

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

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

Yes _____ No T

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 |
|---|----------------------|------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| 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 |
| <u>NON-CURRENT ASSETS</u> | | |
| 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 |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| 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 |
| <u>NON-CURRENT LIABILITIES</u> | | |
| 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 |

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| | | |
|---|-----------|-----------|
| 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

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

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 |

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

Fernando A. Elsztain

Titular Director

acting as President

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

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) | |

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| | | |
|---|-----------|----------|
| 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

Titular Director

acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

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, | December 31, |
|---|--------------|--------------|
| | 2006 | 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, | December 31, |
|--|----------------|--------------|
| | 2006 | 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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Titular Director

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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:

| COMPANIES | DIRECT AND INDIRECT % OF CAPITAL | | DIRECT AND INDIRECT % OF VOTING SHARES | |
|--------------------------------|--|------------------|--|------------------|
| | December 31, 2006 | June 30, 2006 | December 31, 2006 | June 30, 2006 |
| 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

and subsidiaries

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

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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

| | Office and Development and sale of properties | 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

and subsidiaries

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

| | Office and | | | | | |
|---|---|--|-----------------------------|-----------------------------|---------------|--------------|
| | Development and sale of properties | 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.

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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 |

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| | | 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 Deutsche 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 US\$ 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 |

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| | | | | |
|---|--------|--------|--------|--------|
| 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.

IRSA Inversiones y Representaciones Sociedad Anónima

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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 |
|---|-------------------|---------------|
| <u>Current</u> | | |
| 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 |
| <u>Non-current</u> | | |
| 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 |

-
- (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.

IRSA Inversiones y Representaciones Sociedad Anónima

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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, | June 30, |
|-------------------------------|--------------|----------|
| | 2006 | 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 |

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| | | |
|--------------------------------|-----------|-----------|
| 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 |

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****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 | |
|--|-------------------|---------|---------------|---------|
| | Non- | | Non- | |
| | Current | Current | Current | 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 | |
|--|-------------------|---------|---------------|---------|
| | Non- | | Non- | |
| | Current | Current | Current | 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:

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| | 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 |

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)**NOTE 13: (Continued)

| | December 31, 2006 | | June 30, 2006 | |
|--|-------------------|---------|---------------|---------|
| | Non- | | Non- | |
| | Current | Current | Current | 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:
- 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).
 - 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.
- Hoteles Argentinos S.A. mortgage loan amounting to US\$ 6,000. See Note 16.
 - Current accounts overdrafts, mainly in Banco Macro, Citibank and Bank Boston.
 - 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:

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| | 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, | December 31, |
|--|--------------|--------------|
| | 2006 | 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) |

IRSA Inversiones y Representaciones Sociedad Anónima

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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 formerly 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:

| <u>Maturity date</u> | |
|----------------------|------------|
| - 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:

- i) 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)

- i From 04-21-2006 to 09-15-2006, interest was accrued on the outstanding principal at an annual 12.07% rate.
- i 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 Shopping 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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Notes to the Unaudited Consolidated Financial Statements (Continued)

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: ADOUSITION 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 US\$ 644.3. As a guarantee for such contracts, Ritelco S.A. has deposits in the amount of US\$ 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 US\$ 21 (equivalent to Ps. 64) and US\$ 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 US\$ 3.0 million under the terms specifically 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 |

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

NOTE 27: OPTION FOR THE ACQUISITION OF BENAVIDEZ

On December 3, 2003, Inversora Bolívar S.A. (indirect subsidiary 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 accorded 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 = US\$ 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.

As of June 30, 2006 APSA has eliminated the proportional part of fixed assets damaged with an estimated book value of Ps 6.4 million.

APSA has an insurance coverage against all risks to cover this type of disaster. The final value of the reimbursement is subject to the final liquidation process to be carried out by the insurance companies, which, to the date of these unaudited financial statements is not yet completed. The amount of Ps.4.9 million has been collected as advance payment.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 30: CONTRIBUTED LEASEHOLD IMPROVEMENT AND UNREALIZED GAINS

Operadora de Estaciones de Servicios S.A. (O.P.E.S.S.A.) made leasehold improvements on the property of Mendoza Plaza Shopping S.A., which were capitalized as fixed assets., recognizing the related gain over the term of the contract. At period end, the amount of Ps. 203 was pending of accrual.

In March 1996 Village Cinema S.A. opened ten theatres with the multiplex cinema system, with an approximate surface of 4,100 sq. m. This improvement of a building of Mendoza Plaza Shopping, was capitalized as a fixed asset, with a balancing entry as unrealized gains and unrealized improvements made by third parties, recognizing the depreciation charges and the profits over a 50-year period. The lease agreement is for a period of 10 years, renewable for 4 consecutive equal periods, at the option of Village Cinema S.A. At period end, the amount of Ps. 10,635 was pending of accrual.

Also, gains to be accrued related to the construction of installations made by APSA by a lessee in the Abasto Shopping Center area, are included. APSA has recorded such installations as fixed assets based on the construction costs with the liability. Improvements are depreciated in net income accounts during the term of the rental. Such net depreciation of the improvement by third parties was not significant during the six-month periods ended December 31, 2006 and 2005.

On February 2, 1999 Mendoza Plaza Shopping S.A. entered into a contract with Riocruz S.C.S. (C&A Shop), granting the latter a mutual right of way in perpetuity, for valuable consideration for the first ten years and subsequently free of charge. The price agreed for this easement is US\$ 2,926 which was accrued over the amortization period of the property, as from April 1999, date on which it was registered with the Real Estate Record Office.

On September 16, 2005 Mendoza Plaza Shopping S.A. acquired the real estate that belonged to Riocruz S.C.S. (C & A Shop) and the easement right was left ineffective. Therefore, Mendoza Plaza Shopping S.A. reflected for this operation an income, which as of December 31, 2005 amounted to Ps. 2,428, as accelerated amortization which is shown in Other income and expenses, net of the unaudited statement of income.

NOTE 31: PROPOSAL TO TRANSFER THE MANAGEMENT OF ABRIL

On May 24 th 2006 the Company, Inversora Bolívar S.A. and Baldovinos S.A. made a proposal to the Commission of Residents of Abril Club de Campo for passing the administration of the Club and the subsequent transference of the shares of Abril S.A. This proposal replace the one dated May 4, 2005. As of this date it is being considered for approval by the co-owners.

The proposal includes monetary and non-monetary renderies, among which the following can be outlined:

1. The Company and Inversora Bolívar S.A. will contribute to Abril S.A. the amount of Ps. 650.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 31: (Continued)

2. The Company and Inversora Bolívar S.A. will repair all the roadways of Abril Club de Campo.
3. The Company and Inversora Bolívar S.A. will transfer to Abril S.A. a plot of land of the Abril establishment (to be assigned to the building of dormies) including their pertinent shareholding titles.
4. The Company and Inversora Bolívar S.A. will transfer to Abril S.A. a plot of land of the Abril establishment (commercial stores, small theatre and administration) including their pertinent shareholding titles.
5. Baldovinos S.A. will establish in favor of Abril S.A. a perpetual easement that no buildings will be constructed in relation of the Big House and four plots of land adjacent to the Main House located in Abril Club de Campo.
6. The Company and Inversora Bolívar S.A. will be responsible for all severance payment (including salary) of a former employee of the Club.
7. The Company and Inversora Bolívar S.A. will pay the dues for lightning, cleaning and maintenance of public roads to the Municipality of Berazategui if such amount is higher to the amount recorded in the financial statements of Abril S.A. as of September 30, 2005 as well as of any related legal fee.

NOTE 32: NEUQUÉN PROJECT CURRENT SITUATION OF THE WORKS RATE OF PROGRESS

The principal asset of Shopping Neuquén S.A. is a plot of land of 50,000 square meters of surface area approximately, in which a commercial centre will be constructed. This project also includes the building of a hyper-market, a hotel and a housing building.

In June 2001 Shopping Neuquén S.A. requested to the Municipality of Neuquén a postponement of the original construction schedule and an authorization to transfer to third parties certain plots in which such land is divided. The Municipality Executive previously rejected this request under Decree No. 1437/02 which also established the expiration of the rights arising from Ordinance 5178, including the loss of any improvement and expenses incurred, having Shopping Neuquén S.A. no right to claim indemnity charges, revoking the buy-sell contracts of the land.

On response to the above-mentioned Decree, Shopping Neuquén S.A. requested on January 21, 2003 that the administrative action be annulled, submitting documentary evidence of the reasons to request such annulment. Shopping Neuquén S.A. also requested the authorization to submit a new schedule of time terms, which would be prepared taking into account the economic context prevailing at that time, as well as reasonable short and medium-term projections. The Municipal Executive rejected the request under Decree No. 585/2003; consequently, on September 25, 2003, Shopping Neuquén S.A. filed an administrative procedural action with the High Court of Neuquén, requesting among other issues, that the Court establish the nullity of

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 32: (Continued)

Decreets 1437/2002 and 585/2003 issued by the Municipal Executive. On December 21, 2004 Shopping Neuquén was notified the resolution of the High Court of Neuquén declaring the expiration of the administrative procedural action filed by the Shopping Neuquén S.A. against the Municipality of Neuquén.

Finally, on December 13, 2006, Shopping Neuquén S.A. signed an agreement with both the Municipality and the Province of Neuquén by which the time terms for construction of the commercial and housing enterprising was re-scheduled. Also, Shopping Neuquén S.A. was authorized to transfer to third parties the ownership of the plots of land in which the real estate will be divided with the exception of the land in which the commercial center will be constructed. The agreement referred to above was duly ratified by the Legislative Council of the Municipality of Neuquén and the ordinance issued was promulgated by the Neuquén Municipal Executive on January 12, 2007.

The agreement also provides that Shopping Neuquén S.A. will submit, within 120 days after the agreement is signed, a new urban project draft with an adjustment of the environmental impact survey, together with a map of the property subdivision. The Municipality of Neuquén has to approve the project draft within 30 days after presentation. Once the project is approved, within the next 150 days the company will submit to the Municipality the final maps of the works. At the time these final maps are registered with the Municipality, the works have to begin within a maximum time term of 90 days as from the date of such registration. The first stage of the construction works (this stage including the minimum construction of 21,000 square meters of the commercial center and of 10,000 square meters of the hypermarket) should be finished in a maximum time term of 22 months as from the date in which the construction process was initiated. In case the conditions are not complied with, the Municipality of Neuquén is entitled to rescind the agreement and file the legal actions it deems pertinent.

On December 13, 2006 Shopping Neuquén signed with P.Y.E. Sociedad Anónima a preliminary sales contract for plot E-UNO, which is subject to the condition that the acquiring company applies the plot of land exclusively to the construction of a hotel. This plot covers 4,332.04 square meters of surface area and the sale price was established in US\$ 119,131.10. The title deed for transferring the property and the possession will take place within the 60 days subsequent to the date of compliance with the agreed conditions. This operation is subject to certain conditions precedent, one of these being the approval by the Municipality of Neuquén of the new draft project that Shopping Neuquén S.A. has to submit in accordance with the terms of the previous paragraph.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 33: INVESTMENT IN BANCO HIPOTECARIO

Compensation of the National Government to financial entities as a result of the asymmetric pesification

The National Government, through Decree 905, provided for the issuance of National Government Compensating Bonds, to compensate financial entities for the adverse equity effects generated due to the conversion into pesos, under various exchange ratios, of the credits and obligations denominated in foreign currency as established by Law 25,561, Decree 214 and addenda. Decree 905 also provided for covering the negative difference in the net position of foreign currency denominated assets and liabilities resulting from its translation into pesos as established by the above-mentioned regulations, and entitled the Argentine Republic Central Bank to determine the pertinent rules.

After several submissions, Banco Hipotecario S.A. submitted the last presentation as regards sections 28 and 29 and Decree 905- Compensation to Financial Entities, as follows:

- National Government Compensation Bond US\$ 2,012 (section 29, points b, c and d): compensating bond difference between pesified assets and liabilities at Ps. 1.00 for the rate of exchange difference of Ps. 0,40, translated at Ps. 1.40 per US\$ dollar: US\$ 360,811.

- National Government Compensation Bond coverage US\$ 2,012 (section 29 point e). Coverage bond difference between assets and liabilities in US dollars net of the compensating bond: US\$ 832,827.

In September 2002 and October 2005, the Argentine Central Bank credited US\$ 344,050 and US\$ 16,761 in BODEN 2012, respectively, for compensation.

On August 1, 2005, a note was submitted to the Argentine Central Bank stating the acceptance of the number of BODEN verified by the Superintendence of Financial and Exchange Entities.

Finally, in September 2005, the coverage BODEN 2012 subscription process commenced. As of December 31, 2006 the subscription of BODEN 2012 amounted to US\$ 773,531.

Exposure to the non-financial public sector

Banco Hipotecario S.A. keeps recorded in its financial statements assets with the Non-Financial Public Sector amounting to Ps. 3,276,177. On the other hand, liabilities to the Argentine Central Banks recorded as of December 31, 2006 amount to Ps. 171,611, being the credit balance related to advances to subscribe BODEN 2012 in line with sections 28 and 29 of Decree 905/02.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 33: (Continued)

The net exposure with the Public Sector, without considering liquid assets in accounts authorized by the Argentine Central Bank, amount to Ps. 3,104,566 and Ps. 3,370,035 as of December 31, 2006 and 2005, respectively.

Banco Hipotecario S.A. intends to allocate assets portfolio of the public sector as guarantee for the application of the advancement to finance the coverage bonds subscription, as provided for in section 29 of Decree 905/02.

As from January 1, 2006, the dispositions of point 12 of Communication A 3911 (Communication A 4455) became effective, as regards that the assistance to the Public Sector (average measured) cannot exceed 40% of total Assets of the last day of the previous month. Through Communication A 4546 of July 9, 2006, it was established that as from July 1, 2007, such limit was modified to 35%. The exposure of Banco Hipotecario S.A. to the Public Sector originated in compensations granted by the National Government as a result of year 2002 crisis, principally related to the asymmetric pesification of assets and liabilities. To such extent and considering that assets to the Public Sector exceed the mentioned limit (representing approximately 48% of Assets as of December 31, 2005 and since July they will exceed such limit considering that represents approximately 36% of Assets as of December 31, 2006). On January 19, 2006, Banco Hipotecario S.A. reported to the Argentine Central Bank that it will gradually decrease the proportion of assets subject to the exposure to the Public Sector, in line with the amortization and cancellation made by the Government of the bonds received for asymmetric compensation in the currency of issuance. To date, no objections to this issue have been received.

NOTE 34: INCORPORATION OF PATAGONIAN INVESTMENT S.A.

On July 21, 2006, the Company incorporated together with Pereiraola S.A a company named Patagonian Investment S.A. with the purpose of strengthening its business in the market. On August 7, 2006, Patagonian Investment S.A was duly registered with the General Inspection of Justice.

On such date, Ritelco S.A and Pereiraola S.A. entered into a shares purchase-sales contract by which Ritelco S.A. acquired 30% of Patagonian Investment S.A. capital stock.

Subsequent to such transaction, the Company holds 70% of Patagonian Investment S.A. capital stock, and Ritelco S.A. the remaining 30%.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 35: ACQUISITION OF THE PALERMO INVEST S.A. SHAREHOLDING

On October 4, 2006, the Company acquired 26,083,596 common, registered, non-endorsable shares, Class B, nominal value Ps. 1 each, 1 vote per share of Palermo Invest S.A. to GSEM/AP Holdings, L.P., in the total amount of US\$ 18,000, at the date of the contract paying US\$ 9,000. The remaining balance will be paid in three equal and consecutive instalments of US\$ 3,000 due on October 4, 2007, 2008 and 2009 which will accrue 9% annual interest to be paid quarterly.

Simultaneously, a contract on assignment of shares was entered into between the Company (the assignor) and Patagonian Investment S.A. (the assignee), by which it was established that the assignor sells, assigns and transfers to the assignee 1,565,016 common, registered, non-endorsable shares, Class B, nominal value Ps. 1 each, 1 vote per share of Palermo Invest S.A. The price established in the contract is US\$ 1,080, which Patagonian Investment S.A. will pay within 90 days counted as from the date the contract is signed. On January 2, 2007 the payment of US\$ 1,080 was postponed to May 2, 2007 with an annual interest rate of 8% payable at maturity of the contract.

Subsequent to the above-mentioned transactions, the Company owns 98% of Palermo Invest S.A. and Patagonian Investment S.A. the remaining 2%.

NOTE 36: ACQUISITION OF PLOTS OF LAND IN BARILOCHE

On December 14, 2006 Llao Llao Resorts S.A. signed the title deed for transferring the possession due to the acquisition of four plots of land covering 129,533 square meters of surface area, located in Colonia Nahuel Huapí, on the km 23,500 of Bustillo Avenue in San Carlos de Bariloche, Province of Río Negro.

This real estate is located near to the Hotel Llao Llao Resorts, main offices of the Company's hotel activities.

The total transaction amount was US\$ 7,000 having the Company paid US\$ 4,200 in cash. The remaining US\$ 2,800 was covered by a first degree mortgage on the real estate acquired, payable in 36 monthly, equal and consecutive installments of US\$ 86 each, the first to become due on January 14, 2007 and the rest on the same day of the next months. These installments include capital amortization and interest calculated according to the French system at 7% annual on balance amounts.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 37: PURCHASE OF E-COMMERCE LATINA S.A. SHARES

On October 24, 2006 APSA subscribed a sale contract of shares with Telefónica Argentina S.A. for acquiring 808,354 common shares issued and outstanding of E-Commerce Latina S.A., and 11 common shares issued and outstanding of Altocity.com S.A. for Ps. 86. This contract was subject to the approval of the National Commission for the Defense of Competitiveness. By the end of December 2006 APSA was notified the approval of such operation and in January 2007 the price agreed was cancelled and the shareholding duly transferred.

Consequently, APSA owns the totality of the shareholding of E-Commerce Latina S.A., owner of Altocity.com S.A.

NOTE 38: FINANCING AND OCCUPATION AGREEMENT WITH NAI INTERNACIONAL II, INC.

On August 12, 1996 Empalme S.A.I.C.F.A. y G entered into an agreement with NAI INTERNACIONAL II, INC by which the latter loaned up to US\$ 8.2 million for the construction of a cinema complex and a part of the parking lot located in the Córdoba Shopping area, this item being shown in fixed assets. This loan initially accrued a LIBOR interest rate plus 1.5%. Accrual of interests started in April 1999 according to a period of grace provided in the contract clauses.

Related to this loan contract, Empalme S.A.I.C.F.A. y G. signed an occupation agreement of the building and the cinema area in favor of NAI INTERNACIONAL II, INC (hereinafter "The Agreement"). Occupation of the area was established for a 10 year period as from the date of commencement to be automatically postponed during four additional periods of five years each. It is understood that date of commencement means the date in which the occupant starts exhibiting movies to the public in the cinema building that is October 1997. Under the terms of the Agreement, the amounts owed according to the loan to Empalme S.A.I.C.F.A. y G. are offset against the payments of possession arising from the occupation of NAI INTERNACIONAL II, INC of the building and the cinema area. The Agreement provides that if following the last term mentioned in the previous paragraph there still is any unpaid amount of the loan plus interest, the Agreement will be postponed for a definite term established as the lesser of:

- The time-term necessary to fully pay the loan unpaid amount, or
- Ten (10) years.

Once the last time term has elapsed and if there still is an amount outstanding, the Company will be released of any payment obligation of the remaining portion of the loan plus interest.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 38: (Continued)

On July 1, 2002 NAI INTERNACIONAL II, INC assigned all the rights and obligations arising from the Agreement to NAI INTERNACIONAL II, INC SUCURSAL ARGENTINA. Also, other changes were made to the Agreement, the following being the most significant:

The debt outstanding was converted into Argentine pesos (Ps. 1 = US\$ 1) in accordance with the disposition of Law No. 25,561 and National Executive Decree No. 214/02. Under sections 4 and 8 of the referred Decree and complementary addenda, the referential stabilization coefficient is to be applied to the above debt outstanding as from February 3, 2002.

