

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

May 21, 2008

# **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 May, 2008**

## **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**

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(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 an English translation of the unaudited consolidated financial statements for the nine-month period ended on March 31, 2008 and March 31, 2007 filed 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 nine-month periods

beginning on July 1, 2007 and 2006

and ended March 31, 2008 and 2007

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Unaudited Consolidated Balance Sheets as of March 31, 2008 and June 30, 2007**

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

	<b>March 31, 2008</b>	<b>June 30, 2007</b>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and banks (Note 5)	80,694	218,356
Investments (Note 9)	586,717	638,351
Mortgages and leases receivable, net (Note 6)	216,117	172,733
Other receivables and prepaid expenses (Note 7)	105,125	110,975
Inventories (Note 8)	53,324	35,375
<b>Total Current Assets</b>	<b>1,041,977</b>	<b>1,175,790</b>
<b><u>NON-CURRENT ASSETS</u></b>		
Mortgages and leases receivable, net (Note 6)	16,776	42,442
Other receivables and prepaid expenses (Note 7)	101,841	81,202
Inventories (Note 8)	106,998	220,828
Investments (Note 9)	686,088	673,273
Fixed assets, net (Note 10)	2,320,049	2,027,311
Intangible assets, net	2,769	2,822
<b>Subtotal Non-Current Assets</b>	<b>3,234,521</b>	<b>3,047,878</b>
<b>Negative Goodwill, net</b>	<b>(77,644)</b>	<b>(78,769)</b>
<b>Total Non-Current Assets</b>	<b>3,156,877</b>	<b>2,969,109</b>
<b>Total Assets</b>	<b>4,198,854</b>	<b>4,144,899</b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Trade accounts payable	214,543	195,870
Mortgages payable (Note 11)	5,840	17,538
Customer advances (Note 12)	94,366	88,810
Short-term debt (Note 13)	99,158	196,655
Salaries and social security payable	19,368	26,841
Taxes payable	63,906	64,712
Other liabilities (Note 14)	65,678	61,656
<b>Total Current Liabilities</b>	<b>562,859</b>	<b>652,082</b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Trade accounts payable	46,416	40,942
Mortgages payable (Note 11)	2,395	4,557
Customer advances (Note 12)	77,829	63,908
Long-term debt (Note 13)	1,069,477	1,217,866

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Taxes payable	35,641	29,556
Other liabilities (Note 14)	39,259	38,864
<b>Total Non-Current Liabilities</b>	<b>1,271,017</b>	<b>1,395,693</b>
<b>Total Liabilities</b>	<b>1,833,876</b>	<b>2,047,775</b>
Minority interest	472,796	450,410
SHAREHOLDERS' EQUITY	1,892,182	1,646,714
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,198,854</b>	<b>4,144,899</b>

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

Fernando Adrián Elsztain

Titular Director

Acting as President

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

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

and ended March 31, 2008 and 2007

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

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Revenues	828,477	521,939
Costs	(381,998)	(209,903)
<b>Gross profit</b>	<b>446,479</b>	<b>312,036</b>
Gain from recognition of inventories at net realizable value	6,137	11,539
Selling expenses	(100,513)	(68,666)
Administrative expenses	(127,025)	(99,517)
<b>Subtotal</b>	<b>(221,401)</b>	<b>(156,644)</b>
Net (loss) income from retained interest in securitized receivables	(1,416)	4,367
<b>Operating income (Note 4)</b>	<b>223,662</b>	<b>159,759</b>
Amortization of goodwill	1,126	(566)
Financial results generated by assets:		
Interest income	35,050	13,978
Interest on discount by assets	(3,417)	(161)
(Loss) Gain on financial operations	(24,380)	54,155
Exchange differences	18,411	771
<b>Subtotal</b>	<b>25,664</b>	<b>68,743</b>
Financial results generated by liabilities:		
Interest on discount by liabilities	(745)	5
Exchange differences	(24,160)	(2,882)
Financial expenses	(74,807)	(42,302)
<b>Subtotal</b>	<b>(99,712)</b>	<b>(45,179)</b>
<b>Financial results, net</b>	<b>(74,048)</b>	<b>23,564</b>
(Loss) Gain on equity investees	(16,523)	25,355
Other expenses, net (Note 15)	(3,579)	(8,930)
<b>Income before taxes and minority interest</b>	<b>130,638</b>	<b>199,182</b>
Income tax and Minimum Presumed Income Tax (MPIT)	(76,837)	(56,693)

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Minority interest	(30,922)	(28,639)
<b>Net income for the period</b>	<b>22,879</b>	<b>113,850</b>

