note 35).

NOTE 14: OTHER LIABILITIES

The breakdown for this item is as follows:

	December 31, 2006		June 30, 2006	
		Non-		Non-
	Current	current	Current	current
Related companies	5,651	21,244	3,906	7,801
Guarantee deposits	3,867	2,690	3,658	2,475
Provisions for contingencies (1)	7,472	10,977	8,755	10,942
Directors fees provision	7,682		13,803	
Directors fees advances	(608)	-	(325)	-
Condominium expenses	256		560	
Directors guarantee deposits		8		8
Sundry creditors	76		122	
Administration and reserve fund	626		636	
Contributed leasehold improvements to be accrued and unrealized gains (Note 30)	526	10,684	526	10,947
Donations payable	2,500		2,500	
Present value other liabilities		(30)		(25)
Trust accounts payable	191		191	
Documented liability		92		92
Other	3,614	13	1,789	12
	31,853	45,678	36,121	32,252

(1) The Company has recorded provisions in order to face up to probable contingent claims, and according to estimates developed by Company s legal counsels, such provisions would cover loss contingencies and related fees regarding to such claims. The amount of such provisions is based on management s assessment and the considerations of legal counsel s opinion regarding the matters.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 15: OTHER INCOME AND EXPENSES, NET

The breakdown for this item is as follows:

	December 31, 2006	December 31, 2005
Other income:		
Accelerated accrual from unearned income (Note 30)		2,428
Allowance recovery	627	
Others	626	428
	1,253	2,856
Other expenses:		
Unrecoverable VAT receivable	(1,158)	(643)
Donations	(1,241)	(314)
Lawsuits contingencies	(1,235)	(403)
Debit and credit tax	(925)	(442)
Tax on personal assets	(3,724)	(3,384)
Allowance for doubtful accounts		(1,614)
Other	(222)	(1,049)
	(8,505)	(7,849)
Other income and expenses, net	(7,252)	(4,993)

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 16: RESTRICTED ASSETS

Puerto Retiro S.A.

On April 18, 2000, Puerto Retiro S.A. (indirect subsidiary of the Company) 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 S.A. to sell or dispose in any manner the acquired real estate property from Tandanor S.A. in June 1993.

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

Indarsa did not comply with the payment of the outstanding price for the acquisition of the stock of Tandanor, and therefore the Ministry of Defense requested the bankruptcy of Indarsa, pursuing to extend the bankruptcy to Puerto Retiro S.A.

The evidence steps of the legal procedures have been completed. Puerto Retiro S.A. appealed the precautionary measure, being the same confirmed by the Court on December 14, 2000. The parties have submitted their claims in due time. The file was passed for the judge to issue a pronouncement, this being a decree adjourning the summoning of decisions to pronouncement in the understanding that there exists pre-judgment in respect of the penal cause filed against ex-officers of the Ministry of Defense and ex-directors of the Company. Consequently, the matter will not be solved until there is final judgment in penal jurisdiction.

The management and legal advisors of Puerto Retiro S.A. believe that there are legal and technical issues sufficient to consider that the request for postponement of bankruptcy will be denied by the court. However, taking the circumstances into account and the progress of the legal action, this position cannot be considered final.

Hoteles Argentinos S.A. mortgage loan

The Extraordinary Shareholders Meeting of Hoteles Argentinos S.A. (HASA , subsidiary of the company) held on January 5, 2001 approved taking a long-term mortgage loan from Bank Boston N.A. for a total amount of US$ 12,000 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 and one final payment of US$ 6,300. Such loan accrued LIBO rate plus a variable spread to be applied in the different periods. The agreement was signed on January 26, 2001.

As a result of the economic situation of the country, the lack of credit and the crisis of the Argentine financial system, principal installments of US$ 300 each falling due as from January 26, 2002 and the interest installments for a total amount of US$ 2,459 falling due as from July 29, 2002, were not paid by HASA.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 16: (Continued)

On March 5, 2004, BankBoston N.A. formally notified HASA that as from March 10, 2004 it assigned to Marathon Master Fund Ltd., all the rights and obligations arising from the loan agreement together with all the changes, guarantees and insurance policies related to that contract.