All the obligations of Empalme S.A.I.C.F.A. y G. included in the Agreement by which NAI INTERNACIONAL II, INC. is guaranteed the use of the cinema center, as well as those obligations that imply restrictions on the use or the possession of Empalme S.A.I.C.F.A. y G. or third parties, are covered by antichresis in rem right.

The extension agreed on January 1, 2002 was established for suspending the occupation payments owed by the occupant to the owner as well as the payments to account of capital and interests of the owner to the creditor for a six-month period as from the above-mentioned date. These payments will be renewed as from July 2002.

The capital outstanding as of December 31, 2006 and interest accrued at such date arising from the original loan agreement and modifications are recorded in Short and Long-Term Debt.

NOTE 39: RE-STRUCTURING ALTCITY.COM S.A. ACTIVITIES

The Board of Altocity.com S.A. subsidiary of E-Commerce Latina S.A. (see Note 37) decided to re-structure a large part of the company activities by increasing those activities described in the social purpose. On January 6, 2007 the meeting of shareholders complied with such initiative in order to incorporate additional activities allowing to reach an adequate economic and financial equilibrium. In spite of the fact that during January and February 2007 certain marginal operations will continue so as to comply with effective contracts, the sale of products in the web will end and the activity will be totally closed as from March 2007. The reason for this decision is that although the company operations registered a significant increase, it was not sufficient to attain appropriate scale economies.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 40: ACQUISITION OF THE BUILDING KNOWN AS EX- ESCUELA GOBERNADOR VICENTE DE OLMOS (CITY OF CÓRDOBA)

In November 2006 APSA participated in a public bidding of the Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex Escuela Gobernador Vicente de Olmos, located in the city of Córdoba. The building covers 5,147 square meters of surface area. A part of the Patio Olmos commercial center is in operation in this building in four commercial plants and two underground parking lots. This commercial center also includes two neighbor buildings with cinemas and a commercial annex connected to the bidding sector and legally related through easement contracts.

The building is under a concession contract, effective for 40 years term due on February 2032, APSA acting as grantor. The contract grants to the licensee the commercial use of the building and establishes a series of payments in favor of the grantor such series increasing in Ps. 2.51 every 47 months. To the date of these financial statements, the concession is undergoing month 179, the effective canon being Ps. 10.05 and the next increase estimated for month 186.

The offer of APSA for the purchase of the building was Ps. 32.5 million payable as follows: 30%, that is the amount of Ps. 9.7 million, at the time of awarding the bid and the remaining amount of Ps 22.7 million at the date of the signature of the transfer deed document.

On November 20, 2006 APSA was notified that the bidding had been awarded. Consequently, 30% of the price offered according to the terms of the bidding has been duly paid. To the date of these financial statements the transfer deed document is not yet effective.

On January 15, 2007 APSA was notified by the National Commission for the Defense of Competitiveness that two claims had been submitted to the entity, one by a private individual and the other one by the licensee of the commercial center in respect of this operation. On February 1, 2007 APSA responded the claims. To the date of these financial statements APSA have not been notified of any resolution regarding such claims.

NOTE 41: NEW COMMERCIAL DEVELOPMENT

In December 2006 APSA entered into a series of agreements for the construction, marketing and management of a new commercial enterprise to be developed in Saavedra, City of Buenos Aires, by Panamerican Mall S.A. (PAMSA) a company recently incorporated in which APSA has a shareholding of 80%.

APSA made capital contributions in PAMSA for Ps. 158.3 million and sold to this company the plot of land located in the streets named Posta, Pico and Anas (bought to Philips Argentina S.A.) in the amount of Ps. 59.9 million. APSA will pay future capital contributions in PAMSA in a maximum amount of US\$ 37.8 million with the purpose of finishing the pertinent construction works and to guarantee the functioning and use of the commercial center.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 41: (Continued)

The other PAMSA shareholder is Centro Comercial Panamericano S.A. owner of the remaining 20% of the shareholding. This company made capital contribution to PAMSA for Ps. 24.6 million and transferred to PAMSA the ownership of a plot of land located in the streets Melian, Vedia and Arias (limiting the plot of land sold by APSA) in the total amount of Ps. 61.5 million. Centro Comercial Panamericano S.A. will make capital contributions in PAMSA for completing the construction works and starting the commercial center up to a maximum amount of US\$ 9.4 million.

The project includes the construction of a commercial center, a hypermarket, a cinema complex and an office building and/or housing building. This is one of the most significant enterprises to be initiated by APSA.

NOTE 42: GENERAL ORDINARY AND EXTRAORDINARY MEETING OF SHAREHOLDER OF APSA

The majority of the General Ordinary Meeting of Shareholders of APSA held on October 31, 2006 approved the appropriation of a dividend in cash of Ps. 47 million and the creation of a global program to issue Common Negotiable Obligations, non-convertible into shares, of up to US\$ 200 million or its equivalent in other currencies, in accordance with the terms of Law 23,576 of negotiable obligations and other related modifications and regulations.

NOTE 43: CAPITALIZATION PROGRAM FOR EXECUTIVE MANAGEMENT

APSA is currently developing a capitalization program for executive management staff through contributions that will be realized by employees and by the Company (the Plan).

The Plan is addressed to employees selected by APSA with the purpose of keeping them in the company and increasing their total compensation through an extraordinary reward, provided that certain specific conditions are complied with.

Participation and contributions to the Plan are on a voluntary basis. Once the beneficiary (the Participant) has accepted, it will be able to make two types of contributions: a monthly one (base on the salary) and an extraordinary one (based on the annual bonus). The suggested contribution is up to 2.5% of the monthly salary and up to 15% of the annual bonus. On the other hand, the APSA contribution will be 200% of the monthly contributions and 300% of the employee's extraordinary contributions.

Funds collected from participants' contributions will initially be send to an independent financial means especially created for such purpose and placed in Argentina as a Common Investment Fund, which will be approved by the National Securities Commission. Such funds will be freely redeemed under the requirement of the participants. The funds arising from APSA contributions will flow to other independent financial means separated from the previous one.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

NOTE 43: (Continued)

The Participants or their successors will have access to 100% of the Plan benefits (that is, including APSA contributions made in favor of the financial means especially created) under the circumstances that follow:

Ordinary retirement in line with the applicable working regulations

Total or permanent disability or inability

Death

In case of resignation or discharge without legal justification, the participant will obtain the amounts contributed by the company only if he has participated in the plan during a minimum term of five years, provided certain conditions were complied with.

As of December 31, 2006 APSA contributions amounts to Ps. 761.

NOTE 44: SUBSEQUENT EVENTS

Purchase of Rummaala S.A.

On April 6, 2006 the Company entered into a contract, in commission, for purchasing all the shareholding of Rummaala S.A. in the amount of (i) US\$ 4,500 and (ii) specific units in the amount of US\$ 13,250 of a building to be constructed in the real estate of which Rummaala is proprietor, situated in Vicente López, Province of Buenos Aires, this property being the principal assets of such company. On the same date, another contract was signed with Verdier S.A. to acquire a plot of land adjacent to the Rummaala's property with a purchase price of (i) US\$ 500; (ii) the transfer to Verdier S.A. of certain specific units of the apartment building of the Company (Edificios Cruceros I and II) for US\$ 1,247 and certain units of the building to be constructed in the land acquired for US\$ 16,920. The closing of both transactions was subject, among other conditions, to the approval of the National Commission for the Defense of Competitiveness which was given on December 27, 2006.

On January 16, 2007 the Company appointed Patagonian Investment S.A. (90%) and Ritelco S.A. (10%) as principals for the acquisition of Rummaala S.A. On the other hand, for acquiring the Verdier S.A. building, Rummaala S.A. was appointed as principals.

IRSA Inversiones y Representaciones

Sociedad Anónima

Free translation of the

Unaudited 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

Corporate domicile: Bolívar 108 1° Floor Autonomous City of Buenos Aires
 Principal activity: Real estate investment and development
 Unaudited Financial Statements for the six-month period

ended December 31, 2006

compared with the same period of previous year.

Stated in thousands of Pesos

Fiscal year No. 64 beginning July 1°, 2006

DATE OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE

Of the By-laws: June 23, 1943
 Of last amendment: February 23, 2006
 Registration number with the
 Superintendence of Corporations: 4,337
 Duration of the Company: Until April 5, 2043
 Information related to subsidiary companies is shown in Exhibit C.

CAPITAL COMPOSITION (Note 11)

| Type of share | Authorized for Public Offer of Shares (*) | In thousand of pesos | |
|---------------------------|--|----------------------|---------|
| | | Subscribed | Paid in |
| Common share, 1 vote each | 448,742,660 | 448,742 | 448,742 |

(*) Company not included in the Optional Statutory System of Public Offer of Compulsory Acquisition.

IRSA Inversiones y Representaciones Sociedad Anónima

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

In thousand of pesos (Note 1)

| | December 31, | June 30, |
|---|--------------|-----------|
| | 2006 | 2006 |
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash and banks (Note 2 and Exhibit G) | 15,949 | 23,321 |
| Investments (Exhibits C, D and G) | 22,837 | 31,339 |
| Mortgages and leases receivables, net (Note 3 and Exhibit G) | 8,012 | 6,725 |
| Other receivables and prepaid expenses (Note 4 and Exhibit G) | 30,823 | 13,070 |
| Inventories (Note 5) | 40,539 | 62,977 |
| Total Current Assets | 118,160 | 137,432 |
| <u>NON-CURRENT ASSETS</u> | | |
| Mortgages and leases receivables, net (Note 3 and Exhibit G) | 2,788 | 2,624 |
| Other receivables and prepaid expenses (Note 4 and Exhibit G) | 68,251 | 84,086 |
| Inventories (Note 5) | 73,413 | 71,828 |
| Investments (Exhibits C, D and G) | 1,335,453 | 1,245,236 |
| Fixed assets (Exhibit A) | 357,139 | 286,667 |
| Total Non-Current Assets | 1,837,044 | 1,690,441 |
| Total Assets | 1,955,204 | 1,827,873 |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Trade accounts payable (Exhibit G) | 8,262 | 8,260 |
| Mortgages payable (Note 6 and Exhibit G) | 18,960 | 18,407 |
| Customer advances (Exhibit G) | 3,807 | 11,554 |
| Short term-debt (Note 7 and Exhibit G) | 167,817 | 36,393 |
| Salaries and social security payable | 1,236 | 1,727 |
| Taxes payable (Exhibit G) | 9,975 | 6,846 |
| | 4,960 | 28,368 |
| Other liabilities (Note 8 and Exhibit G) | | |
| Total Current Liabilities | 215,017 | 111,555 |
| <u>NON-CURRENT LIABILITIES</u> | | |
| Trade accounts payable (Exhibit G) | 99 | 150 |
| Mortgages payable (Note 6 and Exhibit G) | 6,781 | 14,722 |
| Customer advances | 2,493 | |
| Long term-debt (Note 7 and Exhibit G) | 127,674 | 214,134 |
| Taxes payable | 616 | 651 |
| Other liabilities (Note 8 and Exhibit G) | 25,947 | 895 |
| Total Non-Current Liabilities | 163,610 | 230,552 |
| Total Liabilities | 378,627 | 342,107 |

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| | | |
|---|-----------|-----------|
| SHAREHOLDERS' EQUITY (according to the corresponding statement) | 1,576,577 | 1,485,766 |
| Total Liabilities and Shareholders' Equity | 1,955,204 | 1,827,873 |

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

Fernando A. Elsztain

Titular Director

acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Income

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)

| | December 31, 2006 | December 31, 2005 |
|--|----------------------|----------------------|
| Revenues | 49,638 | 15,051 |
| Costs (Exhibit F) | (32,863) | (6,599) |
| Gross profit | 16,775 | 8,452 |
| Gain from recognition of inventories at net realizable value (Note 1.5.h.) | 6,787 | 4,382 |
| Selling expenses (Exhibit H) | (2,718) | (1,028) |
| Administrative expenses (Exhibit H) | (10,426) | (8,937) |
| Subtotal | (6,357) | (5,583) |
| Gain from operations and holding of real estate assets | | |
| Operating income | 10,418 | 2,869 |
| Financial results generated by assets: | | |
| Interest income | 6,460 | 5,132 |
| Exchange gain | (899) | 8,758 |
| Financial gain | 5,321 | 7,308 |
| Interest on discount by assets | (30) | (151) |
| Subtotal | 10,852 | 21,047 |
| Financial results generated by liabilities: | | |
| Exchange loss | 2,020 | (19,438) |
| Interest on discount by liabilities | 5 | (4) |
| Financial expenses (Exhibit H) | (15,036) | (16,743) |
| Subtotal | (13,011) | (36,185) |
| Total financial results, net | (2,159) | (15,138) |
| Equity gain from related companies (Note 10.c.) | 65,799 | 47,036 |
| Other income and expenses, net (Note 9) | (5,767) | (3,994) |
| Net income before tax | 68,291 | 30,773 |
| Asset tax (Note 1.5.n.) | (2,171) | (1,787) |
| Net income for the period | 66,120 | 28,986 |

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

Fernando A. Elsztain

Titular Director

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Changes in Shareholders' Equity

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)

| | Common Stock | Shareholders' contributions | Additional | | Reserved earnings | | (Accumulated deficit) retained earnings | Total as of December 31, 2006 | Total as of December 31, 2005 |
|--|-----------------|--|--------------------|-----------|-------------------|-----------------------------|---|-------------------------------------|-------------------------------------|
| | | inflation adjustment of common stock | paid-in capital | Total | Legal reserve | Reserve for new projects | | | |
| Balances as of beginning of year | 435,448 | 274,387 | 659,911 | 1,369,746 | 19,447 | | 96,573 | 1,485,766 | 1,252,229 |
| Capital increase | 13,294 | | 11,397 | 24,691 | | | | 24,691 | 20,141 |
| Profit distribution in accordance to the Shareholders meeting held of October 31, 2006 | | | | | 4,829 | 91,744 | (96,573) | | |
| Net income for the period | | | | | | | 66,120 | 66,120 | 28,986 |
| Balances as of December 31, 2006 | 448,742 | 274,387 | 671,308 | 1,394,437 | 24,276 | 91,744 | 66,120 | 1,576,577 | |
| Balances as of December 31, 2005 | 368,448 | 274,387 | 610,088 | 1,252,923 | 19,447 | | 28,986 | | 1,301,356 |

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

Fernando A. Elsztain

Titular Director

acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited 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 thousand of pesos (Note 1)

| | December 31, 2006 | December 31, 2005 |
|---|----------------------|----------------------|
| CHANGES IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents as of the beginning of year | 36,572 | 41,006 |
| Cash and cash equivalents as of the end of period | 16,420 | 32,339 |
| Net decrease in cash and cash equivalents | (20,152) | (8,667) |
| CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income for the period | 66,120 | 28,986 |
| Plus asset tax accrued for the period | 2,171 | 1,787 |
| Adjustments to reconcile net income to cash flows from operating activities: | | |
| Equity gain from related companies | (65,799) | (47,036) |
| Gain from recognition of inventories at net realizable value | (6,787) | (4,382) |
| Allowances and reserves | 2,455 | 3,167 |
| Amortization and depreciation | 3,262 | 3,373 |
| Sundry provisions and allowances | 1,630 | 3,051 |
| Results from the sale of shares of Banco Hipotecario S.A. | | (1,858) |
| Financial results | (10,252) | 3,629 |
| Changes in operating assets and operating liabilities: | | |
| Decrease in current investments | 6,132 | 9,460 |
| Increase in receivables from sales and leases | (1,457) | (1,697) |
| Decrease (Increase) in other receivables | 2,244 | (1,141) |
| Decrease (Increase) in inventory | 27,671 | (219) |
| (Decrease) Increase in taxes payable, social security payable and customer advances | (8,027) | 2,647 |
| Increase (Decrease) in trade accounts payable | 140 | (507) |
| Increase in accrued interest | 1,264 | 1,401 |
| (Decrease) Increase in other liabilities | (4,146) | 1,864 |
| Net cash provided by operating activities | 16,621 | 2,525 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Increase interest in subsidiary companies | | 481 |
| Decrease from equity interest in subsidiary companies | (295) | (211) |
| Purchase of shares Canteras Natal Crespo S.A. | (1,854) | (4,232) |
| Purchase of shares of Alto Palermo S.A. | (867) | (4,149) |
| Purchase of shares of Patagonian Investment S.A. | (27,522) | |
| Incorporation of Patagonian Investments S.A. | (4) | |
| Loans granted to related parties | (5,308) | (1,000) |
| Loans granted | (6,939) | |
| Purchase and improvements of undeveloped parcels of lands | | (69) |
| Purchase and improvements of fixed assets | (61,584) | (718) |
| Dividends collection | 28,881 | 17,794 |
| Cash incorporated by merger | | 20 |

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| | | |
|---|----------|----------|
| Net cash (used in) provided by investing activities | (75,492) | 7,916 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase of debt | 43,380 | 42 |
| Increase in loans with related companies | 9,286 | |
| Settlement of debt | (15,628) | (18,616) |
| Cancellation of Ritelco S.A. joint | (4,791) | |
| Settlement in mortgages payable | (8,346) | (17,574) |
| Proceeds from settlement of swap | | 1,190 |
| Issuance of common stock (exercise option) | 14,818 | 15,850 |
| Net cash provided by (used in) financing activities | 38,719 | (19,108) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (20,152) | (8,667) |

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

Fernando A. Elsztain
Titular Director
acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited 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 (Note 1)

| | December 31, 2006 | December 31, 2005 |
|---|----------------------|----------------------|
| Supplemental cash flow information | | |
| Interest paid | 10,297 | 11,407 |
| Non-cash activities: | | |
| Increase in inventories through a decrease in fixed assets | | 1,422 |
| Increase in real estate reserve through a decrease in fixed assets | | 1,626 |
| Conversion of negotiable obligations into common shares | 9,873 | 4,291 |
| Increase in long-term investments through an increase in loans | 27,522 | |
| Increase in other receivables through a decrease in long-term investments | 3,303 | |
| Increase in fixed assets through an increase in other receivables | 12,161 | |
| Increase in long-term investments through a decrease in other receivables | | 118 |
| Decrease in long-term investments through an increase in other receivables | | 22,173 |
| Decrease in long-term investments through a decrease in other liabilities | | 6,250 |
| Increase in long-term investments through an increase in other liabilities | 11 | |
| | December 31, 2006 | December 31, 2005 |
| Acquisitions of subsidiaries: | | |
| Cash and banks | | 20 |
| Other receivables | | 1,503 |
| Inventories | | 57,223 |
| Investments | | 37,718 |
| Trade accounts payable | | (3) |
| Customers advances | | (6,377) |
| Taxes payable | | (12,221) |
| Other liabilities (includes Ps. 24,809 payable to IRSA Inversiones y Representaciones S.A.) | | (30,078) |
| Net value of acquired assets | | 47,785 |
| Equity value before the acquisition (includes the higher value of incorporated | | |
| inventories of Ps. 99) | | (47,785) |
| Cash and banks acquired | | 20 |
| | | 20 |

Fernando A. Elsztain

Titular Director

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited 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)

NOTE 1: ACCOUNTING STANDARDS

Below are the most relevant accounting standards used by the Company to prepare these unaudited financial statements:

1.1. Preparation and presentation of unaudited financial statements

These unaudited financial statements are stated in Argentine pesos and were prepared in accordance with disclosure and valuation criteria contained in the Technical Resolutions issued by the Argentine Federation of Professional Councils in Economic Sciences, approved with certain amendments by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, in accordance with the resolutions issued by the National Securities Commission.

The 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 results of each period.

Income statement for the six-month periods ended December 31, 2006 and 2005 do not necessarily reflect the portion of the Company's results for such complete years.