Earnings per share		
Basic net income per share (Note 24)	0.042	0.258
Diluted net income per share (Note 24)	0.042	0.210

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

Fernando Adrián Elsztain

Titular Director

Acting as President



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

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

and ended March 31, 2008 and 2007

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

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
<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	517,493	366,047
Net (decrease) increase in cash and cash equivalents	(191,030)	202,107
<b>CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income for the period	22,879	113,850
Plus income tax and MPIT accrued for the period	76,837	56,693
<b>Adjustments to reconcile net income to cash flows from operating activities:</b>		
Gain (loss) on equity investees	16,523	(25,355)
Amortization of Goodwill	(1,126)	566
Minority interest	30,922	28,639
Allowances and provision	42,686	26,291
Amortization and depreciation	91,455	64,529
Financial results	46,266	(45,401)
Gain on disposal of rental properties	(18,603)	
Fixed assets withdrawals	476	
Gain from recognition of inventories at net realizable value	(6,137)	(11,539)
<b>Changes in operating assets and liabilities:</b>		
Decrease (Increase) in current investments	18,526	(3,044)
Increase in non-current investments	(768)	(36,681)
Increase in mortgages and lease receivables	(79,711)	(55,650)
Increase in other receivables	(29,493)	(52,584)
(Increase) Decrease in inventories	(1,146)	27,124
Increase in intangible assets	(560)	
Decrease in taxes payable, social security payable and customer advances	(60,996)	(34,957)
Increase in trade accounts payable	16,274	74,280
(Decrease) Increase in accrued interest	(4,640)	5,603
Proceeds from sale of rental properties	108,899	
(Decrease) Increase in other liabilities	(7,331)	6,245
<b>Net cash provided by operating activities</b>	<b>261,232</b>	<b>138,609</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increases in cash for companies acquired net of cash acquired		5,069
Framework agreement guarantee deposit		9,111
Decrease in minority interest		(37,621)
Acquisitions and improvements of fixed assets	(449,195)	(495,375)
Variation of undeveloped parcels of land	(1,255)	54,117
Security deposit for the construction and purchase of parking lots		(4,902)

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Advances for purchase of shares	(769)	
Loans granted		(3,995)
Increase in receivables with related parties		(285)
Cash collected from the insurance of Alto Avellaneda s Shopping Center damages	3,760	
<b>Net cash used in investing activities</b>	<b>(447,459)</b>	<b>(473,881)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payment) Increase of short-term debt and long-term debt	(150,576)	544,672
Re-purchase of Negotiable Obligations	(4,064)	
Decrease of mortgages payable	(14,791)	(4,529)
Capital contribution by minority owners in related parties	24,664	
Issuance of common stock by exercising warrants	163,416	20,411
Dividends payments to minority shareholders of related subsidiaries	(23,452)	(23,175)
<b>Net cash (used in) provided by financing activities</b>	<b>(4,803)</b>	<b>537,379</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(191,030)</b>	<b>202,107</b>

(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 Adrián Elsztain

Titular Director

Acting as President

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

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

and ended March 31, 2008 and 2007

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

	March 31, 2008	March 31, 2007
<b>Supplemental cash flow information</b>		
Interest paid	103,174	50,316
Income tax paid	54,821	11,798
<b>Non-cash activities:</b>		
Increase in other receivables through a decrease in long-term investments		3,303
Increase in long-term investments through an increase of loans		27,522
Increase in long-term investments through a decrease in other receivables	3,995	
Increase in fixed assets through an increase in other receivables		12,161
Decrease in Mortgages payable through a decrease in inventories		(3,632)
Transfer of inventories to undeveloped parcels of land	705	
Increase in fixed assets through an increase in accounts payable	2,777	
Issuance of Trust Exchangeable Certificates, Net	74,335	36,342
Conversion of Negotiable Obligations into common shares	59,174	13,357
<b>Acquisitions of subsidiaries</b>		
Accounts receivables and rent		1,578
Fixed assets		51,807
Accounts payable		(1,458)
Other receivables		6,147
Customer advances		(17,417)
Bank loans		(5)
Salaries and social security payable		(283)
Accounts payable with related parties (Alto Palermo (APSA))		(9,676)
Taxes payable		(878)
Other liabilities		(478)
Allowances		(1,455)
<b>Net value of the acquired non-cash assets</b>		27,882
Acquired cash		187,714
<b>Net value of acquired assets</b>		215,596
Minority interest		(36,029)
Goodwill		19,385
<b>Purchase value of acquired subsidiaries</b>		198,952
Acquired cash		(187,712)
Amounts financed by sellers		(28,521)