On December 16, 2004 Ritelco S.A. purchased the loan of US$ 12,951 that the Company s controlled subsidiary Hoteles Argentinos S.A. (80%) owed Marathon Master Fund, Ltd.

On March 23, 2005 Ritelco S.A. sold to Credit Suisse International (CSI formarly Credit Suisse First Boston) the loan agreement.

In the mentioned refinancing context the board of directors of HASA, in the meeting held on April 17, 2006, made an evaluation of the matters related to the original debt refinancing and decided to modify and amend the original loan agreement (Amended and Restated Loan Agreement) in order to reduce the outstanding amount of the original loan capital and postpone its maturity to March 15, 2010.

On April 21, 2006, HASA and CSI, entered into a Modified Loan contract in the following terms:

As condition precedent for carrying out the mentioned re-structuring, Credit Suisse compelled the payment of US$ 2,000 for partial cancellation of the matured and unpaid original debt. Also, the payment capital conditions of the modified loan and interest were agreed as follows:

a) Principal cancellations:

	Maturity date		
-	03-15-2008	US$	213
-	09-15-2008	US$	225
-	03-15-2009	US$	239
-	09-15-2009	US$	253
-	03-15-2010	US$	5,070

b) The principal installments will be paid with interest on the outstanding principal loan to be amortized as stated in clause 2.3 of the Modified Loan Contract, according to the following detail:

- Period 03-15-2006 to the effective day of the contract (04-21-2006), interest was accrued on US$ 8,000 at an annual 12.07% rate. HASA did not pay any other interest accrued up to the effective date, including interest on loan arrears.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 16: (Continued)

- From 04-21-2006 to 09-15-2006, interest was accrued on the outstanding principal at an annual 12.07% rate.

- As from 09-15-2006, the loan will accrue:

  (A) Interest at an annual rate equal to six-month LIBO, as determined by CSI the second working day prior to each interest period, plus the applicable margin of 7,0% (the Interest Rate), and

  (B) Interest will accrue as from the first day of each interest period inclusive and will be payable twice a year on arrears on each interest payment date.

Once HASA has credited the amount of US$ 2,000 made on April 21, 2006, the mortgage was partially cancelled reducing the original amount to the total of US$ 6,000. Consequently, the fourth paragraph of such instrument was changed and it was established that the asset mortgaged assure the proper compliance in time of all the Obligations arising from the Modified Loan Contract.

In addition to the Modified Loan Contract entered into with HASA and its financial creditor CSI, two credit default swaps were subscribed. One between IRSA and CSI for 80% of the restructured debt value, this being an amendment of the previous one signed, and the other one is a credit default swap between Starwood Hotels and Resorts Worldwide Inc. (Starwood) and CSI for 20% of the restructured debt value. Under these contracts, both companies (IRSA and Starwood) are able to protect CSI in case of non-compliance with HASA´s obligations. For valuable consideration, the Company and Starwood will be paid a coupon on a periodical basis.

Alto Palermo Group Restricted assets.

a) Short and long-term debt include Shopping Neuquén S.A s liability amounting to Ps. 42, corresponding to a mortgage set up on acquired land for Ps. 3,314.

b) Short and long term debt includes a loan from Banco de la Ciudad de Buenos Aires from Tarshop S.A. (subsidiary of APSA) for Ps. 5,583, which is secured by interest in credit card receivables of the Tarjeta Shopping Financial Trusts Series XII, XIV, XVI and XVIII and commercial pledge Bank Boston N.A. Sucursal Buenos Aires, as guarantee, Participation Certificates of the Tarjeta Shoppping Financial Trusts Series XXI, XXIII, XXV and XXVI for Ps 11,300.

c) Fixed assets include the cinema building located in the Cordoba Shopping Villa Cabrera which is levied with antichresis in rem right due to the financial debt that Empalme S.A.I.C.F.A. y G. has with NAI INTERNATIONAL II Inc.

d) As of December 31, 2006, under other current receivables, the company has restricted funds according to the following detail:

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 16: (Continued)