Unification of professional accounting standards

The National Securities Commission has issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively.

Such resolutions have adopted, with certain modifications, the new accounting standards recently issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires through its Resolution CD 93/2005. These standards are to be obligatorily applied for fiscal years or interim periods corresponding to fiscal years started as from January 1, 2006.

The principal change that the application of these new standards has generated relates to the treatment of the adjustment for inflation in calculating the deferred tax which can be taken as a temporary difference, according to the Company's criteria. At present the adjustment for inflation is considered as a permanent difference in the deferred income tax calculation. The Company in accordance with the new accounting standards has decided not to recognize the deferred liability generated by the effect of the adjustment for inflation on the fixed assets and other non-monetary assets. The estimated effect as of December 31, 2006 that the adoption of the new criteria would have generated would be a decrease in shareholders' equity of approximately Ps. 202.3 millions, which should be recorded in the income statement accounts of previous years for Ps. 188.4 million (loss) and in the income statement accounts of the period for Ps. 13.9 million (profit).

IRSA Inversiones y Representaciones Sociedad Anónima**Notes to the unaudited financial statements (Continued)****NOTE 1:** (Continued)

In accordance with the Company's management the potential effect that the new accounting standards would have in its subsidiary Banco Hipotecario S.A. would not be significant on the amount of the Company's investment.

The above-mentioned liability would probably turn to the previous position according to the detail that follows:

| Item | Up to 12 months | From 1 to 2 years | From 2 to 3 years | Over 3 years | Total |
|--------------------|----------------------------|------------------------------|------------------------------|-------------------------|--------------|
| Amount in millions | 5.1 | 7.9 | 7.8 | 181.5 | 202.3 |

1.2. Use of estimates

The preparation of financial statements requires management, at a specific date, to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the period. Company's Management makes estimates for example when accounting for allowance for doubtful accounts, depreciation, amortization, impairment of long-lived assets, income taxes and contingencies. Future actual results could differ from the estimates and assumptions made at the date of these unaudited financial statements.

1.3. Recognition of the effects of inflation

The unaudited financial statements have been prepared in constant currency, reflecting the overall effects of inflation through August 31, 1995. From that date and until December 31, 2001 the Company 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 have been 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 unaudited financial statements taken as a whole.

The rate used for restatement of items in these unaudited financial statements is the domestic wholesale price index published by the National Institute of Statistics and Census.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.4. Comparative information

Balances items at June 30, 2006 shown in these unaudited financial statements for comparative purposes arise from the audited annual 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.

1.5. Valuation criteria

a. Cash and banks

Cash on hand has been valued at face value.

b. Foreign currency assets and liabilities

Foreign currency assets and liabilities were valued at each period-end exchange rates. Operations denominated in foreign currency are converted into pesos at the rates of exchange in effect at the date of settlement of the operation.

c. Current investments

Current investments in debt securities and mutual funds were valued at their net realization value.

d. Mortgages and lease receivables and trade accounts payable

Mortgages and lease receivables and trade accounts payable have been valued at the price applicable to spot operations at the time of the transaction plus interest and implicit financial components accrued at the internal rate of return determined at that moment.

e. Financial receivables and liabilities

Financial receivables and payables have been valued at the amount deposited and collected, respectively, net of operating costs, plus financial results accrued based on the internal rate of return estimated at that time.

f. Other receivables and payables

Sundry current assets and liabilities have been valued at face value plus the financial results accrued at the closing of the corresponding period.

Sundry receivables and payables (asset tax, deposits in guarantee, and accounts receivable in trust) disclosed under other current and other non-current receivables and payables, were valued based on the best estimate

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

f. (Continued)

of the amount receivable and payable, respectively, discounted at the interest rate applicable to freely available savings accounts published by the Argentine Central Bank in effect at the time of incorporation to assets and liabilities, respectively.

As established by the regulations of the National Securities Commission, deferred tax assets and liabilities have not been discounted.

Liabilities in kind:

The Company records a liability in kind corresponding to an obligation to deliver units to be built in relation to the San Martín de Tours property. This liability was valued at the higher of amounts received or the estimated cost of building of the units plus additional costs to transfer the assets to the creditor, and is shown as a current liability under Mortgages payable .

g. Balances corresponding to financial transactions and sundry receivables and payables with related parties

Receivables and payables with related parties generated by financial transactions and other sundry transactions were valued in accordance with the terms agreed by the parties.

h. Inventories

A property is classified as inventories upon determination by the Board of Directors that the property is to be marketed for sale in the normal course of business over the next several years.

Properties classified as inventories have been valued at acquisition or construction cost restated as mentioned in Note 1.3., or estimated net realizable value, whichever is lower. The Company maintains allowances for impairment of certain inventories for those ones which market value is lower than cost (See Exhibit E). Costs include land and land improvements, direct construction costs, construction overhead costs, interest on indebtedness and real estate taxes. During the fiscal year ended June 30, 2006 interest costs of the property called San Martín de Tours were capitalized for Ps. 222. During the period ended December 31, 2006 there were no items charged to assets.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

h. (Continued)

Inventories on which advance payments that establish price have been received, and the operation's contract terms and conditions assure that the sale will be effectively accomplished and that the income will be realized, are valued at its fair market value.

Profits arising from such valuation are shown in the Gain from valuation of inventories at fair market value caption of the unaudited Statement of Income.

Properties held for sale are classified as current or non-current based on the estimated date of sale and the time at which the related receivable is expected to be collected by the Company.

The amount recorded in inventories, net of allowances set up, does not exceed their estimated recoverable value at the end of the period.

Credits in kind:

The Company has credits in kinds related to rights on the reception of certain units.

The units relating to the buildings called Terreno Caballito, and Dique III have been valued according to the accounting measuring standards corresponding to inventories receivable and there have been disclosed under Inventories.

i. Non-current investments

Investments in debt securities:

Investments in debt securities were valued based on the best estimate of the discounted amount receivable applying the corresponding internal rate of return estimated at the time of incorporation to assets, as the Company will hold them to maturity. The value thus obtained does not exceed the respective estimated recoverable value at the end of the period.

Investments in subsidiaries and related companies:

Current investments in subsidiaries and related companies detailed in Exhibit C, have been valued by using the equity method of accounting based on the financial statements at December 31, 2006 issued by them. The accounting standards used by the subsidiaries to prepare their financial statements are the same as those used by the Company. The accounting standards used by the related companies to prepare their financial statements are those currently in effect.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

i. (Continued)

This item also includes the lower or higher value paid for the purchase of shares in subsidiaries and related companies assignable to the assets acquired, and goodwill related to the subsidiary Alto Palermo S.A. and the related company, Banco Hipotecario S.A.

The Company has an important investment in Banco Hipotecario S.A. This investment is valued according to the equity method due to the significant influence of the economic group on the decisions of Banco Hipotecario S.A. and to the intention of keeping said investment on a permanent basis.

As of December 31, 2006, the equity value was applied on preliminary amounts since at the date of these financial statements Banco Hipotecario S.A. had not completed the issuance and approval of its financial statements.

In accordance with the regulations of the BCRA and the contracts signed as a result of Banco Hipotecario S.A.'s financial debt restructuring process, there are certain restrictions on the distribution of profits by Banco Hipotecario S.A. to the Company.

Certificates of participation in IRSA I financial trust:

The certificates of participation in IRSA I financial trust have been valued at the amount resulting from apportioning the participation certificate holding to the trust assets.

Undeveloped parcels of lands:

The Company acquires undeveloped land in order to provide an adequate and well-located supply for its residential and office building operations. The Company's strategy for land acquisition and development is dictated by specific market conditions where the Company conducts its operations.

Land held for development and sale and improvements are stated at cost restated as mentioned in Note 1.3. or market value, whichever is lower. The Company maintains allowances for impairment of certain parcels of undeveloped land for which their market value is lower than cost. (See Exhibit E).

Land and land improvements are transferred to inventories or fixed assets when construction commences or their trade is decided.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

i. (Continued)

The values thus obtained, net of the allowances recorded, do not exceed their respective estimated recoverable values at the end of period.

j. Fixed assets

Fixed assets comprise primarily of rental properties and other property and equipment held for use by the Company.

Fixed assets value, net of allowances set up, does not exceed estimated recoverable value at the end of the period.

Rental properties

Rental properties are carried at acquisition and/or construction cost, restated as mentioned in Note 1.3., less accumulated depreciation and allowance for impairment at the end of the period. The Company capitalizes accrued interest costs associated with long-term construction projects. However, during the period ended December 31, 2006 and in fiscal year ended June 30, 2006 no interest costs were capitalized, as the Company considered that there are no works in progress.

Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which generally are estimated to be 50 years for buildings. Expenditures for ordinary maintenance and repairs are charged to results in the period incurred.

The Company has allowances for impairment of certain rental properties as disclosed in Exhibit A. Increases and decreases of such allowances are disclosed in Exhibit E.

Significant renovations and improvements, which improve or extend the useful life of the asset are capitalized and depreciated over its estimated remaining useful life. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation of the assets are eliminated from the accounts and the resulting gain or loss is disclosed in the unaudited statement of income.

Software

The Company capitalizes certain costs associated with the development of computer software for internal use. Such costs are being amortized on a straight-line basis since its implementation.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

j. (Continued)

Other properties and equipment

Other properties and equipment properties are carried at cost, restated as mentioned in Note 1.3., less accumulated depreciation at the end of the period. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

| Asset | Estimated useful life (years) |
|---|-------------------------------|
| Leasehold improvements | On contract basis |
| Furniture and fixtures | 5 |
| Machinery, equipment and computer equipment | 3 |
| Vehicles | 5 |

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements are added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.

k. Deferred financing cost

Expenses incurred in connection with the issuance of negotiable obligations and proceeds of loans are amortized over the life of the related issuances. In the case of redemption of these notes, the related expenses are amortized using the accelerated depreciation method.

Amortization has been recorded under Financial results, net in the unaudited statements of income as a greater financing expense.

l. Customer advances

Customer advances represent payments received in advance in connection with the sale and rent of properties.

m. Income tax

The Company has recognized the charge for income tax by the deferred tax liability method, recognizing timing differences between measurements of accounting and tax assets and liabilities (see Note 14).

To determine deferred assets and liabilities, the tax rate expected to be in effect at the time of reversal or use has been applied to timing differences identified and tax loss carry forwards, considering the legal regulations approved at the date of issuance of these unaudited financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

m. (Continued)

Since it is unlikely that future taxable income will fully absorb tax loss carry forwards, the Company has recorded an impairment on a portion of that credit.

n. Asset tax

The Company calculates asset tax by applying the current 1% rate on computable assets at the end of the year. This tax complements income tax. The Company's tax obligation in each period will coincide with the higher of the two taxes. However, if asset tax exceeds income tax in a given period, that amount in excess will be computable as payment on account of income tax arising in any of the following ten years.

At December 31, 2006, the Company has estimated the asset tax, recognizing under Other receivables the amount estimated to be offset as payment on account of income tax in future years in accordance with current regulations, and expensing the remaining balance.

o. Allowances and Provisions

Allowance for doubtful accounts: the Company provides for losses relating to mortgages, lease and other accounts receivable. The allowance for losses is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the terms of the agreements. The allowance is determined on a one-by-one basis considering the present value of expected future cash flows. While management uses the information available to make assessments, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the assessments. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and the unaudited financial statements reflect that consideration.

For impairment of assets: the Company regularly assesses its non-current assets for recoverability whenever there is an indication that the carrying amount of an asset may exceed its recoverable value.

In such cases, for rental properties, the Company first makes a comparison between the asset carrying amount and its undiscounted value in use. If, as a result of that comparison, the carrying amount of an asset

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

o. (Continued)

exceeds its value in use, in order to measure the loss impairment, a second comparison is made with the higher of discounted value in use and market value (recoverable value). Value in use is determined based on estimated future cash flows. For the rest of the assets (inventories and undeveloped parcels of land) the Company makes a comparison with market values based on values of comparable properties. If the recoverable value of assets, which had been impaired in prior years, increases, the Company will record the corresponding reversals of impairment loss as required by accounting standards.

Increases and decreases of allowances for impairment of assets during the period ended December 31, 2006 and during the fiscal year ended June 30, 2006 are detailed in Exhibit E.

For lawsuits: the Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the Company's lawyers' experience in contesting, litigating and settling other matters.

As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a effect on the Company's future results of operations and financial condition or liquidity.

At the date of issuance of these unaudited financial statements, Management understands that there are no elements to foresee other potential contingencies having a negative impact on these unaudited financial statements.

p. Shareholders' equity accounts

Amounts of shareholders' equity accounts have been restated following the guidelines detailed in Note 1.3. until February 28, 2003. Subsequent movements are stated in the currency of the month to which they correspond.

Common stock account was stated at historical nominal value. The difference between value stated in constant currency, following the guidelines detailed in Note 1.3., and historical nominal value is shown under Inflation adjustment of common stock forming part of the shareholders' equity.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

q. Results for the period

The results for the period are shown as follows:

Amounts included in unaudited Income Statement are shown in currency of the month to which they correspond.

Charges for assets consumed (fixed asset depreciation, intangible asset amortization and cost of sales) were determined based on the values recorded for such assets.

Results from investments in subsidiary and affiliated companies was calculated under the equity method, by applying the percentage of the Company's equity interest to the results of such companies, with the adjustments for application of Technical Resolution 21.

r. Advertising expenses

The Company generally charges the advertising and publicity expenses to results when they are incurred. Advertising and promotion expenses were approximately Ps. 568 and Ps. 210 for periods ended December 31, 2006 and 2005, respectively.

s. Pension information

The Company does not maintain any pension plans. Argentine laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed funds plan to which employees may elect to contribute.

t. Derivative financial instruments

The Company has entered into an interest rate swap agreement in order to hedge the risks of fluctuation in interest rates related to its financial debt which accrues interest at variable rate. See Note 16 for details.

u. Revenue recognition

u.1. Sales of properties

The Company records revenue from the sale of properties when all of the following criteria are met:

the sale has been consummated;

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 1: (Continued)

1.5. (Continued)

u. (Continued)

u.1 (Continued)

there is sufficient evidence to demonstrate the buyer's ability and commitment to pay for the property;

the Company's receivable is not subject to future subordination; and

the Company has transferred the property to the buyer.

The Company uses the percentage-of-completion method of accounting with respect to sales of development properties under construction. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs according to budgeted costs. The Company does not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun. The percentage-of-completion method of accounting requires the Company's management to prepare budgeted costs in connection with sales of properties/units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

u.2. Leases

Revenues from leases are recognized on a straight line basis over the life of the related lease contracts.

v. Cash and cash equivalents

The Company considers, for cash flow purposes, all highly liquid investments with original maturities of three months or less, consisting primarily of mutual funds, as cash equivalents.

w. Monetary assets and liabilities

Monetary assets and liabilities are stated at their face value plus or minus the related financial gain or loss.

x. Vacation expenses

Vacation expenses are fully accrued in the period in which the employee renders services in order to be able to take such vacation.

IRSA Inversiones y Representaciones Sociedad Anónima**Notes to the unaudited financial statements (Continued)****NOTE 2: CASH AND BANKS**

The breakdown for this item is as follows:

| | December 31, 2006 | June 30, 2006 |
|---------------------------|------------------------------|--------------------------|
| Cash in local currency | 19 | 20 |
| Cash in foreign currency | 25 | 70 |
| Banks in local currency | 2,155 | 169 |
| Banks in foreign currency | 1,890 | 766 |
| Special current accounts | 27 | 1 |
| Foreign accounts | 11,759 | 22,021 |
| Checks to be deposited | 74 | 274 |
| | 15,949 | 23,321 |

NOTE 3: MORTGAGES AND LEASES RECEIVABLES, NET

The breakdown for this item is as follows:

| | December 31, | | June 30, | |
|--|---------------------|----------------|-----------------|----------------|
| | 2006 | | 2006 | |
| | Non- | | Non- | |
| | Current | Current | Current | current |
| Mortgages and leases receivables | 3,926 | 992 | 1,620 | 514 |
| Debtors under legal proceedings and past due | | | | |
| Debts | 923 | | 1,403 | |
| Related companies (Note 10.a.) | 3,385 | 1,796 | 3,918 | 2,110 |
| Less: | | | | |
| Allowance for doubtful accounts (Exhibit E) | (222) | | (216) | |
| | 8,012 | 2,788 | 6,725 | 2,624 |

Current and non-current receivables from the sale of real estate are secured by first degree mortgages in favor of the Company.

NOTE 4: OTHER RECEIVABLES AND PREPAID EXPENSES

The breakdown for this item is as follows:

December 31, June 30,

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| | 2006 | | 2006 | |
|--|---------|---------|---------|---------|
| | Non- | | Non- | |
| | Current | Current | Current | current |
| Asset tax credits (Note 1.5.n.) | 4,328 | 24,755 | 3,981 | 23,524 |
| Value added tax | 1,162 | | 4,906 | |
| Related parties (Note 10.a.) | 14,541 | 2,194 | 472 | 6,903 |
| Prepaid expenses | 840 | 91 | 1,251 | 150 |
| Loans granted (1) | 7,004 | | | |
| Advance for the acquisition of companies (2) | 2,064 | | 2,064 | |
| Guarantee of defaulted credits (3) | 215 | 3,626 | 279 | 15,889 |
| Trust accounts receivable | | 361 | | 361 |
| Present value | | (691) | | (661) |
| Deferred income tax (Note 14) | | 37,795 | | 37,795 |
| Other | 669 | 120 | 117 | 125 |
| | 30,823 | 68,251 | 13,070 | 84,086 |

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 4: (Continued)

- (1) The amount represents a loan granted by the Company for Ps. 2,944 due on January 15, 2007, and a loan of Ps. 3,995 due on December 4, 2007 to the shareholders of Baicom Networks S.A. (Baicom) plus interest accrued for such loans. As guarantee for these loans, the shareholders of Baicom established in favor of the Company a first degree pledge on common, registered, non-endorsable shares of Baicom, nominal value one peso each, one voting right per share. On January 15, 2007 the Company collected the loan for Ps 2,944 which became due on such date
- (2) See Note 44 to the unaudited consolidated financial statements.
- (3) See Note 15 to the unaudited basic financial statements and Note 16 to the unaudited consolidated financial statements.

NOTE 5: INVENTORIES

The breakdown for this item is as follows:

| | December 31, | | June 30, | |
|---|--------------|---------|----------|---------|
| | 2006 | Non- | 2006 | Non- |
| | Current | Current | Current | current |
| Edificios Cruceros | 1,858 | | 3,629 | |
| Dock 13 | 1,595 | | 1,605 | |
| Dorrego 1916 | 13 | | 13 | |
| Minetti D | 72 | | 72 | |
| Credit from barter of Caballito (1) | | 22,663 | | 22,663 |
| Torres Jardín | 169 | 303 | 472 | |
| V. Celina | 43 | | 43 | |
| Abril / Baldovinos (2) | | | 23 | 83 |
| San Martin de Tours | 16,504 | | 14,211 | |
| Dique III plot 1d) | | | 25,549 | |
| Credit from Barter transaction of Dique III 1c) (1) | 18,512 | 8,639 | 15,587 | 7,274 |
| Credit from Barter transaction of Dique III 1e) (1) | | 41,808 | | 41,808 |
| Advance on purchase of inventories (3) | 1,773 | | 1,773 | |
| | 40,539 | 73,413 | 62,977 | 71,828 |

- (1) Secured by first degree mortgage in favor of the Company.
- (2) The values recorded are disclosed net of the effect of the allowance for impairment, as detailed in Exhibit E of Ps. 1,010 (Abril / Baldovinos Ps. 407, Stores Ps. 603).
- (3) See Note 43 to the unaudited consolidated financial statements.