Fernando Adrián Elsztain

Titular Director

Acting as President

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements**

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

and ended March 31, 2008 and 2007

In thousand of pesos

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

The Company has consolidated its unaudited balance sheets at March 31, 2008 and June 30, 2007 and the unaudited statements of income and cash flows for the nine-month periods ended March 31, 2008 and 2007 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 consolidated financial statements include the assets, liabilities and results of operations of the following subsidiaries:

COMPANIES	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
	March 31, 2008	June 30, 2007	March 31, 2008	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.I.C.I.F.y A.	100.00	100.00	100.00	100.00
Inversora Bolívar S.A.	100.00	100.00	100.00	100.00
Quality Invest S.A. (Note 41)	100.00		100.00	
E-Commerce Latina S.A. (Note 41)	100.00		100.00	
Patagonian Investment S.A.	100.00	100.00	100.00	100.00
Solares de Santa María S.A. (Note 40)	90.00	90.00	90.00	90.00
Financel Communications S.A. (Note 41)	80.00		80.00	
Hoteles Argentinos S.A.	80.00	80.00	80.00	80.00
Alto Palermo S.A. ( APSA )	62.48	62.48	62.48	62.48
Llao Llao Resorts S.A.	50.00	50.00	50.00	50.00

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**NOTE 1:** (Continued)

In addition, the assets, liabilities and results of operations of the Company subsidiaries that follow have been included in the consolidated financial statements, applying the proportional consolidation method.

COMPANIES	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
	March 31, 2008	June 30, 2007	March 31, 2008	June 30, 2007
Rummaala S.A (Note 39)	50.00	100.00	50.00	100.00
CYRSA S.A. (2)	50.00	100.00	50.00	100.00
Canteras Natal Crespo S.A. (1)	50.00	50.00	50.00	50.00

- (1) The Company holds joint control of this company with ECIPSA.
- (2) The Company holds joint control with Cyrela Brazil Realty S.A. Empreendimentos y Participações (see Note 39).

b. Comparative Information

Certain amounts in the unaudited financial statements at March 31, 2007 were reclassified for disclosure on a comparative basis with those for the period ended March 31, 2008.

**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.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**NOTE 2:** (Continued)

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.

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 following the accrue method. 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

**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)

threshold. APSA 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 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. These fees are prorated among the tenants according to their leases and varies from shopping center to shopping center.

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.

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.A.'s and Comercializadora Los Altos S.A. (formerly Altocity.com S.A.) revenues are derived primarily from collected commissions from spaces lease agreements calculated as a percentage of the final rental income value. Revenues are recognized at the time the transaction is successfully concluded.

Credit card operations

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



**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)

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.

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 as applicable.

**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)

Projects Development Expenses

Intangible assets, related to projects development expenses of the Solares de Santa María S.A. subsidiary, have been valued at acquisition cost and they will be amortized during the fiscal year in which the Company starts developing the project.

The value of the intangible assets does not exceed their estimated recoverable value at period end.

d. Goodwill

Negative goodwill represents the excess of the market value of net assets of the subsidiaries at the percentage of 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 includes goodwill from the subsidiary APSA, originated from the purchase of shares of Tarshop S.A., Fibesa S.A. and Emprendimiento Recoleta S.A., which is amortized through the straight-line method over a period that not exceeds 10 years. The goodwill resulting from the purchase of the shareholding in Empalme S.A.I.C.F.A. y G. is amortized in 16 years.

**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:

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**NOTE 4:** (Continued)

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.

Hotel operations

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

Credit card

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

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**
**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 March 31, 2008

	Sale and development of properties	Office and Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Credit card	Financial Operations and others	Total
Revenues	175,191	72,976	252,043	115,078	212,673	516	828,477
Costs	(140,592)	(21,593)	(70,560)	(60,110)	(88,762)	(381)	(381,998)
Gross profit	34,599	51,383	181,483	54,968	123,911	135	446,479
Gain from valuation of inventories at net realizable value	6,137						6,137
Selling expenses	(5,215)	(2,388)	(17,876)	(11,152)	(63,882)		(100,513)
Administrative expenses	(15,400)	(14,750)	(24,918)	(24,486)	(47,471)		(127,025)
Net loss from retained interest in securitized receivables					(1,416)		(1,416)
Operating income	20,121	34,245	138,689	19,330	11,142	135	223,662
Depreciation and amortization (b)	220	21,388	54,719	9,777	1,409		87,513
Addition of fixed assets and intangible assets	1,062	205,633	200,204	37,270	5,586		449,755
Non-current investments in other companies						290,511	290,511
Operating assets	424,586	788,263	1,527,320	235,317	133,354		3,108,840
Non-Operating assets	21,711	22,966	54,706	14,546	19,170	956,915	1,090,014
Total assets	446,297	811,229	1,582,026	249,863	152,524	956,915	4,198,854
Operating liabilities	24,773	78,501	212,398	31,955	177,035		524,662
Non-Operating liabilities	218,238	184,280	584,583	181,053	72,782	68,278	1,309,214
Total liabilities	243,011	262,781	796,981	213,008	249,817	68,278	1,833,876