I. Ps. 21, in relation to the case Saavedra Walter Ricardo against Alto Palermo S.A. and others about dismissal.

II. Ps. 20, in relation to the case La Meridional Cía. de Seguros against Alto Palermo S.A. by collecting in pesos.

e) In relation with file number 25,030-I Alto Palermo S.A. against tax authorities on Recourse of Appeal , under court proceedings, the building located in 367 Olegario Andrade Avenue, Caballito, City of Buenos Aires is subject to a legal attachment, such building having a value of Ps. 36.7 million as of December 31, 2006 (recorded in Other non-current investments Undeveloped parcels of land).

f) As of December 31, 2006 the amount of Ps. 32.332 is recorded for pledged shares of Empalme S.A.I.C.F.A. y G.

NOTE 17: TARSHOP S.A. CREDIT CARD RECEIVABLE SECURITIZATION

APSA has ongoing revolving year securitization programs through which Tarshop S.A., a majority-owned subsidiary of APSA, transfers a portion of its customer credit card receivable balances to master trusts that issues certificates to public and private investors.

Under the securitization programs, Trusts may issue two types of certificates representing undivided interests in the Trusts 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, (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.

In consideration of the receivables transferred to the Trusts, which have been eliminated from the APSA´s balance sheet, Tarshop received cash (arising from the placement of the debt securities by the Trusts) and CPs issued by the trusts. The latter are recorded at their equity values at the closing of the period/year on the basis of the financial statements issued by the trusts.

Tarshop S.A. subsidiary of APSA, agreed on a Securitization Program of consumption portfolio for the purpose of securing long-term financing and the possibility of direct access to the capital market.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 17: (Continued)

Under this Securitization Program, on December 31, 2006, Tarshop S.A. transferred to Trusts the total amount of Ps. 521.3 million of credits receivable originated in the use of its clients´ credit cards and personal loans carrying promissory notes. Consequently, CP and TDF Series A were issued for Ps. 441.1 million, Series B for Ps. 35.6 million, CP Series C for Ps. 44.2 million, and Series D for Ps. 0.4 million. On the other hand, Tarshop S.A. acquired all the CP Series C in an amount equal to its nominal value, and all the remaining TDF and CP were placed to investors through a public offer in Argentina, with the exception of Ps. 1.7 million of a TDF Series B that Tarshop S.A. had acquired. As credit protection to investors, Tarshop S.A. has made a cash reserve for losses in the amount of Ps. 9.1 million.

NOTE 18: SALE IN OWNERSHIP OF BANCO HIPOTECARIO S.A. AMONG SUBSIDIARIES

On August 9, 2005 Ritelco S.A. sold 335,893 shares of Banco Hipotecario S.A. to Buenos Aires Trade and Finance Center S.A. (at that moment 100% subsidiary of the Company) in the total amount of US$ 1,536 (equivalent to market value of US$ 4.57 per share). See Note 18 to the unaudited basic financial statements in connection with the sale of interest in Banco Hipotecario S.A. made by IRSA to Buenos Aires Trade & Finance Center S.A.

As such transactions were made among subsidiaries, in which IRSA holds 100% interest, they do not modify the shareholding and do not affect the unaudited consolidated financial statements.

As of December 31, 2006, total shareholding amounted to 17,641,015.

NOTE 19: INVESTMENT IN IRSA TELECOMUNICACIONES N.V. (ITNV)

At June 30, 2005, Ritelco held an investment in ITNV representing 49.36% of its common shares. Ritelco had discontinued in prior years the application of the equity method for valuing this investment because there were mandatory redeemable preferred shares issued by ITNV, as Ritelco had not secured ITNV obligations, nor had it agreed to provide financial support to that company. For this reason, the investment in ITNV was valued at zero.

On August 19, 2005, a share purchase agreement was entered into by and between ITNV, Ritelco S.A. and Dolphin Fund PLC (another shareholder of ITNV) whereby ITNV acquired all the common shares held by those shareholders (4,106,000 and 1,675,000 shares, respectively) for US$ 0.1470333852 per share. The amount of this transaction is US$ 850, of which US$ 604 correspond to Ritelco S.A. On that date, ITNV cancelled the total amount of the transaction.