NOTE 6: MORTGAGES PAYABLE

The breakdown for this item is as follows:

| December 31, | June 30, |
|--------------|----------|
| 2006 | 2006 |

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| | Current | Non- Current | Current | Non- current |
|---|---------|-----------------|---------|-----------------|
| Mortgages payable - San Martin de Tours (Note 12) | 3,632 | | 3,598 | |
| Mortgage payable - Bouchard 710 (Note 12) (1) | 15,328 | 6,781 | 14,809 | 14,722 |
| | 18,960 | 6,781 | 18,407 | 14,722 |

-
- (1) On July 1, 2005 the Company paid the first installment of the mortgage for the purchase of the Bouchard 710 Building for US\$ 442. Also on July 26, 2005 the Company modified one of the contract clauses of such mortgage, by which a partial anticipated cancellation of US\$ 3,203 was made and agreed to pay the remaining price balance of US\$ 13,625 in 34 equal, mensual and consecutive installments of US\$ 452 each (interest according to the French system were included with an annual rate of 8.5%). As of December 31, 2006 the Company has cancelled seventeen principal installments for an amount of US\$ 6,404, being the balance of principal US\$ 7,221.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 7: SHORT AND LONG TERM DEBT

The breakdown for this item is as follows:

| | December 31, | | June 30, | |
|--|--------------|---------|----------|---------|
| | 2006 | | 2006 | |
| | Current | Non- | Current | Non- |
| Bank loans (1) | 14,085 | 33,895 | 10,646 | 41,258 |
| Bank loans Accrued interest (1) | 473 | 7,735 | 470 | 7,491 |
| Negotiable Obligations 2009 | | | | |
| principal amount (2) | 22,892 | 55,086 | 17,303 | 67,054 |
| Negotiable Obligations 2009 | | | | |
| accrued interest (2) | 750 | 12,586 | 764 | 12,211 |
| Convertible Negotiable Obligations 2007 (3) | 76,445 | | 882 | 86,120 |
| Debt related to purchase of subsidiaries (4) | 9,792 | 18,372 | | |
| Other financial loans (5) | 43,380 | | 6,328 | |
| | 167,817 | 127,674 | 36,393 | 214,134 |

(1) Corresponds to an unsecured loan for a total amount of US\$ 51 million, which falls due on November 20, 2009, with the principal being amortized in 20 quarterly installments with a two-year grace period. US\$ 35 million of the principal accrue interest at the LIBO rate over three months plus 200 basis points, and US\$ 16 million accrue interest at a fixed rate that is progressively increased. On July 25, 2003 the Company redeemed the mentioned US\$ 16 million for US\$ 10.9 million. In addition, on March 17, 2004, the Company redeemed US\$ 12 million for a total amount of US\$ 8.6 million. Additionally, the Company settled eight installments amounting to US\$ 4.6 million. Therefore, at December 31, 2006 the balance of principal amounts to US\$ 15.7 million which matches the US\$ 18,4 million discounted considering a market rate equivalent to 8% per year.

The terms of the loan require the Company to maintain certain financial ratios and conditions, specific debt/equity ratios, moreover, they also restrict certain investments, the making of payments, the procurement of new loans and the sale of certain assets and other capital investments.

(2) Corresponds to Negotiable Obligations secured by the assets described in Note 12.b. for US\$ 37.4 million, which mature on November 20, 2009 with partial periodic amortization, and have quarterly interest payments at the LIBO rate over three months plus 200 basis points. At this date, the Company has settled eight installments amounting to US\$ 7.5 million. Consequently, at December 31, 2006 the Company recorded a total balance of US\$ 25.5 million, which corresponds to US\$ 29.9 million discounted at a market rate equivalent to 8% per year.

The terms of the loan require the Company to maintain certain financial ratios and conditions, specific debt/equity ratios; they also restrict certain investments, the making of payments, the procurement of new loans and the sale of certain assets and other capital investments.

(3) According to Note 13, these relate to convertible negotiable obligations (CNB) issued for a total amount of US\$ 100 million, which at period end amounted to US\$ 24,8 million, net of issue expenses amounting to Ps. 0.12 million. Part of convertible negotiable obligations are held by shareholders and related parties. (See Note 10).

(4) See Note 35 to the unaudited consolidated financial statements.

(5) Corresponds to bank overdrafts mainly with Banco Macro, Citibank and Bank Boston.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 8: OTHER LIABILITIES

The breakdown for this item is as follows:

| | December 31, | | June 30, | |
|------------------------------------|--------------|---------|----------|---------|
| | 2006 | Non- | 2006 | Non- |
| | Current | Current | Current | current |
| Related parties (Note 10.a.) | 1,466 | 24,184 | 20,762 | |
| Guarantee deposits | 810 | 1,693 | 1,061 | 820 |
| Provision for lawsuits (Exhibit E) | 6 | | 346 | |
| Directors' fees provision | | | | |
| (Note 10.a.) | 1,570 | | 5,976 | |
| Directors' fees advances | | | | |
| (Note 10.a.) | (132) | | (325) | |
| Directors' guarantee deposits | | | | |
| (Note 10.a.) | | 8 | | 8 |
| Administration and reserve funds | 108 | | 118 | |
| Trust account payables | | 92 | | 92 |
| Present value | | (30) | | (25) |
| Other | 1,132 | | 430 | |
| | 4,960 | 25,947 | 28,368 | 895 |

NOTE 9: OTHER INCOME AND EXPENSES, NET

The breakdown for this item is as follows:

| | December 31, | December 31, |
|-----------------------------------|--------------|--------------|
| | 2006 | 2005 |
| Other income: | | |
| Results from sale of fixed assets | | |
| Other | 364 | 327 |
| | 364 | 327 |
| Other expenses: | | |
| Unrecoverable VAT | (1,114) | (598) |
| Donations | (1,240) | (180) |
| Debit and credit tax | (918) | (385) |
| Lawsuits | (9) | (8) |

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| | | |
|--------------------------------------|---------|---------|
| Tax on shareholders personal assets | (2,789) | (3,150) |
| Other | (61) | |
| | (6,131) | (4,321) |
| Total other income and expenses, net | (5,767) | (3,994) |

NOTE 10: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

- a. The balances as of December 31, 2006 and June 30, 2006, with subsidiaries, shareholders, affiliated and related companies are as follows:

| | December 31, 2006 | June 30, 2006 |
|--|----------------------|------------------|
| <u>Abiril S.A.</u> (1) | | |
| Current mortgages and leases receivables | 2 | |
| Other current receivables | 79 | |
| Other non-current receivables | 20 | |
| Current accounts payable | 1 | |

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 10: (Continued)

| | December 31, 2006 | June 30, 2006 |
|---|----------------------|------------------|
| <u>Alto Palermo S.A. (APSA) (1)</u> | | |
| Current mortgages and leases receivables | 370 | 214 |
| Other current receivables | 34 | 14 |
| Current investments | 4,393 | 4,428 |
| Non-current investments | 97,183 | 97,944 |
| Current accounts payable | 857 | 479 |
| Other current liabilities | 26 | 20 |
| <u>Altocity.Com S.A. (3)</u> | | |
| Current mortgages and leases receivables | 71 | 30 |
| Current accounts payable | | 1 |
| <u>Baldovinos S.A. (1)</u> | | |
| Current mortgages and leases receivables | 31 | 76 |
| Current accounts payable | 10 | 7 |
| <u>Banco Hipotecario S.A. (3)</u> | | |
| Current investments | 465 | 534 |
| <u>Banco de Crédito y Securitización S.A. (3)</u> | | |
| Current mortgages and leases receivables | 22 | 23 |
| <u>Consultores Assets Management S.A. (4)</u> | | |
| Current mortgages and leases receivables | 96 | 75 |
| Other current receivables | 2 | 13 |
| Current accounts payable | | 1 |
| <u>Cresud S.A.C.I.F. y A (2)</u> | | |
| Current mortgages and leases receivables | 442 | 158 |
| Other current receivables | 24 | 50 |
| Current accounts payable | 410 | 173 |
| Non-Current accounts payable | | 150 |
| Short-term debt -Convertible Negotiable Obligations | 37,120 | 379 |
| Long-term debt -Convertible Negotiable Obligations | | 37,032 |
| <u>Canteras Natal Crespo S.A. (1)</u> | | |
| Current mortgages and leases receivables | | 1 |
| Other current receivables | 434 | 105 |
| <u>Dolphin Fund PLC (4)</u> | | |
| Current investment | 13,899 | 9,354 |
| <u>ECIPSA Holding S.A. (4)</u> | | |
| Current mortgages and leases receivables | | 8 |
| <u>Fibesa S.A. (1)</u> | | |
| Current mortgages and leases receivables | 2 | |
| Other current receivables | 4 | 4 |
| <u>Fundación IRSA (4)</u> | | |
| Current mortgages and leases receivables | 14 | 14 |
| <u>Futuros y Opciones.Com S.A. (6)</u> | | |
| Current accounts payables | | 1 |

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 10: (Continued)

| | December 31, 2006 | June 30, 2006 |
|--|----------------------|------------------|
| <u>Hoteles Argentinos S.A. (1)</u> | | |
| Current mortgages and leases receivables | 1,710 | 2,083 |
| Non-current mortgages and leases receivables | 1,796 | 2,110 |
| Other current liabilities | 614 | 619 |
| <u>Inversora Bolívar S.A. (1)</u> | | |
| Current mortgages and leases receivables | 566 | 1,170 |
| Other current receivables | 4 | |
| Current accounts payable | 397 | 368 |
| Other non-current liabilities | 9,393 | |
| <u>Llao Llao Resorts S.A. (1)</u> | | |
| Current mortgages and leases receivables | | 3 |
| Other current receivables | 10,593 | 216 |
| Other non-current receivables | 2,143 | 6,875 |
| Current accounts payable | 225 | |
| Other current liabilities | 33 | 5 |
| <u>Nuevas Fronteras S.A. (1)</u> | | |
| Current accounts payable | 3 | 1 |
| <u>Advances to employees (4)</u> | | |
| Managers, Directors and other Staff of the Company | Current | 56 |
| Managers, Directors and other Staff of the Company | Non-current | 31 |
| | | 28 |
| <u>Ritelco S.A. (1)</u> | | |
| Other current liabilities | 793 | 20,118 |
| Other non-current liabilities | 14,791 | |
| <u>Tarshop S.A. (1)</u> | | |
| Current mortgages and leases receivables | 59 | 52 |
| Other current receivables | | 13 |
| <u>Estudio Zang, Bergel & Viñes (4)</u> | | |
| Accounts payable | | 65 |
| <u>Directors (4)</u> | | |
| Current mortgages and leases receivables | | 8 |
| Other current receivables | 4 | |
| Other current liabilities | 1,438 | 5,651 |
| Other non-current liabilities | 8 | 8 |
| <u>Patagonian Investment S.A.(1)</u> | | |
| Other current receivables | 3,307 | |
| <u>Emprendimiento Recoleta S.A. (1)</u> | | |
| Current mortgages and leases receivables | | 1 |
| <u>Shopping Alto Palermo S.A. (1)</u> | | |
| Current mortgages and leases receivables | | 1 |
| <u>Mendoza Plaza Shopping S.A. (1)</u> | | |
| Current mortgages and leases receivables | | 1 |

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 10: (Continued)

- (1) Subsidiary (direct or indirect).
(2) Shareholder.
(3) Affiliated (direct or indirect).
(4) Related party
(5) Merger with effect after December 1, 2005 (See Note 19)
(6) Subsidiary of Cresud S.A.C.I.F. y A., Company's shareholder

- b. Results on subsidiary, shareholder, affiliated and related companies during the six month periods ended December 31, 2006 and 2005 are as follows:

| | Year | Sales and service fees | Leases earned | Holding results | Cost of services | Leases Lost | Interest Earned | Fees | Donations | Interest Lost |
|---|------|------------------------------|------------------|--------------------|---------------------|----------------|--------------------|---------|-----------|------------------|
| Related parties | | | | | | | | | | |
| Abril S.A. (1) | 2006 | 8 | | | | | | | | |
| | 2005 | 9 | | | | | | | | |
| Alto Palermo S.A. (APSA) (1) | 2006 | | | | | | 4,932 | | | |
| | 2005 | | | | | | 9,393 | | | |
| Banco Hipotecario S.A. (3) | 2006 | | | 21 | | | | | | |
| | 2005 | | | (13) | | | | | | |
| Canteras Natal Crespo S.A. (1) | 2006 | 48 | | | | | 8 | | | |
| | 2005 | | | | | | | | | |
| Cresud S.A.C.I.F. y A. (2) | 2006 | | | | | | | | | (480) |
| | 2005 | | | | | | | | | (4,361) |
| Dolphin Fund PLC (4) | 2006 | | | 3,053 | | | | | | |
| | 2005 | | | (911) | | | | | | |
| Fundación IRSA (4) | 2006 | | | | | | | | (42) | |
| | 2005 | | | | | | | | (11) | |
| Hoteles Argentinos S.A. (1) | 2006 | | | | | | 97 | | | |
| | 2005 | | | | | | | | | |
| Inversora Bolívar S.A. (1) | 2006 | 221 | | | (88) | (135) | | | | (84) |
| | 2005 | 867 | | | | (105) | | | | |
| Llao Llao Resorts S.A. (1) | 2006 | | 32 | | | | 501 | | | |
| | 2005 | 68 | 31 | | | | 3 | | | |
| Buenos Aires Trade & Finance Center S.A. (5) | 2006 | | | | | | | | | |
| | 2005 | | | | | | 372 | | | (28) |
| Ritelco S.A. (1) | 2006 | | | | | | | | | (403) |
| | 2005 | | | | | | | | | (287) |
| Shopping Alto Palermo S.A. (1) | 2006 | | | | | | | | | |
| | 2005 | | | | | | | | | (3) |
| Tarshop S.A. (1) | 2006 | | 96 | | | | | | | |
| | 2005 | | 121 | | | | 8 | | | |
| Advances to employees (4) | 2006 | | | | | | 4 | | | |
| | 2005 | | | | | | 4 | | | |
| Estudio Zang, Bergel & Viñes (4) | 2006 | | | | | | | (333) | | |
| | 2005 | | | | | | | (310) | | |
| Directors (4) | 2006 | | | | | | | (1,630) | | |
| | 2005 | | | | | | | (3,051) | | |

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| | | | | | | | | | |
|------------|-----|-----|-------|------|-------|-------|---------|------|---------|
| Total 2006 | 277 | 128 | 3,074 | (88) | (135) | 5,542 | (1,963) | (42) | (967) |
| Total 2005 | 944 | 152 | (924) | | (105) | 9,780 | (3,361) | (11) | (4,679) |

c. The composition of equity gain from related companies is as follows:

| | Gain | |
|--|---------------------|---------------------|
| | December 31, | December 31, |
| | 2006 | 2005 |
| Gain on equity investments | 64,073 | 45,405 |
| Amortization of goodwill and lower/higher values | 1,726 | 1,631 |
| | 65,799 | 47,036 |

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 11: COMMON STOCKa. Common stock

As of December 31, 2006, IRSA's common stock was as follows:

| | Par Value | Approved by Body | Date | Date of record with the Public Registry of Commerce |
|------------------------|-----------|--|------------|---|
| Shares issued for cash | | First Meeting for IRSA's Incorporation | 04.05.1943 | 06.25.1943 |
| Shares issued for cash | 16,000 | Extraordinary Shareholders' Meeting | 11.18.1991 | 04.28.1992 |
| Shares issued for cash | 16,000 | Extraordinary Shareholders' Meeting | 04.29.1992 | 06.11.1993 |
| Shares issued for cash | 40,000 | Extraordinary Shareholders' Meeting | 04.20.1993 | 10.13.1993 |
| Shares issued for cash | 41,905 | Extraordinary Shareholders' Meeting | 10.14.1994 | 04.24.1995 |
| Shares issued for cash | 2,000 | Extraordinary Shareholders' Meeting | 10.14.1994 | 06.17.1997 |
| Shares issued for cash | 74,951 | Extraordinary Shareholders' Meeting | 10.30.1997 | 07.02.1999 |
| Shares issued for cash | 21,090 | Extraordinary Shareholders' Meeting | 04.07.1998 | 04.24.2000 |
| Shares issued for cash | 54 | Board of Directors' Meeting | 05.15.1998 | 07.02.1999 |
| Shares issued for cash | 9 | Board of Directors' Meeting (1) | 04.15.2003 | 04.28.2003 |
| Shares issued for cash | 4 | Board of Directors' Meeting (1) | 05.21.2003 | 05.29.2003 |
| Shares issued for cash | 172 | Board of Directors' Meeting (1) | 08.22.2003 | Pending |
| Shares issued for cash | 27 | Board of Directors' Meeting (1) | 08.22.2003 | Pending |
| Shares issued for cash | 8,585 | Board of Directors' Meeting (1) | 12.31.2003 | Pending |
| Shares issued for cash | 8,493 | Board of Directors' Meeting (2) | 12.31.2003 | Pending |
| Shares issued for cash | 4,950 | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 4,013 | Board of Directors' Meeting (2) | 03.31.2004 | Pending |
| Shares issued for cash | 10,000 | Board of Directors' Meeting (1) | 06.30.2004 | Pending |
| Shares issued for cash | 550 | Board of Directors' Meeting (2) | 06.30.2004 | Pending |
| Shares issued for cash | 9,450 | Board of Directors' Meeting (2) | 09.30.2004 | Pending |
| Shares issued for cash | 1,624 | Board of Directors' Meeting (1) | 12.31.2004 | Pending |
| Shares issued for cash | 1,643 | Board of Directors' Meeting (2) | 12.31.2004 | Pending |
| Shares issued for cash | 41,816 | Board of Directors' Meeting (1) | 03.31.2005 | Pending |
| Shares issued for cash | 35,037 | Board of Directors' Meeting (2) | 03.31.2005 | Pending |
| Shares issued for cash | 9,008 | Board of Directors' Meeting (1) | 06.30.2005 | Pending |
| Shares issued for cash | 9,885 | Board of Directors' Meeting (2) | 06.30.2005 | Pending |
| Shares issued for cash | 2,738 | Board of Directors' Meeting (1) | 09.30.2005 | Pending |
| Shares issued for cash | 8,443 | Board of Directors' Meeting (2) | 09.30.2005 | Pending |
| Shares issued for cash | 354 | Board of Directors' Meeting (2) | 03.31.2006 | 12.05.2006 |
| Shares issued for cash | 13,009 | Board of Directors' Meeting (1) | 03.31.2006 | 12.05.2006 |
| Shares issued for cash | 2,490 | Board of Directors' Meeting (2) | 03.31.2006 | 12.05.2006 |
| Shares issued for cash | 40,215 | Board of Directors' Meeting (1) | 06.30.2006 | 12.05.2006 |
| Shares issued for cash | 10,933 | Board of Directors' Meeting (2) | 06.30.2006 | 12.05.2006 |
| Shares issued for cash | 734 | Board of Directors' Meeting (1) | 09.30.2006 | 11.29.2006 |
| Shares issued for cash | 1,372 | Board of Directors' Meeting (2) | 09.30.2006 | 11.29.2006 |
| Shares issued for cash | 5,180 | Board of Directors' Meeting (1) | 12.31.2006 | Pending |
| Shares issued for cash | 6,008 | Board of Directors' Meeting (2) | 12.31.2006 | Pending |

448,742

-
- (1) Conversion of negotiable obligations mentioned in Note 13.
 - (2) Exercise of options mentioned in Note 13.

b. Treasury stock

The Company repurchases outstanding common shares when it considers that their price is undervalued on the market. However, during the periods ended December 31, 2006 and 2005 no treasury shares were bought.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 11: (Continued)

c. Restriction on the distribution of profits

In accordance with the Argentine Corporations Law and the Company's By-laws, 5% of the net and realized profit for the year, calculated in accordance with Argentine GAAP plus (less) prior year adjustments must be appropriated, once accumulated losses are absorbed, by resolution of the shareholders to a legal reserve until such reserve equals 20% of the Company's outstanding capital. This legal reserve may be used only to absorb losses.