(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 March 31, 2007

	Sale and development of properties	Office and Other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Credit card	Financial Operations and Others	Total
Revenues	40,013	37,889	198,278	94,372	149,556	1,831	521,939
Costs	(37,282)	(6,841)	(60,953)	(49,759)	(54,143)	(925)	(209,903)
Gross profit	2,731	31,048	137,325	44,613	95,413	906	312,036
Gain from valuation of inventories at net realizable value	11,539						11,539
Selling expenses	(2,670)	(2,178)	(15,859)	(9,152)	(38,807)		(68,666)
Administrative expenses	(13,513)	(11,932)	(22,346)	(19,097)	(32,629)		(99,517)
Net income from retained interest in securitized receivables					4,367		4,367
Operating income	(1,913)	16,938	99,120	16,364	28,344	906	159,759
Depreciation and amortization (b)		6,712	48,664	7,457	884		63,717
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>March 31, 2008</b>	<b>June 30, 2007</b>
Cash in local currency	4,817	3,331
Cash in foreign currency	962	736
Banks in local currency	20,650	128,697
Banks in foreign currency	52,627	84,781
Checks to be deposited	1,638	811
	80,694	218,356

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

The breakdown for this item is as follows:

	<b>March 31, 2008</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	161,413	16,879	155,865	43,509
Checks to be deposited	48,465		31,626	
Debtors from sale of real estate	21,407	673	7,670	888
Debtors from leases under legal proceedings	24,761		23,603	
Debtors from hotel activities	11,810		7,909	
Debtors under legal proceedings and past due debts	1,409		1,302	
Related parties	2,376		910	
Interest to be accrued	(108)	(70)	(76)	
Less:				
Allowance for leases and doubtful accounts	(55,205)	(706)	(55,875)	(1,955)
Allowance for doubtful accounts	(211)		(201)	
	216,117	16,776	172,733	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:

	March 31, 2008		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Related parties	52,366	239	38,904	84
Value added tax ( VAT ) receivable	4,433	24,134	17,640	10,637
Prepaid expenses and services	22,583	182	16,873	233
Trust programs account receivables (Note 17)	5,425	11,837	2,926	18,976
Expenses to be recovered	7,198		3,098	
Gross sales tax	714	664	1,242	1,153
MPIT credits	2,160	13,806	16,595	21,037
Income tax advances and withholdings	717		978	
Pre-paid insurance	323		45	
Guarantee of defaulted credits (2)	974	3,330	785	3,096
Loans granted (3)	1,059		4,290	
Guarantee deposits (1)	327	620	58	509
Judicial liens	212		1,150	
Administration and reserve fund	192		205	
Tax on personal assets to be recovered			287	
Stock transactions to be liquidated			129	
Deferred income tax		50,679		25,402
Mortgages receivable under legal proceeding		2,208		2,208
Allowance for doubtful accounts		(2,208)		(2,208)
Present value other receivables		(4,197)		(473)
Other	6,442	547	5,770	548
	105,125	101,841	110,975	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.

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

In thousand of pesos

**NOTE 8: INVENTORIES**

The breakdown for this item is as follows:

	March 31, 2008		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Credit from barter transaction of Dique III 1 c) (2)	44,490		13,068	26,800
San Martín de Tours	1,913		3,929	
Credit from barter of Benavidez (Note 26)	463	9,532	2,722	7,273
Dock 13	1,595		1,595	
Abril / Baldovinos	1,128	8,804	2,646	6,661
Edificios Cruceros	20		487	
Torres Jardín	231		472	
Torres de Abasto	368		622	
Minetti D	58		72	
V. Celina	43		43	
Dorrego 1916	13		13	
Libertador 1703 y 1755 (Note 39)		62,197		115,623
Credit from Barter of Caballito (1)		22,663		22,663
Units in construction for barter				
Rosario (Note 43)		3,441	6,338	
Credit from barter transaction of Dique III 1 e) (2)				41,808
Other inventories	3,002	361	3,368	
	53,324	106,998	35,375	220,828

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

(2) See Note 17 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:

	March 31, 2008	June 30, 2007
<b><u>Current</u></b>		
Mutual funds (2)	402,599	600,919
Time deposits and money markets	109,008	5,024
Tarshop Trust (1)	48,683	22,104
Boden (1)	23	428
Mortgage bonds (1)	1,454	2,073
IRSA I Trust Exchangeable Certificate (1)		106
Banco Ciudad de Bs. As. Bond (1)		126
NOBACS bonds (1)		6,159
PRE 2009 bonds (1)	16,419	
PRO 2012 bonds (1)	6,950	
Other investments (1)	1,581	1,412
	586,717	638,351
<b><u>Non-current</u></b>		
Banco Hipotecario S.A.	284,960	301,672
Tarshop Trust	77,734	55,683
Banco de Crédito y Securitización S.A.	5,551	5,181
Advance for the adquisition of a Company (Note 42) (3)	5,872	1,108
IRSA I Trust Exchangeable Certificate	515	687
Other investments	40	40
	374,672	364,371
<b><u>Undeveloped parcels of land:</u></b>		
Santa María del Plata	135,785	135,785
Puerto Retiro (Note 16)	54,865	54,861
Caballito	36,696	36,681
Pereiraola	21,717	21,717
Torres de Rosario plot of land	16,868	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	11,052	9,310
	311,416	308,902
	686,088	673,273

- (1) Not considered cash equivalent for purposes of presenting the unaudited statements of cash flows.
- (2) As of March 31, 2008 includes: Ps. 3,167 corresponding to NCH Development Partner and Ps. 71,375 corresponding to common investment fund Dolphin Fund PLC, Ps. 266 corresponding to common investment fund Banco Itau Buen Ayre 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 and Ps. 503 corresponding to Gainvest, fund not considered as cash for the purpose of the statement of cash flows.
- (3) See Note 4 (1) 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 10: FIXED ASSETS**

The breakdown for this item is as follows:

	March 31, 2008	June 30, 2007
<b>Hotels</b>		
Llao-Llao	91,965	66,992
Intercontinental	60,012	61,404
Libertador	46,920	40,950
Bariloche plots of land (Note 33)	21,900	21,900
	220,797	191,246
<b>Office buildings</b>		
Bouchard 551	155,001	241,899
Della Paolera 265	170,118	
Intercontinental Plaza	91,531	94,992
Bouchard 710	66,594	68,390
Maipú 1300	41,313	42,347
Libertador 498	39,990	41,061
Laminar Plaza	28,553	29,187
Dock del Plata	25,350	26,194
Costeros Dique IV	20,434	20,875
Reconquista 823	18,609	19,093
Edificios Costeros (Dique II)	18,059	18,471
Suipacha 652	11,953	12,292
Avda. de Mayo 595	4,960	5,134
Libertador 602	2,757	2,831
Avda. Madero 942	2,331	2,468
Madero 1020	710	1,694
Rivadavia 2768	276	295
Sarmiento 517	97	98
	698,636	627,321
<b>Commercial real estate</b>		
Constitución 1111	755	777
	755	777
<b>Other fixed assets</b>		
Work in progress Dique IV	27,330	9,684
Santa María del Plata	12,494	12,494
Museo Renault	10,576	
Thames	3,899	3,899
Abril	2,941	3,094
Constitución 1159	2,050	2,050

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Torre Renoir	1,497	1,515
Alto Palermo Park	551	560
Store Cruceros	279	285
Other	1,883	1,763
	63,500	35,344
<b>Shopping Center</b>		
Panamerican Mall	262,363	167,606
Abasto	182,881	187,436
Alto Palermo	179,136	175,517
Patio Bullrich	101,941	103,137
Alto Avellaneda	98,326	89,664
Mendoza Plaza Shopping	87,144	89,004
Alto Rosario	82,570	84,145
Córdoba Shopping Villa Cabrera (Note 34)	73,608	75,508
Paseo Alcorta	71,651	64,432
Alto Noa	25,559	27,040
Buenos Aires Design	14,231	16,082
Neuquén Project (Note 30)	12,791	12,302
Financial advance for fixed assets purchase (Note 44)	64,748	36,882
Other properties	40,635	8,902
Other fixed assets	38,777	34,966
Subtotal Shopping Center	1,336,361	1,172,623
<b>Total</b>	<b>2,320,049</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:

	March 31, 2008		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Mortgage payable Bouchard 710 (1)	2,836		14,755	
Mortgage payable Bariloche plots of land (Note 33)	3,004	2,395	2,783	4,557
	5,840	2,395	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:

	March 31, 2008		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Advanced payments from customers	44,729		38,412	
Admission rights	32,858	41,800	30,563	37,356
Leases and service advances (1) (3) (Note 34)	16,779	36,029	17,325	26,552
Advance for the sale of Rosario plot of land (2)			2,510	
	94,366	77,829	88,810	63,908

- (1) The balance of rents and services advance payments include Ps. 300 and Ps. 3,500 current and non-current, respectively, that represent advance payments provided by Hoyts Cinema for the construction of the movie complexes of the Alto Noa Shopping Centers. These advance payments accrue an interest equivalent to the semiannual Libo rate added 2-2.25 points. As of March 31, 2008 the semiannual Libo rate was 2.61 %. 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 it corresponds to 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 March 31, 2008 because of contractual breaches of contract of Villa Hermosa S.A., APSA decided to rescind de operation.
- (3) It includes a payment advancement of Ps. 1.843 from Wal Mart Argentina S.R.L. in the context of a rent contract entered into with Panamerican Mall S.A. (APSA's Subsidiary) S.A., for a 30 years' term as from the date in which the commercial center is inaugurated, or from the day in which the lessee opens the store prior to the inauguration of the commercial center.



**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:

	March 31, 2008		June 30, 2007	
	Current	Non-Current	Current	Non-Current
Bank loans (2)	52,207	18,330	66,715	51,158
Debt related to purchase of subsidiaries (5)	22,463	9,504	22,357	76,841
Negotiable obligations 2017 accrued interest (6)	6,620		15,993	
Negotiable obligations APSA US\$ 120 M. principal amount (7)		380,160		371,160
Bank loans Accrued interest (2)	2,248		2,109	8,039
APSA 2014 Convertible Notes Accrued interest (1)	1,022		2,126	
Negotiable obligations APSA Ps. 154 M. accrued interest (7)	4,969		2,353	
Negotiable obligations 2017 principal amount (6)		475,200		463,950
Expenses for issuance of debt Negotiable Obligation 2017 (6)	(729)	(7,070)	(874)	(7,580)
Negotiable obligations APSA Ps. 154 M. principal amount (7)		149,190		154,020
Expenses for issuance of debt APSA US\$ 120 M. (7)	(508)	(4,192)	(417)	(3,755)
Expenses for issuance of debt Negotiable obligations APSA Ps. 154 M. (7)	(693)	(716)	(599)	(1,068)
Negotiable obligations APSA US\$ 120 M. accrued interest (7)	11,559		4,060	
Negotiable obligations 2009 principal amount (4)			23,123	44,082
Negotiable obligations 2009 accrued interest (4)			662	13,109
Expenses for issuance of debt IRSA Convertible Notes 100 M (3)			(36)	
IRSA Convertible Notes 100 M. (3)			58,472	
IRSA Convertible Notes 100 M. Interest (3)			611	
APSA 2014 Convertible Notes (1)		49,071		47,910
	99,158	1,069,477	196,655	1,217,866

- (1) Corresponds to the outstanding balance of Negotiable Obligations convertible into shares ( CNB ) issued originally by APSA for an outstanding amount of US\$ 50,000, as detailed in Note 22 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 March 31, 2008 includes mainly the following loans:
  - (a) Hoteles Argentinos S.A. mortgage loan amounting to US\$ 5,787. See Note 16.
  - (b) Several loans of APSA's subsidiary Tarshop, maintained with Industrial de Azul, Standard Bank, Itaú Buen Ayre, Ciudad de Buenos Aires, Mariva, CMF, BST and Comafi banks.
- (3) Corresponded to the issue of Convertible Negotiable Obligations of the Company for a total value of US\$ 100 million as set forth in Notes 7 (3) and 13 to the unaudited basic financial statements. At the end of the period the balance was cancelled.
- (4) Corresponded to the issue of Negotiable Obligations secured with certain Company assets which matured in November 2009, as detailed in Note 7 (2) to the unaudited basic financial statements. The Company cancelled eleven installments of amortization for a total of US\$ 13.1 million. On October 29, 2007 the Company fully cancelled the balance of these negotiable obligations by paying US\$ 24.3 of principal.
- (5) The balance as of March 31, 2008 mainly includes: (a) Ps. 12,868 corresponding to 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\$ 2,000 each, due on June 25, 2007; December 22, 2007; June 19, 2008 and December 16, 2008. As of December 22, 2007, the second installment was paid (See Note 20); (b) US\$ 6.0 million related to the purchase of 33.33% of the shareholding of Palermo Invest S.A. (See Note 32).

- (6) See Notes 7 (4) and 21 to the unaudited basic financial statements.
- (7) See Note 37.