Considering that the above-mentioned transaction occurred subsequent to the prior fiscal year end, but before the issuance of the annual financial statements, Ritelco took up as of June 30, 2005 the investment in ITNV at its equity value up to the limit of its recoverable value. Consequently, Ritelco recorded an income of US$ 604 as of June 30, 2005.

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NOTE 20: MORTGAGE RECEIVABLE SECURITIZATION ORIGINATED BY IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANONIMA (IRSA), INVERSORA BOLIVAR S.A. AND BALDOVINOS S.A.

The Board of Directors of the Company, 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, the Company, Inversora Bolívar S.A. and Baldovinos S.A. (indirect subsidiaries) on one side (hereinafter the Trustors) and Banco Sudameris Argentina S.A. (hereinafter the Trustee) agreed to set up the IRSA I Financial Trust under the Global Program for the Issuance of FIDENS Trust Values, pursuant to the contract entered into on November 2, 2001.

Under the above-mentioned program, the trustors sold their personal and real estate receivables, secured with mortgages or arising from bills of sale with the possession of the related properties, for the total amount of US$ 26,586 to the Trustee, in exchange for cash and a part of the issuance by the Trustee of Participation Certificates. The different types of Participation Certificates issued by the Trustee are set out as follows:

Class A Participation Certificates (CPA): Nominal value of US$ 13,300 with a 15% fixed annual nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following business 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 with a 15.50% fixed annual, nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following business 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 with a 16% fixed annual nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following business 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.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 20: (Continued)

Class D Participation Certificates (CPD): Nominal Value of US$ 10,686. These grant the right to collect monthly sums arising from the Cash Flows, net of the contributions made to the Expense Fund, once the remaining classes have been fully settled.

The period for placing the Participation Certificates was from December 27, 2001 to January 15, 2002.

Pursuant to Decree No. 214/02, receivables and debts in U.S. dollars in the Argentine financial system as of January 6, 2002, were converted to Argentine pesos at the rate of exchange of Ps. 1 per US$ 1 and are adjusted by a reference stabilization index (CER) / coefficient of salary fluctuation (CVS).

On July 21, 2003 an amendment was signed to the trust contract by which, among other conditions, a system of proportional adjustment to the Participation Certificates was established to recognize the CER and CVS, and also nominal value of the Participation Certificates Class D was modified. New nominal value amounted to Ps. 10,321.

At December 31, 2006, the value of Class D Participation Certificates amounted to Ps. 1,480 in IRSA, Ps. 236 in Inversora Bolívar S.A., and Ps. 61 in Baldovinos S.A. Class A, B, and C Certificates have been totally amortized at the end of the period.

NOTE 21: ADQUISITION OF CORDOBA SHOPPING

On July 7, 2006 APSA and Shopping Alto Palermo S.A. (SAPSA) subscribed a sale contract of shares for the purchase of all the shareholding of Empalme S.A.I.C.F.A. y G., owner of the Córdoba Shopping Villa Cabrera. This operation was subject to certain conditions precedent, one of these being the approval of the National Commission for the Defense of Competitiveness. This condition was duly approved and notified on December 20, 2006

The agreed price for such operation is a gross amount of US$ 12,000 added a variable amount arising from the adjustment prior to closing (originally established in the contract), which was determined in Ps. 3,961. The company was incorporated on December 31, 2006. To this date, APSA and SAPSA have paid US$ 4,000 and subsequent to the end of the current period they have paid the amount representing the adjustment subsequent to period-end. Four instalments of two million US dollars (US$ 2,000) are still outstanding, to become due biannually as from June 2007, and accruing 6% annual interest.

Córdoba Shopping Villa Cabrera is a shopping center covering 35,000 square meters of surface area, including 160 commercial stores, 12 cinemas and parking lot for 1,500 vehicles, located in Villa Cabrera, city of Córdoba. This investment represents for APSA and SAPSA a significant growth opportunity in the commercial centers segment. It will also be in line with the expansion strategy and presence in the most important cities inside the country.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 22: DERIVATIVE INSTRUMENTS

Future purchase contracts

During the current year Ritelco S.A. subscribed Future purchase of Silver and Gold contracts. In accordance with this company´s risk administration policies, this kind of contracts are used with speculative purposes.