NOTE 12: RESTRICTED ASSETS

- a. The Labor Court N° 55 decided the distress of units N° 14 and 20 located in Sarmiento 517, property of the Company, in connection with a lawsuit in which the Company is co-defendant, pending in court No. 55.
- b. The Company has mortgaged the following real estate: 13 functional units at Libertador 498, 71 supplementary units at Laminar Plaza and 19 supplementary units at Dique IV, in connection with the secured negotiable obligations referred to in Note 7.2.
- c. The Company has a first grade mortgage on the property identified as San Martín de Tours amounting to US\$ 750, as performance guarantee for the construction of the building and transfer of title on the units to be exchanged in favor of Establecimientos Providence S.A. (See valuation criteria in Note 1.5.f.)
- d. The Company has a first mortgage on the property identified as Bouchard 710 amounting to US\$ 13,625, as guarantee of the amount owed for the purchase of the referred building which matures on May 26, 2008.

NOTE 13: NEGOTIABLE OBLIGATIONS CONVERTIBLE INTO COMMON SHARES

On March 8, 2002, the Ordinary and Extraordinary Meeting of Shareholders resolved:

- a) Approving the issuance of Negotiable Obligations Convertible into Common Shares of the company (CNO) for up to a face value of US\$ 100,000 (one hundred million dollars), for a term of 5 (five) years, at a fixed interest rate of 6% to 12% per year, payable semi-annually in arrears.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 13: (Continued)

- b) Approving a subscription option for the CNO holders to subscribe common shares of the company at 1 (one) share per Ps.1 (one peso) of CNO face value, paying in cash Ps.1 (pesos one) as subscription price, during 15 days after the conversion term has expired, including the corresponding capital increase.
- c) Suppressing the preferential subscription and accretion rights, or reducing the term to exercise the preference, as provided by section 12 of the Negotiable Obligations Law and other applicable regulations.
- d) Amending Article nine (9) of the bylaws to partially adapt its contents to the market circumstances arising from the amendment approved, by replacing 1) the 20% percentage referred to in the amendment to the bylaws, by the percentage indicated in Decree 677/01, i.e., 35%; and 2) eliminating the negotiable obligations or other convertible debt securities, as well as the warrants, from the calculation mentioned in Article nine (9) of the Bylaws.

The public offering and listing of the above-mentioned negotiable obligations was approved by Resolution No. 14,316 of the National Securities Commission dated September 24, 2002 and the Buenos Aires Stock Exchange, authorizing the issuance for up to US\$100,000 of securities consisting of negotiable obligations convertible into common shares, bearing interest at an annual rate of 8% and falling due in 2007 and which, at the time of their conversion, provide the right to options to subscribe 100,000,000 common shares (warrants).

As a result of the distribution of 4,587,285 treasury stock, the Company has adjusted the conversion price of its Convertible Negotiable Obligations and the exercise price of the warrants in accordance with the terms of the issue. Thus, the conversion price of the Negotiable Obligations fell from US\$ 0.5571 to US\$ 0.54505 and the exercise price of the warrants dropped from US\$ 0.6686 to US\$0.6541. Said adjustment came into force as from December 20, 2002.

The holder is entitled to exchange each Negotiable Obligation issued by IRSA for 1.8347 shares (0.1835 GDS) and has an option to purchase the same number of shares at the exercise price set for the warrant.

Convertible Negotiable Obligations and options will fall due on November 14, 2007.

IRSA Inversiones y Representaciones Sociedad Anónima**Notes to the unaudited financial statements (Continued)****NOTE 13: (Continued)**

d) (Continued)

Convertible negotiable obligations were underwritten in full and were paid in cash and the proceeds used to restructure or partially settle the Company's financial debt at the time of such subscription. Consequently, Note 7 to the unaudited financial statements shows the Company's financial debt after the restructuring and placement mentioned above.

As of December 31, 2006, certain holders of Convertible Negotiable Obligations had exercised their right to convert them for a total of US\$ 75.2 million, giving rise to the issuance of 138,071,639 common shares of Ps. 1 par value each as disclosed in Note 11.

Furthermore, as of December 31, 2006, 53,776,126 options to subscribe Company shares amounting to US\$ 64.5 million had been exercised, which gave rise to the issuance of 98,671,748 common shares of Ps. 1 par value each, as mentioned in Note 11.

The total outstanding balance of Convertible Negotiable Obligations as of December 31, 2006 is US\$ 24,750.

NOTE 14: INCOME TAX DEFERRED TAX

The evolution and breakdown of deferred tax assets and liabilities are as follows:

| Items | Balances at the beginning of year | Changes for the period | Balances at period-end |
|---|-----------------------------------|------------------------|------------------------|
| <u>Non-current deferred assets and liabilities</u> | | | |
| Investments | (9,358) | (1,280) | (10,638) |
| Mortgages and leases receivables, net | (307) | (3) | (310) |
| Other receivables | (6,517) | 6,752 | 235 |
| Inventories | (1,641) | (21,884) | (23,525) |
| Fixed assets | (3,990) | (85) | (4,075) |
| Intangible assets | 9 | (9) | |
| Tax loss carry forwards | 83,444 | 15,429 | 98,873 |
| Short and long terms debts | (71) | 31 | (40) |
| Mortgages payable | 449 | 18 | 467 |
| Other liabilities | 2,508 | (2,179) | 329 |
| Allowances and reserves | 121 | (119) | 2 |
| Allowances for deferred assets | (26,852) | 3,329 | (23,523) |
| Total non-current | 37,795 | | 37,795 |
| Total net deferred assets | 37,795 | | 37,795 |

Net assets at the end of the period derived from the information included in the above table amount to Ps. 37,795.

Deferred tax assets have been impaired in the portion estimated not to be recoverable based on projections of results for future years.

IRSA Inversiones y Representaciones Sociedad Anónima**Notes to the unaudited financial statements (Continued)****NOTE 14:** (Continued)

Below is a reconciliation between income tax expensed and that resulting from application of the current tax rate to pre-tax income for the periods ended December 31, 2006 and 2005, respectively:

| | December 31, 2006 | December 31, 2005 |
|---|-------------------|-------------------|
| Items | Ps. | Ps. |
| Net income for the period (before income tax) | 68,291 | 30,773 |
| Current income tax rate | 35% | 35% |
| Net income for the period at the tax rate | 23,902 | 10,771 |
| Permanent differences at the tax rate: | | |
| Restatement into constant currency | 1,434 | 4,716 |
| Donations | 205 | 66 |
| Equity gain from related companies | (23,030) | (16,463) |
| Holding result on Participation Certificates (Trust). | (158) | (401) |
| Tax on personal assets | 976 | 1,102 |
| Allowance on deferred assets | (3,329) | 209 |
| Total income tax charge for the period | | |
| Total asset tax charged for the period | (2,171) | (1,787) |

Unexpired income tax loss carry forwards pending use at the end of the period amount to Ps. 282,496 according to the following detail:

| | Amount | |
|------------------------------|---------|--------------------|
| Generated in | Ps. | Year of expiration |
| 2002 | 192,361 | 2007 |
| 2003 | 259 | 2008 |
| 2004 | 32,347 | 2009 |
| 2005 | 28,926 | 2010 |
| 2006 | 28,603 | 2011 |
| Total tax loss carry forward | 282,496 | |

NOTE 15: CREDIT DEFAULT SWAP CONTRACT WITH CREDIT SUISSE FIRST BOSTON

On June 2, 2005 a contract called Credit Default Swap was entered into with Credit Suisse International (CSI, formerly Credit Suisse First Boston) by which the Company is committed to acquire in specific circumstances for US\$ 10.0 million, a loan with a mortgage guarantee on an office building in the Buenos Aires City. This loan has a nominal value of US\$ 12,812, such entity being the creditor. To guarantee the fulfillment of said contract, the Company transferred as guaranty the amount of US\$ 4.0 million.

This contract was rescinded on November 15, 2006 and the Company received from CSI the amount of US\$ 4.0 million, which had been previously transferred as guarantee for such transaction. The Company recorded this amount to the partial payment of the purchase price that, added to the transference of US\$ 4.8 million, completed the total price of US\$ 8.8 million paid for the purchase of the office

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 15: (Continued)

building covering 8,900 square meters of surface area called Dock del Plata in Puerto Madero, City of Buenos Aires. The title deed was signed on the same day. Through the payment of these amounts the mortgage on these units became extinguished and the Company acquired them free of mortgage.

NOTE 16: SWAP OF INTEREST RATES WITH DEUTSCHE BANK AG

The Company agreed with the Deutsche Bank AG on June 16, 2005 two LIBO rate swap arrangements aiming at covering the risk of increased interest rates that the Company must pay on the unsecured loan and the non-convertible secured negotiable obligations (both to be due in November 2009, which at June 30, 2005 had a capital balance of US\$ 21,850 and US\$ 35,511 respectively, and which accrue a variable interest rate equivalent to the three month LIBO rate added 200 basic points).

By means of both contracts, the Company was compromised to pay every three months to the Deutsche Bank AG cash flows calculated on the basis of a fixed rate of 4.27% on the balances of each debt. In turn, the Company received quarterly payments calculated on the basis of the three-month LIBO rate on balances established at the beginning of each quarter.

The purpose of such swap arrangements was to fully cover the risk of interest rates of the above-mentioned debts. The amortization scheme, the dates for payment of interest and principal, the dates for determining interest rates, the referential index for calculating interests and the calculation basis for the interest agreed in both swap contracts totally coincided with the issuance conditions of each one of the mentioned liabilities.

On October 24, 2005 the Company fully cancelled in advance both swap arrangements. Due to the increase shown by the temporary structure of the interest rates, a gain of US\$ 402 was obtained for such cancellations.

NOTE 17: SHARE ACQUISITION IN CANTERAS NATAL CRESPO S.A.

As of September 30, 2006 the Company had acquired to Ecipsa Holding S.A. (ECIPSA), 43.43% of the shares of Canteras Natal Crespo S.A. Such shares have equal percentage of votes. The total amount agreed for such purchase was US\$1,549.

On December 7, 2006 the Company acquired from minority shareholders the additional 11.59% of the shares and votes in the total agreed price of US\$ 598, increasing the Company shareholding in Canteras Natal S.A. to 55.02%

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 17: (Continued)

Together with the above action mentioned, a commitment to purchase shares subject to condition was established with a minority shareholder. By means of such commitment, subject to compliance with one condition precedent, the seller was obligated to sell to the Company and the Company was obligated to purchase an additional 0.91% for US\$ 47, which raised the shareholding to 55.93%. Having the condition precedent been complied with, the share purchase agreement was signed on January 4, 2007.

Canteras Natal Crespo S.A. is a company located in the Province of Cordoba. The main activity of Canteras Natal Crespo S.A. is the development of own or third parties' plots, countries, sale or rent of plots of land, sale of arids, real estate and house-building.

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

On August 9, 2005, the Company sold 2,305,122 shares of Banco Hipotecario S.A to Buenos Aires Trade and Finance Center S.A. (at that moment 100% subsidiary of the Company) in a total amount of US\$ 10,540 (equivalent to a market value of US\$ 4.57 per share) representing Ps. 30,281. For the sale of these shares the Company recognized a gain of Ps. 1,845 included in Financial gain in the unaudited Income Statement. As explained in Note 19, as of December 31, 2005 the Company merger procedures to take-over its subsidiary company Buenos Aires Trade and Finance Center S.A. Consequently, as of period-end, the total shareholding in Banco Hipotecario is 10,141,015.

NOTE 19: MERGER PROCEDURES TO TAKE-OVER BUENOS AIRES TRADE AND FINANCE CENTER S.A.

The Company completed merger procedures to take-over its subsidiary company Buenos Aires Trade and Finance Center S.A. The previous merger agreement was subscribed on September 21, 2005 and became effective on October 1, 2005. Consequently, as from October 1, 2005 rights and obligations were unified, and as from December 1, 2005 both companies' accountings were merged.

This merger has been duly registered with the General Inspection of Justice on January 5, 2007 under number 306 of book 34 of Share Corporations.

NOTE 20: DIQUE III: BARTER, OPTION CONTRACT AND PRELIMINARY SALE CONTRACT

On September 7, 2004, Buenos Aires Trade and Finance Center S.A. (at that time 100% subsidiary of the Company) and DYPSA, Desarrollos y Proyectos Sociedad Anónima signed a barter and option contract whereby DYPSA proposed to acquire plots 1c) and 1e) belonging to the Company valued at US\$ 8,030 and US\$ 10,800, respectively, for the construction at its own expense and under its own responsibility of two housing buildings of 37 and 40 floors, parking lots and individual storage

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 20: (Continued)

spaces. As consideration for the exchange of plot 1c), DYPSA agreed to deliver housing units, parking lots and storage spaces within a maximum term of 36 months, representing in the aggregate 28.50% of the housing unit area built in the first building.

Furthermore, DYPSA had an option to acquire plot 1e) mentioned above through an exchange, within a maximum term of 548 days counted as from the signing of the deed of conveyance of plot 1c) and subject to the progress of work agreed between the parties. In this case, DYPSA would agree to deliver within a maximum term of 36 months housing units, individual storage spaces and parking lots representing in the aggregate 31.50% of the housing unit area built in the second building.

These barter transactions were subject to the approval of the project by Corporación Antiguo Puerto Madero (CAPM), which resolved favorably at the closing of the period end as of December 31, 2004.

On November 25, 2004 the deed of conveyance of title of the plot 1c) in favor of DYPSA was signed, establishing the consideration in kind and at the same time the option to acquire in barter plot 1e) by such company as explained in the first paragraph above. As a guaranty for this transaction, DYPSA set up a first degree mortgage for US\$ 8,030 on plot 1c).

In May 2006, DYPSA accepted the option to acquire on an exchange basis, parcel 1e), and on June 28, 2006 the transfer deed was signed in a value of US\$ 13,530. As guarantee for this transaction, DYPSA furnished a first degree mortgage in the amount of US\$ 10,800 on plot 1e).

On May 18, 2005 Buenos Aires Trade and Finance Center S.A. approved the offer of DYPSA, Desarrollos y Proyectos Sociedad Anónima, made during such period and signed the preliminary sales contract for the plot of parcel 1d), owned by said company. The amount of US\$ 2,150 was delivered and DYPSA will pay the balance of US\$ 6,350 at the time of signing the pertinent deed and subsequent transfer of property, scheduled originally for November 17, 2005.

After several postponements, on January 2006, DYPSA paid in advance to the Company the amount of US\$ 1,000, remaining the price balance of US\$ 5,350 to be paid in the new deed date and final transfer.

On July 17, 2006 the balance of price was received and the transfer deed was signed together with the taking possession of plot 1d). Consequently, Alvear Palace Hotel S.A. acquired two-thirds indivisible parts, and Desarrollos Premium Plus S.A. acquired the remaining part. As compliance guarantee for DYPSA's obligations with CAPM, Alvear Palace Hotel S.A. and Desarrollos Premium Plus S.A. furnished a first degree mortgage for US\$ 10,000 on plot 1d).

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 21: TERRENOS CABALLITO BARTER CONTRACT

On May 4, 2006 Koad S.A. (Koad) and the Company entered into a barter agreement for US\$ 7,500 by which the Company sold to Koad the plot of land number 36 of Terrenos de Caballito for Koad to build at its exclusive charge, expense and responsibility a building group called Caballito Nuevo. As consideration Koad paid the Company the amount of US\$ 50 and the balance of US\$ 7,450 will be cancelled by delivering 118 apartments and 55 parking units within the maximum term of 1,188 days. The final number of units to be received will depend of the effective date in which Koad will deliver the units, as there are different bonuses according to the date of the delivery.

Furthermore, Koad encumbered with privilege mortgage in first degree in favor of the Company the building subject to this transaction in the amount of US\$ 7,450 and two insurance for US\$ 2,000 and US\$ 500.

NOTE 22: INCORPORATION OF PATAGONIAN INVESTMENT S.A.

On July 21, 2006, the Company incorporated Patagonian Investment S.A. with the purpose of strengthening its business in the market. On August 7, 2006, Patagonian Investment S.A was duly registered with the General Inspection of Justice.

The Company directly owns 70% of the Capital Stock of Patagonian Investment S.A. (See Note 34 to the unaudited Consolidated Financial Statements).

NOTE 23: PURCHASE OPTION OF EDIFICIO REPUBLICA

On December 22, 2006 the Company signed with Banco Comafi S.A., acting as trustee of Fideicomiso República, a purchase option for US\$ 74,000 of a building located in the City of Buenos Aires, known as Edificio Tucumán 1 República, recently acquired by the trustee in a public auction. This option is subject to certain conditions, such as: (i) the option has to be exercised within 60 days of the compliance with specific requirements related to the ownership of the trustee in respect of the building; (ii) the title deed for transferring the ownership has to be signed within 90 days subsequent to exercising the option; and (iii) 50% of the purchase price has to be paid on the date in which the title deed is signed and the remaining 50% in five annual installments with a fixed interest rate of 8% to be paid biannually and a mortgage on the building. On the other hand, while the purchase option is effective, the trustee has a sale option to the Company on such real estate in the same conditions as referred to above.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

NOTE 24: ACQUISITION OFFER OF THE BOUCHARD BUILDING

On December 28, 2006 the Company submitted in commission an offer to Banco Río de la Plata S.A. -the latter as trustee of Fideicomiso Financiero Edificio La Nación - to acquire the main asset of such trust represented by a building covering 33,324 square meters of surface area, totally leased, located in the City of Buenos Aires, (such real estate is also known as Edificio Bouchard or Edificio La Nación). The offer includes the acquisition in commission of the building and the commitment to assign all the lease contracts covering all and each part of the real estate effective at the time of acquisition. The price offered by IRSA Inversiones y Representaciones S.A. is US\$ 84,100, the amount of Ps. 46,245 having been paid at the time of the offer. The title deed has to be ready at the latest in March 2007. On December 28, 2006 Banco Río de la Plata S.A. in its capacity as trustee of Fideicomiso Financiero Edificio La Nación approved the above-mentioned offer. To date, the Company has not appointed a principal for the acquisition and is analyzing several alternatives including the possibility of purchasing the building in association with a third party.

NOTE 25: SUBSEQUENT EVENTS

Issuance of negotiable obligations

On February 2, 2007 IRSA Inversiones y Representaciones S.A. issued negotiable obligations for US\$ 150 million to become due in February 2017. Such obligations accrue an annual fixed interest rate of 8.5%, payable biannually on February 2 and August 2 as from August 2, 2007. The capital will be fully paid at maturity. Citigroup and Credit Suisse Securities acted as principal placement agents of the transaction.

The issue referred to above is Class No. 1 under the framework of the Global Program for Issuing Negotiable Obligations in a nominal value of up to US\$ 200,000,000 (the Program), authorized by the National Securities Commission by means of Resolutions 15,529 of December 7, 2006 and 15,537 of December 21, 2006.

The issuance of these negotiable obligations was approved by the Shareholders' Meeting held on October 31, 2006 and by the Board's Minutes of Meeting of November 22, 2006.

As of December 31, 2006 in line with the acquisitions carried out during the quarter ended December 31, 2006, the Company recorded negative working capital for Ps. 97 million. This situation was reverted after the Company's issue of Negotiable Obligations on February 2, 2007 for US\$ 150 million to be due in February 2017.