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

In thousand of pesos

**NOTE 14: OTHER LIABILITIES**

The breakdown for this item is as follows:

	March 31, 2008		June 30, 2007	
	Current	Non-current	Current	Non-current
Related parties	36,986	11,324	25,682	11,070
Directors' fees provision	12,995		14,464	
Provisions for contingencies (1)	7,080	13,445	7,595	12,732
Administration and reserve fund	2,356		2,805	
Guarantee deposits	3,257	4,295	4,029	2,859
Donations payable	1,888		4,363	
Contributed leasehold improvements to be accrued and unrealized gains (Note 28)	419	10,133	526	10,421
Directors' fees advances	(2,059)		(1,375)	
Present value - other liabilities		(154)		(136)
Trust accounts payable			191	
Directors' guarantee deposits		8		8
Other	2,756	208	3,376	1,910
	65,678	39,259	61,656	38,864

- (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.

**NOTE 15: OTHER EXPENSES, NET**

The breakdown for this item is as follows:

	March 31, 2008	March 31, 2007
<b>Other income:</b>		
Allowance recovery	4,962	343
Others	285	1,323
Subtotal other income	5,247	1,666
<b>Other expenses:</b>		
Tax on personal assets	(4,329)	(5,291)
Donations	(2,025)	(1,503)
Lawsuits contingencies	(570)	(989)
Unrecoverable VAT receivable	(1,270)	(1,690)

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Allowance for doubtful accounts		(725)
Other	(632)	(398)
Subtotal other expenses	(8,826)	(10,596)
<b>Total Other expenses, net</b>	<b>(3,579)</b>	<b>(8,930)</b>

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**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.C.I.y N. in June 1993.

Indarsa had acquired 90% of the capital stock of Tandanor S.A.C.I.y N. 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. estimate 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**

In March 2005, Credit Suisse First Boston International ( CSI ) acquired the debt for US\$ 11,1 million of Hoteles Argentinos ( HASA ), which had been in non-compliance since January 2002. In April 2006 HASA reduced the capital amount payable to US\$ 6.0 million. The balance will accrue a LIBOR interest rate 6 months plus 7.0% and will be cancelled as follows:

<b>Maturity date</b>	
- 09-15-2008	US\$ 225
- 03-15-2009	US\$ 239
- 09-15-2009	US\$ 253
- 03-15-2010	US\$ 5,070

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**NOTE 16:** (Continued)

In addition, two credit default swaps were subscribed. One between IRSA and CSI for 80% of the restructured debt value, and the other one is 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. To support the obligations assumed, the Company deposited as guarantee the amount of US\$ 1.2 million.

Alto Palermo Group Restricted assets

- a) 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. 3,457, which is secured by interest in credit card receivables of the Tarjeta Shopping Financial Trusts Series XVIII and XX. Additionally, it has granted commercial pledge to Standard Bank (ex Bank Boston N.A.) branch Buenos Aires, as guarantee, Participation Certificates of the Tarjeta Shopping Financial Trusts Series XXI, XXIII, XXV, XXVII and XXX for Ps. 8,643.
- b) 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. (See Note 34).
- c) In the financial trusts accounts receivable as credit protection for investors are included the contingency funds of the financial trusts that as of March 31, 2008 amount to Ps. 14,002. These are credits of restricted availability up to the time of liquidation, in accordance with the respective prospectus.
- d) As of March 31, 2008, under other current receivables, APSA has restricted funds according to the following detail:
  - I. Ps. 56, in relation to the case Saavedra Walter Ricardo against Alto Palermo S.A. and others about dismissal .
  - II. Ps. 53, in relation to the case Palma Claudio against Alto Palermo S.A. about dismissal .
  - III. Ps. 51, in relation to the case Lopez Armando Francisco against Alto Palermo S.A. .
  - IV. Ps 20 in relation to the case La Meridional against Alto Palermo S.A. .
- 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. 36,696 as of March 31, 2008 (recorded in Other non-current investments Undeveloped parcels of land).

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**NOTE 16:** (Continued)