As of December 31, 2006, Ritelco S.A. has 25 contracts for the purchase of 100 ounces of gold due in April 2007 at an average market price of U$S 644.3. As a guarantee for such contracts, Ritelco S.A. has deposits in the amount of U$S 67 (equivalent to Ps. 203).

As of December 31, 2006, for future purchase contract transactions effective during the period, Ritelco S.A. recorded a realized and non realized profit for such operations amounting to U$S 21 (equivalent to Ps. 64) and U$S 4 (equivalent to Ps. 12), respectively.

NOTE 23: ALTO PALERMO ISSUANCE OF NEGOTIABLE OBLIGATIONS CONVERTIBLE INTO COMMON SHARES

On July 19, 2002, APSA issued Series I of Negotiable Obligations up to US$ 50,000 convertible into common shares, par value of Ps. 0.10 each. This series was 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.

Main issue terms and conditions of the Convertible Negotiable Obligations are as follows:

- Issue currency: US dollars.

- Due date: On May 2, 2006, the Meeting of Shareholders decided to postpone the date of original maturity to July 19, 2014 this being the reason for the Convertible Negotiable Obligations (CNO) to be classified as non-current in these unaudited financial statements. Since the conditions of the CNO have not substantially modified, the postponement of the original maturity have not had an impact on these unaudited financial statements.

- Interest: at a fixed nominal rate of 10% per annum. Interest is payable semi-annually.

- Payment currency: US dollars or its equivalent in pesos.

- Conversion right: the notes can be converted at any time at the option of each holder into ordinary shares at a conversion price equivalent to the higher of the result from dividing the nominal value of the Company s shares (Ps. 0.1) by the exchange rate and US$ 0.0324, which means that each Note is potentially exchangeable for 30.864 shares of Ps. 0.1 par value each.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 23: (Continued)

- Right to collect dividends: the shares underlying the conversion of the negotiable obligations will be entitled to the same right to collect any dividends to be declared after the conversion as the shares outstanding at the time of the conversion.

At December 31, 2006, certain holders of Negotiable Obligations convertible into APSA common shares, have exercised their right to convert them for a total amount of US$ 2.77 million, with the consequent issuance of common stock of nominal value $0.1 per share. As of December 31, 2006, the outstanding balance of APSA Convertible Negotiable Obligations amounted to US$ 47.23 million, of which US$ 31.74 million correspond to IRSA s holding which is eliminated in the consolidation process.

NOTE 24: ALTO PALERMO OPTIONS GRANTED IN RELATED COMPANIES

E-Commerce Latina S.A. has granted Consultores Internet Managers Ltd., a Cayman Islands corporation created to act on behalf of Altocity.com s management and represented by an independent attorney-in-fact, an irrevocable option to purchase Class B shares of Altocity.com S.A. representing 15% of the latter s capital, for an eight-year period beginning on February 26, 2000 at a price equal to the present and future contributions to Altocity.com S.A. plus a rate of 14% per year, capitalizable annually.

On September 29, 2004, at the time of entering the purchase contract of the Mendoza Plaza Shopping S.A. shareholding, APSA subscribed an agreement with Inversiones Falabella Argentina S.A. by which it granted to the latter the irrevocable right for a put-option of its shares in Mendoza Plaza Shopping S.A., which may be exercised until the last working day of October 2008, in the amount of U$S 3.0 million under the terms especifically established in the contract.

NOTE 25: EARNINGS PER SHARE

Below is a reconciliation between the weighted-average number of common shares outstanding and the diluted weighted-average number of common shares. The latter has been determined considering the number of additional common shares that would have been outstanding if the holders had exercised their right to convert the convertible negotiable obligations held by them into common shares, up to nominal amount of US$ 100,000, described in Note 13 to the unaudited basic financial statements.