IRSA Inversiones y Representaciones Sociedad Anónima

Fixed assets, net

For the six-month period beginning on July 1, 2006

and ended December 31, 2006

Compared with the year ended June 30, 2006

In thousand of pesos

Exhibit A

| Items | Value at beginning of year | Increases and transfers | Deductions and Transfers | Value at period / year end | Accumulated at beginning of year | Depreciation For the period / year Increase, | | Accumulated at period / year end | Allowances for impairment (2) | Net carrying Value as of December 31, 2006 | Net carrying value as of June 30, 2006 | |
|---|----------------------------|-------------------------|--------------------------|----------------------------|----------------------------------|--|--------|----------------------------------|-------------------------------|--|--|--------|
| | | | | | | And Transfers | Rate % | | | | | |
| Furniture and fixtures | 1,663 | 7 | | 1,670 | 1,559 | | 20 | 26 | 1,585 | 85 | 104 | |
| Machinery, equipment and computer equipment | 5,477 | 502 | | 5,979 | 4,587 | 35 | 33.33 | 257 | 4,879 | 1,100 | 890 | |
| Leasehold improvements | 6,650 | 47 | | 6,697 | 5,941 | 72 | 10 | 117 | 6,130 | 567 | 709 | |
| Vehicles | 130 | | | 130 | 52 | | 20 | 13 | 65 | 65 | 78 | |
| Real Estate: | | | | | | | | | | | | |
| Av. de Mayo 595 | 7,339 | | | 7,339 | 1,914 | | 2 | 66 | 1,980 | (783) | 4,576 | 4,630 |
| Av. Madero 942 | 3,277 | | | 3,277 | 626 | | 2 | 26 | 652 | | 2,625 | 2,651 |
| Bouchard 710 | 72,460 | | | 72,460 | 1,674 | | 2 | 717 | 2,391 | | 70,069 | 70,786 |
| Constitución 1111 | 1,338 | | | 1,338 | 269 | | 2 | 11 | 280 | (306) | 752 | 760 |
| Constitución 1159 | 8,762 | | | 8,762 | | | | | | (6,762) | 2,000 | 2,000 |
| Costeros Dique IV | 23,337 | | | 23,337 | 1,874 | | 2 | 191 | 2,065 | | 21,272 | 21,463 |
| Dique 2 M10 (11) Edif. A | 21,184 | | | 21,184 | 2,164 | | 2 | 183 | 2,347 | | 18,837 | 19,020 |
| Dock del Plata | | 26,944 | | 26,944 | | | 2 | 90 | 90 | | 26,854 | |
| Laminar Plaza | 33,513 | | | 33,513 | 3,481 | | 2 | 270 | 3,751 | | 29,762 | 30,032 |
| Libertador 498 | 51,152 | | | 51,152 | 8,662 | | 2 | 409 | 9,071 | | 42,081 | 42,490 |
| Libertador 602 | 3,486 | | | 3,486 | 557 | | 2 | 28 | 585 | | 2,901 | 2,929 |
| Stores | | | | | | | | | | | | |
| Cruceros | 293 | | | 293 | | | 2 | 2 | 2 | | 291 | 293 |
| Madero 1020 | 2,188 | | | 2,188 | 370 | | 2 | 18 | 388 | | 1,800 | 1,818 |
| Maipú 1300 | 52,632 | | | 52,632 | 8,906 | | 2 | 427 | 9,333 | | 43,299 | 43,726 |
| Reconquista 823 | 24,714 | | | 24,714 | 5,009 | | 2 | 198 | 5,207 | (143) | 19,364 | 19,560 |

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| | | | | | | | | | | | |
|-------------------------------------|---------|--------|---------|---------|--------|-------|--------|---------|---------|---------|---------|
| Rivadavia 2768 | 334 | | 334 | 13 | | 2 | 4 | 17 | | 317 | 321 |
| Santa María del Plata | 10,513 | | 10,513 | | | | | | | 10,513 | 10,513 |
| Sarmiento 517 | 485 | | 485 | 23 | (4) | 2 | 5 | 24 | (373) | 88 | 86 |
| Suipacha 652 | 17,010 | | 17,010 | 4,265 | | 2 | 145 | 4,410 | (924) | 11,676 | 11,808 |
| Advances (3) | 46,245 | | 46,245 | | | | | | | 46,245 | |
| Total as of December 31, 2006 | 347,937 | 73,745 | 421,682 | 51,946 | 103 | 3,203 | 55,252 | (9,291) | | 357,139 | |
| Total as of June 30, 2006 | 349,942 | 1,398 | (3,403) | 347,937 | 46,040 | (468) | 6,374 | 51,946 | (9,324) | | 286,667 |

-
- (1) The accounting application of the depreciation for the period is set forth in Exhibit H.
 - (2) Disclosed net of depreciation for the period amounting to Ps. 33 (Exhibit H).
 - (3) See note 24 to the unaudited basic financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

Shares and other securities issued in series

Interest in other companies

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

In thousand of pesos

Exhibit C

| Issuer and types of securities | Class | P.V. | Amount | Listing value | Book | Book | Main activity | Date | Issuer's information (1) | | Shareholders' equity | (1) Interest in capital stock |
|---|----------|-------|---------|---------------|-------------------------|---------------------|---------------|------|-------------------------------------|--------|----------------------|----------------------------------|
| | | | | | as of December 31, 2006 | as of June 30, 2006 | | | Last financial statement Capital | Income | | |
| | | | | | | | | | | | | |
| Current Investment | | | | | | | | | | | | |
| Boden (2) | Ps./US\$ | 0.001 | 1,437 | 0.0021 | 3 | 5 | | | | | | |
| Cédulas Hipotecarias Argentina (2) | Ps. | 0.001 | 476,336 | 0.0010 | 465 | 534 | | | | | | |
| Total current investments as of December 31, 2006 | | | | | 468 | | | | | | | |
| Total current investments as of June 30, 2006 | | | | | | 539 | | | | | | |

- (1) Not informed because the equity interest is less than 5%.
(2) Not considered as cash for statement of cash flows purposes.

IRSA Inversiones y Representaciones Sociedad Anónima

Shares and other securities issued in series

Interest in other companies
Unaudited Balance Sheets as of December 31, 2006 and June 30, 2006

Exhibit C

(Continued)

In thousand of pesos

| Description of securities investments | Class | P.V. | Amount | Listing value | Book value at December 31, 2006 | Book value at June 30, 2006 | Main Activity | Corporate domicile | Date | Issuer's information | | |
|---------------------------------------|---|-------|------------|---------------|---------------------------------|-----------------------------|--|---------------------------------------|----------|----------------------|------------------------------|----------------------|
| | | | | | | | | | | stock (par value) | Income (loss) for the period | Shareholders' equity |
| | Common 1 vote Irrevoc. Contrib. Higher Inv. Value | 5.000 | 1,341 | | (37,983) | (37,944) | Building, development and administration of country club | Bolívar 108 floor 1, Buenos Aires | 12.31.05 | 13,410 | (5,954) | 38,310 |
| | | | | | 26,374 | 26,374 | | | | | | |
| | | | | | 14,089 | 14,089 | | | | | | |
| C.I.F.y A | Common 1 vote Irrevoc. Contrib. Higher Inv. Value | 0.001 | 1,413,668 | | 1,323,287,553 | 1,316,377,553 | Real estate and financing | Bolívar 108 floor 1, Buenos Aires | 12.31.06 | 2,827 | (62) | 2,700 |
| | Common 1 vote | 0.001 | 5,173,035 | | 3,841 | 4,150 | Real estate and building | Bolívar 108 floor 1, Buenos Aires | 12.31.06 | 10,346 | (610) | 8,360 |
| S.A. | Common 1 vote | 0.001 | 76,685,772 | | 203,382 | 137,494 | Investment | Bolívar 108 floor 1, Buenos Aires | 12.31.06 | 78,251 | 1,301 | 207,530 |
| | Goodwill Lower Value Purchase expenses | | | | (13,101) | (583) | | | | | | |
| | | | | | 491 | 493 | | | | | | |
| nos S.A. | Common 1 vote Irrevoc. Contrib. Higher Inv. Value Purchase expenses | 0.001 | 7,909,272 | | 12,499 | 10,596 | Hotel operations | Av. Córdoba 680, Buenos Aires | 12.31.06 | 9,887 | 2,380 | 20,030 |
| | | | | | 3,531 | 3,531 | | | | | | |
| | | | | | 1,776,43 | 1,819,43 | | | | | | |
| A. (2) | Common 1 vote | 0.001 | 48,232,656 | | 492,414 | 495,506 | Real estate investments | Moreno 877 floor 22, Buenos Aires | 12.31.06 | 78,206 | 40,200 | 800,050 |
| | Goodwill Higher Inv. value | | | | (46,813) | (48,145) | | | | | | |
| | | | | | 24,904 | 24,904 | | | | | | |
| vestment S.A. | Common 1 vote | 0.001 | 3,500 | | 16 | 1 | Real estate investments | Florida 537 floor 18, Buenos Aires | 12.31.06 | 20 | 3 | 200 |
| | Purchase expenses | | | | 1 | | | | | | | |
| ort S.A | Common 1 vote Irrevoc. Contrib. Purchase expenses | 0.001 | 14,247,506 | | 15,237 | 12,321 | Hotel operations | Florida 537 floor 18, Buenos Aires | 12.31.06 | 28,495 | 1,835 | 30,470 |
| | | | | | 2,397 | | | | | | | |
| | | | | | 194 | 201 | | | | | | |
| co y S.A. | Common 1 vote | 0.001 | 3,187,500 | | 5,494 | 4,783 | Banking | Tte. Gral Perón 655, Buenos Aires | 12.31.06 | 62,500 (4) | 570 (4) | 107,140 |
| | Common 1 vote Irrevoc. Contrib. | 0.001 | 66,970,394 | | 193,327 | 166,327 | Investments | Zabala 1422, Montevideo | 12.31.06 | 66,970 | 26,994 | 220,910 |
| | | | | | 27,340 | 27,340 | | | | | | |
| rio S.A. (3) | Common 1 vote Goodwill | 0.001 | 10,141,015 | | 160,883 | 151,952 | Banking | Reconquista 151 floor 1, Buenos Aires | 12.31.06 | 1,500,000 (4) | 344,340 (4) | 2,561,450 |
| | | | | | (2,325) | (2,396) | | | | | | |
| Crespo S.A. | Common 1 vote Higher Inv. value | 0.001 | 164,794 | | 462,5610 | 543 | Sale of arids | Caseros 85, Office 33 Córdoba | 12.31.06 | 300 | (398) | 260 |
| | | | | | | 3,809 | | | | | | |

December 31, 2006

1,100,009

-
- (1) These holdings do not include the effects on the equity method for conversion of irrevocable contributions into shares.
 - (2) Quotation price of APSA's shares at December 31, 2006 is Ps. 9.4
Quotation price of APSA's shares at June 30, 2006 is Ps. 6.7
 - (3) Quotation price of Banco Hipotecario's shares at December 31, 2006 is Ps. 22.0
Quotation price of Banco Hipotecario's shares at June 30, 2006 is Ps. 11.1
 - (4) The amounts pertain to the financial statements of Banco Hipotecario S.A. prepared in accordance with the Argentine Central Bank requirements. For the purpose of valuating the Company investment, the necessary adjustments were considered in order to adjust the financial statements to generally accepted accounting principles.
 - (5) See Note 34 to the unaudited Consolidated Financial Statements.

IRSA Inversiones y Representaciones Sociedad Anónima

Other Investments

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

In thousand of pesos

Exhibit D

| Items | Value as of December 31, 2006 | Value as of June 30, 2006 |
|--|----------------------------------|------------------------------|
| Current Investments | | |
| Mutual funds (1) | 17,519 | 25,779 |
| Convertible Note APSA 2006 Accrued interest (2) | 4,393 | 4,428 |
| Other investments (2) | 344 | 439 |
| IRSA I Financial Trust Exchangeable Certificates (2) | 113 | 154 |
| Total current investments as of December 31, 2006 | 22,369 | |
| Total current investments as of June 30, 2006 | | 30,800 |
| Non-current investments | | |
| Dique IV | 6,704 | 6,704 |
| Padilla 902 (3) | 92 | 92 |
| Pilar | 3,408 | 3,408 |
| Santa María del Plata | 114,397 | 114,397 |
| Caballito lands | 9,223 | 9,223 |
| Torres Jardín IV | 3,030 | 3,030 |
| Subtotal | 136,854 | 136,854 |
| IRSA I Trust Exchangeable Certificates | 1,367 | 1,771 |
| Convertible Note APSA 2006 | 97,183 | 97,944 |
| Others investments | | 117 |
| Subtotal | 98,550 | 99,832 |
| Art works | 40 | 40 |
| Total non-current investments as of December 31, 2006 | 235,444 | |
| Total non-current investments as of June 30, 2006 | | 236,726 |

(1) Includes Ps. 13,899 and Ps. 9,354 corresponding to Dolphin Fund PLC at December 31, 2006 and June 30, 2006, respectively, not considered cash equivalent for purposes of presenting the statement of cash flows and, Ps. 3,149 and Ps. 3,174 corresponding to the NCH Development Partner Fund at December 31, 2006 and June 30, 2006, respectively, not considered cash equivalent for purposes of presenting the statements of cash flows.

(2) Not considered as cash for statement of cash flows purposes.

(3) Net of the allowance for impairment amounting to Ps. 269. See comments in Note 1.5.i.

IRSA Inversiones y Representaciones Sociedad Anónima

Allowances and Reserves

For the six-month period ended December 31, 2006

Compared with the year ended June 30, 2006

In thousand of pesos

Exhibit E

| Items | Balances as of beginning of year | Increases | Decreases | Carrying value as of December 31, 2006 | Carrying value as of June 30, 2006 |
|---|-------------------------------------|-----------|-----------|---|---|
| Deducted from assets: | | | | | |
| Allowance for doubtful accounts (1) | 216 | 17 | (11) | 222 | 216 |
| Allowance for Impairment of inventories | 1,010 | | | 1,010 | 1,010 |
| Allowance for Impairment of fixed assets (2) | 9,324 | | (33) | 9,291 | 9,324 |
| Allowance for Impairment of undeveloped parcels of land | 269 | | | 269 | 269 |
| From liabilities: | | | | | |
| Provision for lawsuits | 346 | 9 | (349) | 6 | 346 |
| Total as of December 31, 2006 | 11,165 | 26 | (393) | 10,798 | |
| Total as of June 30, 2006 | 19,519 | 5,384 | (13,738) | | 11,165 |

(1) Increases are disclosed in Exhibit H and decreases correspond to allocations and condonations.

(2) Decreases correspond to depreciation of the period amounting to Ps. 33 (disclosed in Exhibit H).

IRSA Inversiones y Representaciones Sociedad Anónima

Cost of Sales, Leases and Services

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

and ended December 31, 2006 and 2005

In thousand of pesos

Exhibit F

| | December 31, 2006 | December 31, 2005 |
|--|----------------------|----------------------|
| I. Cost of sales | | |
| Stock as of beginning of year | 134,805 | 22,358 |
| Plus (less): | | |
| Purchases for the period | 433 | 1,593 |
| Expenses (Exhibit H) | 364 | 325 |
| Transfers from investments | | 57,223 |
| Transfers from fixed assets | | 1,422 |
| Less: | | |
| Stock as of end of the period | (113,952) | (86,104) |
| Subtotal | 21,650 | (3,183) |
| Capitalized interests | | 222 |
| Plus | | |
| Cost of sales Abril S.A. | 75 | 482 |
| Gain from valuation of inventories at net realizable value | 6,821 | 4,880 |
| Cost of sales | 28,546 | 2,401 |
| II. Cost of leases | | |
| Expenses (Exhibit H) | 3,357 | 3,073 |
| Cost of leases | 3,357 | 3,073 |
| III. Cost of services fees | | |
| Expenses (Exhibit H) | 960 | 1,125 |
| Cost of services fees | 960 | 1,125 |
| Total costs of sales, leases and services | 32,863 | 6,599 |

IRSA Inversiones y Representaciones Sociedad Anónima

Foreign Currency Assets and Liabilities

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

In thousand of pesos

Exhibit G

| Items | Class | Amount | Prevailing exchange rate | | Total as of December 31, 2006 | Total as of June 30, 2006 |
|---|--------|------------|--------------------------|-----|----------------------------------|------------------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and banks: | | | | | | |
| Cash | US\$ | 4,956 | 0.003022 | (1) | 15 | 63 |
| Cash | Euros | 1,830 | 0.003986 | (1) | 7 | 4 |
| Cash | Libras | 381 | 0.005913 | (1) | 2 | 2 |
| Cash | Real | 1,100 | 0.001357 | (1) | 1 | 1 |
| Banks | US\$ | 468,901 | 0.003022 | (1) | 1,417 | 308 |
| Banks | Euros | 118,652 | 0.003986 | (1) | 473 | 458 |
| Foreign accounts | US\$ | 3,891,099 | 0.003022 | (1) | 11,759 | 22,021 |
| Investments: | | | | | | |
| Boden 2013 | US\$ | 615 | 0.003022 | (1) | 2 | 2 |
| Mutual Funds | US\$ | 5,797,111 | 0.003022 | (1) | 17,519 | 25,774 |
| Accrued interest Convertible Note APSA 2006 | US\$ | 1,434,743 | 0.003062 | (1) | 4,393 | 4,428 |
| Banco Ciudad de Bs. As. Bond | Euros | 85,000 | 0.003986 | (1) | 339 | 428 |
| Banco Ciudad de Bs. As. Bond Accrued interest | Euros | 1,335 | 0.003986 | (1) | 5 | 11 |
| Mortgages and leases receivables: | | | | | | |
| Mortgages receivables | US\$ | 477,167 | 0.003022 | (1) | 1,442 | 734 |
| Mortgages receivables | Euros | | 0.003986 | (1) | | 6 |
| Debtors under legal proceeding | US\$ | 31,669 | 0.003022 | (1) | 96 | |
| Related parties | US\$ | 582,299 | 0.003062 | (1) | 1,783 | |
| Others receivable: | | | | | | |
| Prepaid expenses | US\$ | 187,782 | 0.003022 | (1) | 567 | 106 |
| Related parties | US\$ | 1,089,484 | 0.003062 | (1) | 3,336 | 2,083 |
| Credit default swap | US\$ | 71,066 | 0.003022 | (1) | 215 | 279 |
| Other receivables | US\$ | | 0.003022 | (1) | | 33 |
| Total Current Assets | | | | | 43,371 | 56,741 |
| Non-Current Assets | | | | | | |
| Investments: | | | | | | |
| Convertible Note APSA 2006 | US\$ | 31,738,262 | 0.003062 | (1) | 97,183 | 97,944 |
| Banco Ciudad de Bs. As. Bond | Euros | | 0.003986 | (1) | | 117 |
| Mortgages and leases receivables: | | | | | | |
| Mortgages receivables | US\$ | 253,144 | 0.003022 | (1) | 765 | 502 |
| Mortgages receivables | Euros | 3,750 | 0.003986 | (1) | 15 | 12 |
| Related parties | | 586,545 | 0.003062 | (1) | 1,796 | |
| Other receivables: | | | | | | |
| Prepaid expenses | US\$ | 29,774 | 0.003022 | (1) | 90 | 150 |
| Related parties | US\$ | 699,869 | 0.003062 | (1) | 2,143 | 2,110 |
| Credit default swap | US\$ | 1,200,000 | 0.003022 | (1) | 3,626 | 3,655 |
| Acquisition of future receivables | US\$ | | 0.003022 | (1) | | 12,234 |

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| | | | | | | |
|---|-------|------------|----------|-----|---------|---------|
| Total Non-current Assets | | | | | 105,618 | 116,724 |
| Total Assets as of December 31, 2006 | | | | | 148,989 | |
| Total Assets as of June 30, 2006 | | | | | | 173,465 |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | U\$\$ | 327,618 | 0.003062 | (1) | 1,003 | 740 |
| Accounts payable | Euros | 6,202 | 0.004039 | (1) | 25 | |
| Mortgages payables | U\$\$ | 5,006,330 | 0.003062 | (1) | 15,328 | 14,809 |
| Customer advances | U\$\$ | 666,025 | 0.003062 | (1) | 2,039 | 10,786 |
| Short term debt | U\$\$ | 40,677,532 | 0.003062 | (1) | 124,554 | 30,065 |
| Taxes payable | U\$\$ | 39,046 | 0.003062 | (1) | 120 | 180 |
| Other liabilities | | | | | | |
| Related parties | U\$\$ | 468,873 | 0.003062 | (1) | 1,436 | 20,742 |
| Guarantee deposits | U\$\$ | 193,914 | 0.003062 | (1) | 594 | 823 |
| Others | U\$\$ | 63,574 | 0.003062 | (1) | 195 | |
| Total Current Liabilities | | | | | 145,294 | 78,145 |
| Non-current Liabilities | | | | | | |
| Accounts payable | U\$\$ | 32,481 | 0.003062 | (1) | 99 | 150 |
| Mortgages payable | U\$\$ | 2,214,404 | 0.003062 | (1) | 6,781 | 14,722 |
| Customer advances | U\$\$ | 814,174 | 0.003062 | (1) | 2,493 | |
| Long term debt | U\$\$ | 41,696,112 | 0.003062 | (1) | 127,674 | 214,342 |
| Other liabilities: | | | | | | |
| Related parties | U\$\$ | 7,897,971 | 0.003062 | (1) | 24,184 | |
| Guarantee deposits | U\$\$ | 498,772 | 0.003062 | (1) | 1,527 | 801 |
| Total Non-current Liabilities | | | | | 162,758 | 230,015 |
| Total Liabilities as of December 31, 2006 | | | | | 308,052 | |
| Total Liabilities as of June 30, 2006 | | | | | | 308,160 |

(1) Official selling and buying exchange rate as of December 31, 2006 in accordance with Banco Nación records.