- f) As of March 31, 2008 the amount of Ps. 33,500 is recorded for pledged shares of Empalme S.A.I.C.F.A. y G.
- g) As of June 30, 2007, in the current financial loans line it was included a debt of Shopping Neuquén S.A. for Ps. 106 guaranteed by a mortgage on the plot of land acquired for Ps. 3,314. As of March 31, 2008 such mortgage is fully cancelled, being still to be subscribed the mortgage cancellation deed.
- h) In the current investments line BONTE 2006 titles were included in the amount of Ps. 34, that are deposited as rental guarantee.
- i) A pledge was granted to the new Banco Industrial de Azul S.A. for the share certificate of the Financial Trusts Shopping Card Series XXIX, XXXIV and XXXVI in the amount of Ps. 10,000.
- j) During the current period Tarshop S.A. furnished to Banco CMF S.A., as collateral guarantee, Certificados de Participación of Tarjeta Shopping Financial Trust Series XXXIII in the amount of Ps. 7,683; and to Banco Comafi S.A., also as collateral guarantee, Certificados de Participación of Tarjeta Shopping Financial Trust Series XXVIII, XXXI and XXXV in the amount of Ps. 8,870.
- k) During April 2008, Certificados de Participación have been furnished to Banco Supervielle, as collateral guarantee, corresponding to Tarjeta Shopping Financial Trust Series XXXVII and XXXVIII, in the amount of Ps. 10,000.

**NOTE 17: TARSHOP S.A. CREDIT CARD RECEIVABLES SECURITIZATION**

Tarshop 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.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**Note 17:** (Continued)

In consideration of the receivables transferred to the Trusts, which have been eliminated from the Tarshop's balance sheet, that 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., 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.

Under this Securitization Program, at March 31, 2008, Tarshop S.A. transferred to financial trusts the total amount of Ps. 1,287,400 of credits receivable originated in the use of its clients' credits cards and personal loans carrying promissory notes. Consequently, T.D.F. Series A were issued for Ps. 1,102,200, T.D.F. Series B for Ps. 70,900, C.P. Series C for Ps. 114,100, and C.P. Series D for Ps. 200.

On the other hand, Tarshop S.A. acquired all the C.P. Series C in an amount equal to its nominal value, and all the remaining T.D.F. and C.P. were placed to investments through a public offer in Argentina. As credit protection to investors, Tarshop S.A. has made a cash reserve for losses in the amount of Ps. 16,400.

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

On June 15, 2007, the Company sold 26,410,150 shares of Banco Hipotecario S.A. to Inversora Bolivar S.A. in the price of Ps. 3.09 per share (market value) the amount of the transaction being Ps. 81,607. See Note 16 to unaudited basic financial statements.

Due to the fact that sales were carried out with and among subsidiaries fully held by the Company, they neither affect the holding nor have they any impact on the consolidated financial statements, as the amounts resulting from such operations have been eliminated.

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

In December 2001, the Company, and certain 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. 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 (i) US\$ 10,000 cash (ii) US\$ 3,300 Class A Participation Certificates (iii) US\$ 2,600 Class B and C Participation Certificates, (iv) US\$ 10,686 Class D Participation Certificates.

At March 31, 2008, the value of Class D Participation Certificates amounted to Ps. 515. Class A, B, and C Certificates have been totally amortized at the end of the period.

**NOTE 20: ADOUSITION OF CORDOBA SHOPPING**

On July 7, 2006 Alto Palermo S.A. (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 subsequent to closing (originally established in the contract), which was determined in Ps. 3,961. The company was incorporated on December 31, 2006. As of March 31, 2008 APSA and SAPSA have paid US\$ 8,000 and the amount representing the adjustment subsequent to period-end. Two (2) installments of US\$ 2,000 are still outstanding, to become due June and December, 2008 respectively. These installments accrue 6% nominal annual interest. To secure the unpaid purchase price, we have pledged in favor of the sellers 100% of our equity interests in Empalme. Upon repaying each of the resulting installments, the encumbrance will be partially lifted.

Córdoba Shopping Villa Cabrera is a shopping center covering 35,000 square meters of surface area, including 106 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.

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

In thousand of pesos

**NOTE 21: DERIVATIVE INSTRUMENTS****Future purchase contracts**

During the current period Ritelco S.A. subscribed Future purchase of gold contracts. In accordance with this company's risk administration policies, this kind of contracts are used with speculative purposes.

As of March 31, 2008, Ritelco S.A. does not have derivative instruments agreements outstanding nor does it have any guarantee.

As of March 31, 2008, for future purchase contract transactions effective during the period, Ritelco S.A. recorded a realized profit for such operations amounting to US\$ 455 (equivalent to Ps. 1,412).

As of March 31, 2008, in Alto Palermo S.A. (APSA) there are no open operations. During the year, the operations that follow were carried out:

<b>Product</b>	<b>Amount in US\$</b>	<b>Realized Profit (Loss)</b>	<b>Status as of March 31,2008</b>
Purchase of dollars	56,445	(794)	Cancelled
Sale of dollars	99,542	1,348	Cancelled
<b>Total</b>	<b>155,987</b>	<b>554</b>	

The income generated as of March 31, 2008 is included into the financial results generated by assets.

**NOTE 22: 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.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

In thousand of pesos

**Note 22:** (Continued)

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