In thousands:

	December 31, 2006	**December 31, 2005**
Weighted average outstanding shares	437,472	363,821
Conversion of negotiable obligations	129,521	209,380
Weighted average diluted common shares	566,993	573,201

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 25: (Continued)

Below is a reconciliation between net income of the period and net income used as a basis for the calculation of the diluted earnings per share:

	December 31, 2006	December 31, 2005
Net income for calculation of basic earnings per share	66,120	28,986
Exchange difference	(668)	8,244
Interest	3,308	6,742
Income tax		
Net income for calculation of diluted earnings per share	68,760	43,972
Net basic earnings per share	0.151	0.080
Net diluted earnings per share	0.121	0.077

NOTE 26: PROVISION FOR UNEXPIRED CLAIMS AGAINST LLAO LLAO HOLDING S.A.

The company Llao Llao Holding S.A. (in the process of dissolution due to merger with IRSA Inversiones y Representaciones Sociedad Anónima), predecessor of Llao Llao Resorts S.A. in the operation of the hotel complex Hotel Llao Llao , which was awarded by Resolution No. 1/91 issued by the National Parks Administration, was sued in 1997 by that Administration to obtain collection of the unpaid balance of the additional sale price, in Argentine external debt securities amounting to US$ 2,870. A ruling of the court of original jurisdiction sustained the claim. That ruling was appealed, and the Court of Appeals confirmed the judgment of the court of original jurisdiction, demanding payment from the company of the mentioned amount in Argentine external debt securities available at the date of the ruling, plus interest accrued through payment, and compensatory and punitive interest and lawyers´ fees.

The unpaid balance approved in the court records, carried out by the plaintiff as of June 30, 2001, includes face value bonds of US$ 4,127, plus compensatory and punitive interest, payable in cash, in a total amount of US$ 3,800.

On March 2, 2004, such company made a deposit of Ps. 7,191 in Banco de la Ciudad de Buenos Aires in favor of the National Parks Administration and a transfer of Argentine external debt securities class FRB FRB L+13/16 2005 for a total nominal value of US$ 4,127, equivalent to Ps. 1,964. The total amount settled on that date was Ps. 9,155.

The intervening court served notice to the plaintiff of payment made, and on June 30, 2004 the plaintiff presented a writing rejecting that payment, considering it partial settlement of the debt arising from the firm judgement filed in the records of the case, and requested the setting up of a time deposit with the funds paid, automatically renewable every thirty days, until final payment of the total debt.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 26: (Continued)

The Court resolved the matter by considering notice to have been served; as regards the amount due, the plaintiff must conform the claim to current regulations. Until final resolution of the matter, Banco de la Ciudad de Buenos Aires was instructed to appropriate the funds to a renewable time deposit.

In accordance with the legal advisors´ report, the plaintiff has yet neither initiated the execution of the sentence nor liquidated its credit.

In line with the matters reported by the lawyers in respect of this suit, such company management recorded a reserve for an amount Ps. 4,443 as of December 31, 2006, which was determined according to the difference between the amount claimed for compensatory and punitive interest of US$ 3,800 and the amount deposited in the court of Ps. 7,191.

Five of the six plaintiff s lawyers filed a motion in relation to their fees in the case, as they understood that the amount agreed should have been paid in U.S. dollars and not in pesos. In a provisional remedy, due to the unpaid balance carried out in the court records under the claims of two of the lawyers, an order was issued to attach the company s bank current accounts, which occurred in March 2005 in the amount of Ps. 788. As of December 31, 2006, such attached funds amounts to Ps. 861.

Such company legal advisors challenged the unpaid balance carried out in the court records based on several reasons (payments performed prior to the pesification, unlawful and exorbitant interest, etc.). This case is carried out by two legal advisors. In accordance with the probable contingency reported by the lawyers as of December 31, 2006, such company management has reserved the amount of Ps. 1,010. An accord and satisfaction agreement was settled with the other three litigant lawyers, by which it was agreed to pay the amount of U$S 68 to each one of them, in installments, the last becoming due in February 5, 2008. One of these agreements was signed on September 29, 2006 and the other two on October 17, 2006.