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Law 19,550, section 64, paragraph b)

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

and ended December 31, 2006 and 2005

In thousand of pesos

Exhibit H

| Items | Expenses | | | | | | | Total |
|---|--|----------------------|-------------------------------|-----------------------------|----------------|---------|-----------|----------------------------------|
| | Total as of December 31, 2006 | Cost of leases | Cost of properties sold | Cost of services fees | Administration | Selling | Financing | as of December 31, 2005 |
| Directors fees | 1,630 | | | | 1,630 | | | 3,051 |
| Fees and compensations for services | 1,252 | | | | 1,252 | | | 1,118 |
| Salaries, bonus and social security charges | 4,872 | | | | 4,872 | | | 3,230 |
| Other expenses of personnel administration | 207 | | | | 207 | | | 90 |
| Depreciation and amortization | 3,262 | 2,757 | | | 413 | | 92 | 3,373 |
| Maintenance of buildings | 1,330 | 600 | 364 | | 366 | | | 774 |
| Utilities and postage | 9 | | | | 9 | | | 5 |
| Travel expenses | 265 | | | | 265 | | | 202 |
| Advertising and promotion | 568 | | | | | 568 | | 210 |
| Commissions and expenses from property sold | 585 | | | | | 585 | | 182 |
| Traveling, transportation and stationery | 96 | | | | 96 | | | 73 |
| Taxes | | | | | | | | 1 |
| Subscriptions and dues | 77 | | | | 77 | | | 81 |
| Interest and indexing adjustments | 13,801 | | | | | | 13,801 | 16,329 |
| Bank charges | 217 | | | | | | 217 | 234 |
| Safety box and stock broking charges | 193 | | | | 183 | | 10 | 150 |
| Doubtful accounts | 17 | | | | | 17 | | 9 |
| Insurance | 702 | | | | 702 | | | 110 |
| Security | 4 | | | | 4 | | | 1 |
| Courses | 96 | | | | 96 | | | 11 |
| Rents | 179 | | | | 179 | | | 203 |
| Gross sales tax | 1,548 | | | | | 1,548 | | 590 |
| Other | 1,951 | | | 960 | 75 | | 916 | 1,204 |
| Total as of December 31, 2006 | 32,861 | 3,357 | 364 | 960 | 10,426 | 2,718 | 15,036 | |
| Total as of December 31, 2005 | | 3,073 | 325 | 1,125 | 8,937 | 1,028 | 16,743 | 31,231 |

IRSA Inversiones y Representaciones Sociedad Anónima

Breakdown by maturity date of receivables and liabilities

as of December 31, 2006 and June 30, 2006

In thousand of pesos

Exhibit I

| | Without term | Falling due | Up to 3 months | With maturity date To due | | | | | | | Total to due | Total with term | Total | Interest Accrued | | |
|--------------------------|--------------|-------------|----------------|---------------------------|--------------------|---------------------|-------------------|-------------------|-------------------|-----------------|--------------|-----------------|---------|------------------|------------|---------------|
| | | | | From 3 to 6 months | From 6 to 9 months | From 9 to 12 months | From 1 to 2 years | From 2 to 3 years | From 3 to 4 years | From 4 years on | | | | No accrued | Fixed rate | Variable rate |
| December 31, 2006 | | | | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | | | | |
| Investments | 19,354 | | 4,621 | 110 | 119 | | | | | 97,183 | 102,033 | 102,033 | 121,387 | 17,987 | 103,400 | |
| Receivables | 38,303 | 3,387 | 11,721 | 5,688 | 1,416 | 16,235 | 5,422 | 6,095 | 8,679 | 12,928 | 68,184 | 71,571 | 109,874 | 78,361 | 24,247 | 7,266 |
| Liabilities | | | | | | | | | | | | | | | | |
| Loans | | | 55,229 | 9,244 | 9,244 | 94,100 | 46,163 | 81,511 | | | 295,491 | 295,491 | 295,491 | 9,221 | 146,725 | 139,544 |
| Other liabilities | 4,513 | 317 | 20,625 | 9,736 | 4,471 | 7,547 | 10,075 | 25,224 | 186 | 442 | 78,306 | 78,623 | 83,136 | 34,679 | 37,742 | 10,716 |
| June 30, 2006 | | | | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | | | | |
| Investments | 28,089 | | 4,700 | 107 | 107 | 107 | 117 | | | 97,944 | 103,082 | 103,082 | 131,171 | 32,682 | 98,489 | |
| Receivables | 39,599 | 1,732 | 9,303 | 3,080 | 2,775 | 1,219 | 12,806 | 17,391 | 6,621 | 11,979 | 65,174 | 66,906 | 106,505 | 91,475 | 8,020 | 7,010 |
| Liabilities | | | | | | | | | | | | | | | | |
| Loans | | | 12,218 | 5,541 | 9,317 | 9,317 | 123,387 | 55,900 | 34,847 | | 250,527 | 250,527 | 250,527 | 14,243 | 86,328 | 149,956 |
| Other liabilities | 5,669 | 338 | 29,097 | 28,129 | 4,999 | 6,938 | 15,315 | 484 | 125 | 486 | 85,573 | 85,911 | 91,580 | 42,686 | 30,267 | 18,627 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

1. None
2. None
3. Receivables and liabilities by maturity date

| Concept | Falling due | Without term | 03.31.2007 | To be due (Point 3.c.) | | 12.31.2007 | Total |
|--------------------------------------|----------------------------|-------------------------|---------------|------------------------|---------------|----------------|----------------|
| | (Point 3.a.) 12.31.2006 | (Point 3.b.) Current | | 06.30.2007 | 09.30.2007 | | |
| Receivables | | | | | | | |
| Mortgages and leases receivables | 3,377 | | 2,728 | 380 | 835 | 692 | 8,012 |
| Other receivables | 10 | 388 | 8,993 | 5,308 | 581 | 15,543 | 30,823 |
| Total | 3,387 | 388 | 11,721 | 5,688 | 1,416 | 16,235 | 38,835 |
| Liabilities | | | | | | | |
| Trade accounts payable | | 2,405 | 5,757 | 50 | | 50 | 8,262 |
| Mortgages payable | | | 7,343 | 3,791 | 3,872 | 3,954 | 18,960 |
| Customer advances | | 20 | 3,623 | 164 | | | 3,807 |
| Short and long term debt | | | 55,229 | 9,244 | 9,244 | 94,100 | 167,817 |
| Salaries and social security charges | | | 749 | | 487 | | 1,236 |
| Taxes payable | | | 1,028 | 5,522 | 17 | 3,408 | 9,975 |
| Other liabilities | 317 | 2,079 | 2,125 | 209 | 95 | 135 | 4,960 |
| Total | 317 | 4,504 | 75,854 | 18,980 | 13,715 | 101,647 | 215,017 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

3. (Continued)

| Concept | Without | To be due (Point 3.c) | | | | | | | | |
|--------------------------------------|---------------------------------------|-----------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------|
| | term (Point 3.b) Non Current | 03.31.2008 | 06.30.2008 | 09.30.2008 | 12.31.2008 | 03.31.2009 | 06.30.2009 | 09.30.2009 | 12.31.2009 | 03.31.2010 |
| Receivables | | | | | | | | | | |
| Mortgages and lease receivables | | 874 | | 922 | 757 | | 6 | | | |
| Other receivables | 37,915 | 374 | 1,101 | 311 | 1,083 | 2,085 | 1,063 | 2,015 | 926 | 3,985 |
| Total | 37,915 | 1,248 | 1,101 | 1,233 | 1,840 | 2,085 | 1,069 | 2,015 | 926 | 3,985 |
| Liabilities | | | | | | | | | | |
| Trade accounts payables | | | 49 | | 50 | | | | | |
| Mortgages payable | | 4,040 | 2,741 | | | | | | | |
| Customer advances | | | 2,493 | | | | | | | |
| Short and long term debts | | 9,244 | 9,244 | 9,244 | 18,431 | 18,488 | 18,488 | 18,488 | 26,047 | |
| Salaries and social security charges | | | | | | | | | | |
| Taxes payable | | 18 | 18 | 19 | 19 | 20 | 20 | 20 | 21 | 21 |
| Other liabilities | 9 | 111 | 120 | 202 | 195 | 192 | 217 | 436 | 24,298 | 2 |
| Total | 9 | 13,413 | 14,665 | 9,465 | 18,695 | 18,700 | 18,725 | 18,944 | 50,366 | 23 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

3. (Continued)

| Concept | 06.30.2010 | 09.30.2010 | 12.31.2010 | 12.31.2011 | To be due (Point 3.c) | | 12.31.2014 | 12.31.2015 | 12.31.2016 | 12.31.2017 | Total |
|--------------------------------------|------------|------------|--------------|--------------|-----------------------|--------------|--------------|--------------|------------|------------|----------------|
| | | | | | 12.31.2012 | 12.31.2013 | | | | | |
| Receivables | | | | | | | | | | | |
| Mortgages and lease receivables | | | | | | | 229 | | | | 2,788 |
| Other receivables | 921 | 825 | 2,948 | 3,029 | 2,672 | 2,332 | 1,908 | 1,772 | 759 | 227 | 68,251 |
| Total | 921 | 825 | 2,948 | 3,029 | 2,672 | 2,332 | 2,137 | 1,772 | 759 | 227 | 71,039 |
| Liabilities | | | | | | | | | | | |
| Trade accounts payables | | | | | | | | | | | 99 |
| Mortgages payable | | | | | | | | | | | 6,781 |
| Customer advances | | | | | | | | | | | 2,493 |
| Short and long term debts | | | | | | | | | | | 127,674 |
| Salaries and social security charges | | | | | | | | | | | |
| Taxes payable | 22 | 22 | 23 | 98 | 107 | 116 | 52 | | | | 616 |
| Other liabilities | 22 | 74 | | | | | | 69 | | | 25,947 |
| Total | 44 | 96 | 23 | 98 | 107 | 116 | 52 | 69 | | | 163,610 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

4-a. Breakdown of accounts receivable and liabilities by currency and maturity

| Items | Current | | | Non-current | | | Total in local currency | Total in foreign currency | Total |
|--------------------------------------|-------------------|---------------------|----------------|-------------------|---------------------|----------------|----------------------------|---------------------------------|----------------|
| | Local Currency | Foreign currency | Total | Local currency | Foreign currency | Total | | | |
| Receivables | | | | | | | | | |
| Mortgages and leases receivables | 4,691 | 3,321 | 8,012 | 212 | 2,576 | 2,788 | 4,903 | 5,897 | 10,800 |
| Other receivables | 26,705 | 4,118 | 30,823 | 62,392 | 5,859 | 68,251 | 89,097 | 9,977 | 99,074 |
| Total | 31,396 | 7,439 | 38,835 | 62,604 | 8,435 | 71,039 | 94,000 | 15,874 | 109,874 |
| Liabilities | | | | | | | | | |
| Trade accounts payable | 7,234 | 1,028 | 8,262 | | 99 | 99 | 7,234 | 1,127 | 8,361 |
| Mortgages payable | 3,632 | 15,328 | 18,960 | | 6,781 | 6,781 | 3,632 | 22,109 | 25,741 |
| Customer advances | 1,768 | 2,039 | 3,807 | | 2,493 | 2,493 | 1,768 | 4,532 | 6,300 |
| Short and long term debt | 43,263 | 124,554 | 167,817 | | 127,674 | 127,674 | 43,263 | 252,228 | 295,491 |
| Salaries and social security charges | 1,236 | | 1,236 | | | | 1,236 | | 1,236 |
| Taxes payable | 9,855 | 120 | 9,975 | 616 | | 616 | 10,471 | 120 | 10,591 |
| Other liabilities | 2,735 | 2,225 | 4,960 | 236 | 25,711 | 25,947 | 2,971 | 27,936 | 30,907 |
| Total | 69,723 | 145,294 | 215,017 | 852 | 162,758 | 163,610 | 70,575 | 308,052 | 378,627 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

4-b. Breakdown of accounts receivables and liabilities by adjustment clause

| Items | Without adjustment clause | Current With adjustment clause | Total | Without adjustment clause | Non-current With adjustment clause | Total | Total without adjustment clause | Total with adjustment clause | Total |
|--------------------------------------|---------------------------|--------------------------------|----------------|---------------------------|------------------------------------|----------------|---------------------------------|------------------------------|----------------|
| Receivables | | | | | | | | | |
| Mortgages and leases receivables | 8,012 | | 8,012 | 2,788 | | 2,788 | 10,800 | | 10,800 |
| Other receivables | 30,823 | | 30,823 | 68,251 | | 68,251 | 99,074 | | 99,074 |
| Total | 38,835 | | 38,835 | 71,039 | | 71,039 | 109,874 | | 109,874 |
| Liabilities | | | | | | | | | |
| Trade accounts payable | 8,262 | | 8,262 | 99 | | 99 | 8,361 | | 8,361 |
| Mortgages payable | 18,960 | | 18,960 | 6,781 | | 6,781 | 25,741 | | 25,741 |
| Customer advances | 3,807 | | 3,807 | 2,493 | | 2,493 | 6,300 | | 6,300 |
| Short and long term debt | 167,817 | | 167,817 | 127,674 | | 127,674 | 295,491 | | 295,491 |
| Salaries and social security charges | 1,236 | | 1,236 | | | | 1,236 | | 1,236 |
| Taxes payable | 9,975 | | 9,975 | 616 | | 616 | 10,591 | | 10,591 |
| Other liabilities | 4,960 | | 4,960 | 25,947 | | 25,947 | 30,907 | | 30,907 |
| Total | 215,017 | | 215,017 | 163,610 | | 163,610 | 378,627 | | 378,627 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

4-c. Breakdown of accounts receivable and liabilities by interest clause

| Items | Current | | | | Non-current | | | | Total accruing interest | | |
|--------------------------------------|-------------------|---------------|---------------|----------------|-------------------|----------------|---------------|----------------|-------------------------|----------------|----------------|
| | Accruing interest | | Not Accruing | Total | Accruing interest | | Not Accruing | Total | Fixed rate | Variable rate | Total |
| | Fixed rate | Variable rate | interest | | Fixed rate | Variable rate | Interest | | Fixed rate | Variable rate | |
| Receivables | | | | | | | | | | | |
| Mortgages and lease receivables | 2,662 | 1,629 | 3,721 | 8,012 | | 1,796 | 992 | 2,788 | 2,662 | 3,425 | 6,087 |
| Other receivables | 19,422 | 215 | 11,186 | 30,823 | 2,163 | 3,626 | 62,462 | 68,251 | 21,585 | 3,841 | 25,426 |
| Total | 22,084 | 1,844 | 14,907 | 38,835 | 2,163 | 5,422 | 63,454 | 71,039 | 24,247 | 7,266 | 31,513 |
| Liabilities | | | | | | | | | | | |
| Trade accounts payable | | | 8,262 | 8,262 | | | 99 | 99 | | | |
| Mortgages payables | 15,329 | | 3,631 | 18,960 | 6,781 | | | 6,781 | 22,110 | | 22,110 |
| Customer advances | | | 3,807 | 3,807 | | | 2,493 | 2,493 | | | |
| Short and long term debt | 128,353 | 36,977 | 2,487 | 167,817 | 18,372 | 102,567 | 6,735 | 127,674 | 146,725 | 139,544 | 286,269 |
| Salaries and social security charges | | | 1,236 | 1,236 | | | | | | | |
| Taxes payable | 77 | | 9,898 | 9,975 | 616 | | | 616 | 693 | | 693 |
| Other liabilities | 55 | 1,407 | 3,498 | 4,960 | 14,884 | 9,308 | 1,755 | 25,947 | 14,939 | 10,715 | 25,654 |
| Total | 143,814 | 38,384 | 32,819 | 215,017 | 40,653 | 111,875 | 11,082 | 163,610 | 184,467 | 150,259 | 334,726 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

5. Related parties

a. Interest in related parties

See Exhibit C to the unaudited financial statements.

b. Related parties debit/credit balances (Note 10)

Current mortgages and leases receivables

| | December 31, |
|---|--------------|
| | 2006 |
| Related parties: | |
| Abril S.A. | 2 |
| Alto Palermo S.A. | 370 |
| Altocity.Com S.A. | 71 |
| Baldovinos S.A. | 31 |
| Banco de Crédito y Securitización S.A. | 22 |
| Consultores Assets Management S.A. | 96 |
| Cresud S.A.C.I.F y A. | 442 |
| Fibesa S.A. | 2 |
| Fundación IRSA | 14 |
| Hoteles Argentinos S.A. | 1,710 |
| Inversora Bolívar S.A. | 566 |
| Tarshop S.A. | 59 |
| <u>Non Current mortgages and leases receivables</u> | |

December 31,

2006

| | |
|-------------------------|-------|
| Related parties: | |
| Hoteles Argentinos S.A. | 1,796 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

5. (Continued)

Other current receivables

| | December 31, |
|---|--------------|
| | 2006 |
| Related parties: | |
| Abril S.A. | 79 |
| Alto Palermo S.A. | 34 |
| Consultores Assets Management S.A. | 2 |
| Cresud S.A.C.I.F y A. | 24 |
| Canteras Natal Crespo S.A. | 434 |
| Fibesa S.A. | 4 |
| Inversora Bolivar S.A. | 4 |
| Llao-Llao Resorts S.A. | 10,593 |
| Patagonian Investment S.A. | 3,307 |
| Directors | 4 |
| Advances to Managers, Directors and Staff | 56 |
| <u>Other non-current receivables</u> | |

| | December 31, |
|---|--------------|
| | 2006 |
| Related parties: | |
| Abril S.A. | 20 |
| Llao-Llao Resorts S.A. | 2,143 |
| Advances to Managers, Directors and Staff | 31 |
| <u>Current investments</u> | |

| | December 31, |
|--------------------------------|--------------|
| | 2006 |
| Related parties: | |
| Alto Palermo S.A. | 4,393 |
| Banco Hipotecario S.A. | 465 |
| Dolphin Fund PLC | 13,899 |
| <u>Non-Current investments</u> | |

December 31,

2006

Related parties:

Alto Palermo S.A.