The sixth female attorney, who had not appealed the resolution that provided for the conversion into pesos of the attorney´s fees, submitted a note to this file arguing that the resolution of the appeal of her colleagues is also applicable in her case and determined the amount in US$ 95. The Company has challenged the claim in the understanding that the Court resolution is not applicable and that the conversion into pesos is final. The claim is not yet solved. According to the Company´s legal advisors, as of December 31, 2006 an allowance of Ps. 86 has been recorded for this claim for adjustment of the referential stabilization coefficient applicable to the credit as from the fourth installment (from a total of twelve installments).

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NOTE 27: OPTION FOR THE ACQUISITION OF BENAVIDEZ

On December 3, 2003, Inversora Bolívar S.A. (indirect subsidary company) and Desarrolladora El Encuentro S.A. (DEESA) signed a revocable option agreement for the acquisition of real property, whereby Inversora Bolívar S.A. granted DEESA an option to acquire land in Benavídez.

In March 2004, DEESA notified Inversora Bolívar S.A. and the latter accepted the exercise of the mentioned option. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US$ 3,980 to Inversora Bolívar S.A., of which US$ 980 were paid during last quarter and the balance of US$ 3,000 will be paid through the exchange of 110 residential plots already chosen and identified in the option contract mentioned in the first paragraph of this note. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar S.A. on real property amounting to US$ 3,000 in guarantee of compliance with the operation and delivered US$ 500 to Inversora Bolívar S.A. corresponding to a deposit in guarantee of performance on the obligations undertaken. This balance will not accrue interest in favor of DEESA, and it had been acorded that it would be returned as follows: 50% at the time of certification of 50% of the progress of work and the remaining upon certification of 90% of work progress.

On December 26, 2006 Inversora Bolívar subscribed an agreement by which the amount of US$ 250 was reimbursed to DEESA.

NOTE 28: NUEVAS FRONTERAS S.A.

The Ordinary and Extraordinary Shareholder´s Meeting of Nuevas Fronteras S.A. held on August 25, 2006 approved the following resolutions on the stockholders´ equity accounts of such Company:

1. To partially reverse the absorption of negative retained earnings as of June 30, 2006 shown in the Adjustment of Common Stock account, in the amount of Ps. 20,076 approved in the Shareholder´s Meeting held on September 15, 2003 increasing in such amount the Adjustment of Common Stock account, which after such increase amounted to Ps. 43,879.

2. To capitalize the total balance of the Adjustment of Common Stock account in the amount of Ps. 43,879, increasing the Capital Stock from Ps. 48,125 to Ps. 92,004.

3. To reduce the capital stock in cash, in the amount of Ps. 17,000 and carrying the capital stock from Ps. 92,004 to Ps. 75,004.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 28: (Continued)

4. For the purpose of the point mentioned in the previous paragraph, the Shareholder´s Meeting decided to distribute Ps. 17,000 or its equivalent in dollars at an exchange rate of Ps. 3,10 = U$S 1, according to the share participation of each shareholder and to put the amount at their disposition.

5. To request the Board of Directors of Nuevas Fronteras S.A. to cancel and redeem the existing titles and to replace them, once the pertinent authorities have approved the reduction, with new titles representing the capital stock

6. That section 4 of the by-laws be reformulated on the basis of the capital stock reduction approved.

7. To approve the distribution of the remnant of retained earnings as of June 30, 2005 that, according to the above-mentioned points, totally amounted to Ps. 2,985, allocating Ps. 1,087 to Legal Reserve and Ps. 1,898 to dividends in cash, and arranging its disposal to the shareholders on the date of Shareholder´s Meeting.

NOTE 29: DAMAGES IN ALTO AVELLANEDA

On March 5, 2006 there was a fire in the Alto Avellaneda Shopping produced by an electrical failure in one of the stores. Although there were neither injured persons nor casualties, there were serious property damages and the area as well as certain stores had to be closed for repairs. The total damaged area covered 36 stores and represented 15.7% of the total square meters built. Between the months of June and August 2006 this area was reopened and the operation returned to normal.