97,183

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

5. (Continued)

Current accounts payables

December 31,

2006

| | |
|------------------------|-----|
| Related parties: | |
| Abril S.A. | 1 |
| Alto Palermo S.A. | 857 |
| Baldovinos S.A. | 10 |
| Cresud S.A.C.I.F. y A. | 410 |
| Inversora Bolívar S.A. | 397 |
| Llao Llao Resort S.A. | 225 |
| Nuevas Fronteras S.A. | 3 |

Short term debt

December 31,

2006

| | |
|------------------------|--------|
| Related parties: | |
| Cresud S.A.C.I.F. y A. | 37,120 |

Other current liabilities

December 31,

2006

| | |
|-------------------------|-------|
| Related parties: | |
| Alto Palermo S.A. | 26 |
| Hoteles Argentinos S.A. | 614 |
| Llao-Llao Resorts S.A. | 33 |
| Ritelco S.A. | 793 |
| Directors | 1,438 |

Other non-current liabilities

December 31,

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2006

| | |
|------------------------|--------|
| Related parties: | |
| Inversora Bolivar S.A. | 9,393 |
| Ritelco S.A. | 14,791 |
| Directors | 8 |

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

6. Note 10.
7. In view of the nature of the inventories, no physical inventories are performed and there are no slow turnover assets.
8. See Notes 1.5.h., 1.5.i. and 1.5.j. to the unaudited financial statements.
9. None.
10. None.
11. None.
12. See Notes 1.5.h., 1.5.i., 1.5.j. and 1.5.o. to the unaudited financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

13. Insured Assets.

| | Insured amounts | Accounting values | Risk covered |
|--------------------------|----------------------------|------------------------------|--|
| AV MAYO 595 | 3,022 | 4,576 | Fire, explosion with additional coverage and debris removal |
| AV MAYO 595 | 15,000 | 4,576 | Third party liability with additional coverage and minor risks |
| AVDA. MADERO 942 | 1,674 | 2,625 | Fire, explosion with additional coverage and debris removal |
| AVDA. MADERO 942 | 15,000 | 2,625 | Third party liability with additional coverage and minor risks |
| BOUCHARD 710 | 91,051 | 70,069 | Fire, explosion with additional coverage and debris removal |
| CONSTITUCION 1111 | 387 | 752 | Fire, explosion with additional coverage and debris removal |
| CONSTITUCION 1111 | 15,000 | 752 | Third party liability with additional coverage and minor risks |
| COSTEROS DIQUE IV | 11,635 | 21,272 | Fire, explosion with additional coverage and debris removal |
| COSTEROS DIQUE IV | 15,000 | 21,272 | Third party liability with additional coverage and minor risks |
| DIQUE 2 M10 (11) Edif. A | 24,116 | 18,837 | Fire, explosion with additional coverage and debris removal |
| DIQUE 2 M10 (11) Edif. A | 15,000 | 18,837 | Third party liability with additional coverage and minor risks |
| DOCK DEL PLATA | 24,176 | 26,854 | Fire, explosion with additional coverage and debris removal |
| DOCK DEL PLATA | 15,000 | 26,854 | Third party liability with additional coverage and minor risks |
| DOCK 13 | 61 | 1,595 | Fire, explosion with additional coverage and debris removal |
| DOCK 13 | 15,000 | 1,595 | Third party liability with additional coverage and minor risks |
| EDIFICIOS CRUCEROS | 24,034 | 1,858 | Fire, explosion with additional coverage and debris removal |
| LAMINAR PLAZA | 13,750 | 29,762 | Fire, explosion with additional coverage and debris removal |
| LIBERTADOR 498 | 6,429 | 42,081 | Fire, explosion with additional coverage and debris removal |
| LIBERTADOR 498 | 15,000 | 42,081 | Third party liability with additional coverage and minor risks |
| LIBERTADOR 602 | 1,674 | 2,901 | Fire, explosion with additional coverage and debris removal |
| LIBERTADOR 602 | 15,000 | 2,901 | Third party liability with additional coverage and minor risks |
| MADERO 1020 | 2,120 | 1,800 | Fire, explosion with additional coverage and debris removal |
| MADERO 1020 | 15,000 | 1,800 | Third party liability with additional coverage and minor risks |
| MAIPU 1300 | 36,596 | 43,299 | Fire, explosion with additional coverage and debris removal |
| MAIPU 1300 | 15,000 | 43,299 | Third party liability with additional coverage and minor risks |
| MINETTI D | 112 | 72 | Fire, explosion with additional coverage and debris removal |
| MINETTI D | 15,000 | 72 | Third party liability with additional coverage and minor risks |
| RECONQUISTA 823 | 26,140 | 19,364 | Fire, explosion with additional coverage and debris removal |
| RECONQUISTA 823 | 15,000 | 19,364 | Third party liability with additional coverage and minor risks |
| RIVADAVIA 2768 | 391 | 317 | Fire, explosion with additional coverage and debris removal |
| RIVADAVIA 2768 | 15,000 | 317 | Third party liability with additional coverage and minor risks |
| SAN MARTIN DE TOURS | 462 | 16,504 | Fire, explosion with additional coverage and debris removal |
| SANTA MARIA DEL PLATA | 112 | 10,513 | Fire, explosion with additional coverage and debris removal |
| SANTA MARIA DEL PLATA | 15,000 | 10,513 | Third party liability with additional coverage and minor risks |
| SARMIENTO 517 | 67 | 88 | Fire, explosion with additional coverage and debris removal |
| SARMIENTO 517 | 15,000 | 88 | Third party liability with additional coverage and minor risks |
| SUIPACHA 652 | 20,550 | 11,676 | Fire, explosion with additional coverage and debris removal |

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| | | | |
|---------------|--------|--------|--|
| SUIPACHA 652 | 15,000 | 11,676 | Third party liability with additional coverage and minor risks |
| TORRES JARDIN | 837 | 169 | Fire, explosion with additional coverage and debris removal |
| TORRES JARDIN | 15,000 | 169 | Third party liability with additional coverage and minor risks |

In our opinion, the above-described insurance policies cover current risks adequately.

IRSA Inversiones y Representaciones Sociedad Anónima

Information required by Section 68 of the

Buenos Aires Stock Exchange Regulations

Unaudited Balance Sheet as of December 31, 2006

Stated in thousand of pesos

14. See Exhibit E.

15. Not applicable.

16. Not applicable.

17. None.

18. In accordance with what was stipulated in loan agreements, the Company shall not distribute dividends until these obligations be cancelled.

Buenos Aires, February 9, 2007

IRSA Inversiones y Representaciones Sociedad Anónima

Business Overview

In thousand of pesos

1. Brief comments on the Company's activities during the period, including references to significant events after the end of the period. See attached.

2. Consolidated Shareholders' equity structure as compared with the same period for the four previous years.

| | December 31, 2006 | December 31, 2005 | December 31, 2004 | December 31, 2003 | December 31, 2002 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Current Assets | 583,165 | 457,479 | 303,105 | 286,267 | 338,706 |
| Non-Current Assets | 2,516,141 | 2,165,252 | 2,042,997 | 1,860,753 | 1,784,376 |
| Total | 3,099,306 | 2,622,731 | 2,346,102 | 2,147,020 | 2,123,082 |
| Current Liabilities | 756,968 | 441,178 | 331,753 | 179,699 | 142,627 |
| Non-Current Liabilities | 350,768 | 440,294 | 543,767 | 642,796 | 855,753 |
| Subtotal | 1,107,736 | 881,472 | 875,520 | 822,495 | 998,380 |
| Minority interest | 414,993 | 493,903 | 430,009 | 452,475 | 479,334 |
| Temporary differences in valuation of hedge derivate instruments | | | | | |
| Shareholders' Equity | 1,576,577 | 1,301,356 | 1,040,573 | 872,050 | 645,368 |
| Total | 3,099,306 | 2,622,731 | 2,346,102 | 2,147,020 | 2,123,082 |

3. Consolidated result structure as compared with the same period for the four previous years.

| | December 31, 2006 | December 31, 2005 | December 31, 2004 | December 31, 2003 | December 31, 2002 |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating income (loss) | 105,865 | 85,632 | 59,323 | 24,470 | 3,115 |
| Amortization of goodwill | (498) | (553) | (981) | (1,485) | (2,414) |
| Financial results | 12,059 | (32,324) | (9,744) | 33,970 | 208,107 |
| Gain (loss) in equity investments | 15,034 | 28,539 | 49,502 | (8,909) | (3,071) |
| Other income and expenses, net | (7,252) | (4,993) | (4,939) | 195 | 11,091 |
| Net income before taxes | 125,208 | 76,301 | 93,161 | 48,241 | 216,828 |
| Income tax/ Asset tax | (37,878) | (33,583) | (29,609) | (14,427) | (23,333) |
| Minority interest | (21,210) | (13,732) | (6,792) | (1,401) | (27,945) |
| Net income | 66,120 | 28,986 | 56,760 | 32,413 | 165,550 |

IRSA Inversiones y Representaciones Sociedad Anónima

Business Overview (continued)

In thousand of pesos

4. Statistical data as compared with the same period for the four previous years.
Summary of properties sold in units and in thousand of pesos.

| | December 31, 2006 | December 31, 2005 | As of December 31, 2004 | December 31, 2003 | December 31, 2002 |
|--|----------------------|----------------------|-------------------------------|----------------------|----------------------|
| Real Estate | | | | | |
| <u>Apartments & Loft Buildings</u> | | | | | |
| Alto Palermo Park | | 63 | | | 921 |
| Edificios Cruceros | 3,262 | | | | |
| Palacio Alcorta (1) | | 22,986 | | | 1 |
| Torres de Abasto | | | 11 | | 444 |
| Torres Jardín | | | | | 113 |
| Other | | | | 112 | 407 |
| <u>Residential Communities</u> | | | | | |
| Abril / Baldovinos (2) (3) | 1,121 | 2,823 | 1,519 | 2,588 | 7,400 |
| Villa Celina I,II and III | | | | | 28 |
| Villa Celina IV and V | | | | 23 | |
| <u>Undeveloped parcel of lands</u> | | | | | |
| Canteras Natal Crespo | 59 | | | | |
| Others | | | | | |
| <u>Other</u> | | | | | |
| Alsina 934 | | 1,833 | | | |
| Constitución 1111 | | | | | 1,988 |
| Dique II | | | | 5,211 | |
| Dique III | 26,206 | | 23,624 | | |
| Libertador 498 | | | | | 2,313 |
| Madero 1020 | | | 1,806 | 4,774 | 5,626 |
| Madero 940 | | | | | 1,649 |
| Other | 105 | 1 | | 312 | 827 |
| | 30,753 | 27,706 | 26,960 | 13,020 | 21,717 |

- (1) Through Alto Palermo S.A.
(2) It corresponds to local comercial of April that belong 50% to IRSA and 50% to IBSA.
(3) Includes the revenues for the sale of Dormies.

IRSA Inversiones y Representaciones Sociedad Anónima

Business Overview (continued)

In thousand of pesos

5. Key ratios as compared with the same period for the four previous years.

| | December 31, 2006 | December 31, 2005 | December 31, 2004 | December 31, 2003 | December 31, 2002 |
|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Liquidity ratio | | | | | |
| Current Assets | 583,165 | 457,479 | 303,105 | 287,934 | 338,706 |
| | = 0.77 | = 1.04 | = 0.91 | = 1.60 | = 2.37 |
| Current Liabilities | 756,968 | 441,178 | 331,753 | 179,699 | 142,627 |
| Indebtedness ratio | | | | | |
| Total liabilities | 1,107,736 | 881,472 | 875,520 | 822,495 | 998,380 |
| | = 0.70 | = 0.68 | = 0.84 | = 0.94 | = 1.55 |
| Shareholders Equity | 1,576,577 | 1,301,356 | 1,040,573 | 872,050 | 645,368 |
| Solvency | | | | | |
| Shareholders Equity | 1,576,577 | 1,301,356 | 1,040,573 | 872,050 | 645,368 |
| | = 1.42 | = 1.48 | = 1.19 | = 1.06 | = 0.65 |
| Total liabilities | 1,107,736 | 881,472 | 875,520 | 822,495 | 998,380 |
| Immobilized Capital | | | | | |
| Non-Current Assets | 2,516,141 | 2,165,252 | 2,042,997 | 1,859,086 | 1,784,376 |
| | = 0.81 | = 0.83 | = 0.87 | = 0.87 | = 0.84 |
| Total Assets | 3,099,306 | 2,622,731 | 2,346,102 | 2,147,020 | 2,123,082 |

6. Brief comment on the outlook for the coming year.

See Attached.

BUSINESS OVERVIEW

(As of December 31, 2006)

We are very pleased to announce the results for the second quarter of fiscal year 2007, since once again we can inform a significant improvement in the results for the period as well as new acquisitions and developments of our business lines: office buildings, shopping centers, developments and undeveloped parcels of land and hotels. These significant investments are the result of the expansion strategy informed in the last fiscal years, as well as of the positive trend of the Argentine economy.

As regards the Office segment, through the acquisition of Dock del Plata, the purchase option entered into in connection with Edificio República and the offer submitted and accepted as regards the purchase of Bouchard Plaza, three premium office buildings in the City of Buenos Aires will allow us to achieve a 20% market share. In turn, during the next months, we will begin to develop a new office building in Dique IV in one of our undeveloped parcels of land. The important growth of prices in the office market is closely related to the scarce availability of class A or higher class offices which has generated a very significant sustained growth of the rent since the 2001 Argentine crisis. However, as of the date hereof, rental prices are below pre-crisis levels.

In line with the growth strategy of the Shopping Center segment, our subsidiary Alto Palermo S.A. (APSA), has acquired Córdoba Shopping Villa Cabrera in the city of Córdoba. Furthermore, APSA purchased the real estate property on which part of the shopping center Patio Olmos operates. Once again, continuing with the turnover of our land reserves, we will develop, through Panamerican Mall S.A. (a company recently incorporated in which we have an 80% interest) a shopping center and residential complex in the neighborhood of Saavedra, in the City of Buenos Aires. This development is one of the most significant projects of the Company.

As regards the hotel business unit, the Company has made several investments in the two hotels that it controls in the City of Buenos Aires in order to improve their image. We also continued with the enlargement works at Llao Llao Hotel, through the construction of 52 new suites.

Finally, and taking advantage of the significant growth of the local market, we are preparing to launch new housing projects which accelerate the turnover of our undeveloped parcels of land portfolio. To commence with such process, we have acquired, through our subsidiaries, two adjacent plots in Vicente López, Province of Buenos Aires, which have an aggregate area of 22,063 sqm. In both real properties, already unified, we plan to develop a new concept of residential complex, which will allow for the expansion of the public spaces. Such project shall be one of the most significant residential developments in the Province of Buenos Aires. Taking into account the sustained increase in the demand of residential spaces in Puerto Madero area, we launched the sale of Tower 1 of Torres Renoir, Dique III, where the first bills of sale have been entered into.

The above mentioned investments, particularly the ones in the office and shopping center segments, as well as the new residential developments will generate significant additional income and will further consolidate our position in the Argentine real estate market.

Macroeconomic Context

After another year of strong growth, at the end of calendar year 2006, the Argentine economy showed an 8.4% increase in the Gross Domestic Product (GDP). Therefore, the GDP consolidates its fourth consecutive year of growth over 8%, with an accumulated variation of 40.5% during such period.

Public finances continued to show a favorable evolution during calendar year 2006. Public income recorded a 26.6% inter-annual increase, while the spending recorded a 28.8% increase, generating a margin in the primary result of the public accounts of 3.5% of the GDP. On the other hand, debt services decreased 0.7%. As a result of these factors, the consolidated public sector registered a 1.7% financial surplus during the 2006 calendar year as compared to the 2.0% financial deficit as a percentage of GDP registered in calendar year 2002. This improvement in the public sector budget gives rise to moderate financial obligations during the next years.

Once again, the monetary policy focused on the encouragement of the aggregate demand through low interest rates and an increase in money stocks, which also translated into a greater accumulation of reserves by the Argentine Central Bank (BCRA). The level of reserves as of December 31, 2006, amounted to US\$32.037 billion.

As regards external accounts, Argentina registered during calendar year 2006 a US\$12,410 billion surplus in its trade balance. Such surplus is comprised of an increase in exports from US\$40,013 billion in calendar year 2005 to US\$46,569 billion in calendar year 2006, which implied a 16.4% positive variation, and of an increase in imports from US\$28,691 billion in calendar year 2005 to US\$34,159 billion in calendar year 2006, which translated into a 19% positive variation.

The aggregate consumption is once again the largest component of the GDP growth, with a contribution of 68% in its variation during calendar year 2006. Aggregate consumption accumulates a 35% increase for the four-year period after the 2002 crisis and reaches record levels. Within private consumption, one of the main drivers of this expansion were the sales in the Shopping Centers, which registered a 24.6% inter-annual growth at current seasonal prices, accumulating a 90% growth during the last four calendar years. This is mainly due to the medium-low income population sectors greater access to such centers, as well as the significant growth of foreign tourism.

The consumer price index (CPI) published by the INDEC registered a 9.8% accumulated annual variation as of December 31, 2006; in this context, the 19.9% increase in Education and the 14.6% in Clothing should be highlighted. Notwithstanding a significant 2.5% improvement as compared to the 12.3% inflation rate registered in calendar year 2005, the economic analysts continue to observe the inflation problem as one of the main challenges for the government during the next years, while its efforts to control price levels create more distortions.

Construction continues to be one of the main components of growth, representing 68% of total investment during calendar year 2006 and explaining the 58% accumulated increase therein during the last four calendar year years. In the twelve-month period ended December 31, 2006, the summary indicator of construction activities (ISAC in Spanish) prepared by the National Institute of Statistics and Census (INDEC) showed a 15.2% increase as compared to the same period of the previous year.

The hotel segment, and five stars hotels in particular, have benefited in these last four years by the favorable exchange rate resulting from the 2002 devaluation and by the increase in the number of tourists with high purchasing power. As regards the office segment, the occupancy rate registered an increase with its consequent positive impact in rental prices. This phenomenon was due to the recovery in the industrial and commercial activity and to the favorable relation between the cost and the services supplied by the city of Buenos Aires as compared with other Latin American cities.

The non-seasonal sales at constant prices in Shopping Centers registered a 0.5% decrease as compared to November 2006. However, the trend continues to be promising, since the inter-annual evolution registered a 4.8% positive variation.

In this macroeconomic context, we registered a significant improvement in our operating results which amounted to Ps.105.9 million as of December 31, 2006, as compared to Ps.85,6 million as of December 31, 2005. This represents a 23.7% increase.

The Company's revenues increased 32.7%, from Ps.256.4, million as of December 31, 2005 to Ps. 340.3 million as of December 31, 2006, as a result of an increase of (i) Ps.61.0 million in the Shopping Center segment, (ii) Ps.3.0 million in the sales and developments segment, (iii) Ps.9.6 million in the hotel segment, (iv) Ps.9.6 million in the office and other rental properties segment and (v) Ps. 0.6 in financial and other operations.

As a result of the increase in our main business segments, the net results for the six-month period ended December 31, 2006 registered a Ps.66.1 million gain as compared to a Ps.29.0 million gain registered during the same period of fiscal year 2006. This increase in net results is mainly due to: (i) a financial gain derived from an increase in the financial operations results and a lesser exchange difference loss as a result of the appreciation of the peso against the dollar during the second quarter of the fiscal year under consideration, and (ii) a lesser result derived from our interest in our subsidiaries.

Financial results registered a Ps.12.1 million gain as compared to a Ps.32.3 million loss registered in the same semester of fiscal year 2006. The difference is mainly explained by a significant increase in the financial operations results, which increased from a Ps.4.7 million gain recorded during the first semester of fiscal year 2006 to a Ps.28.4 million gain recorded during the six-month period ended December 31, 2006. Furthermore, there was a significant decrease in the exchange difference losses, from a Ps.13.3 million loss registered during the first semester of fiscal year 2006 to a Ps.0.3 million loss for the six-month period ended December 31, 2006, mainly as a result of the exposure of our liabilities in dollars.

Finally, the results of this semester were driven in a lesser extent by the gain generated by our related companies, from a gain of Ps.28.5 million as of December 31, 2005 to a gain of Ps.15.0 million during the six-month period ended December 31, 2006. This decrease is mainly attributable to lower results generated by our related company Banco Hipotecario S.A., which amounted to Ps.15.5 million as of December 31, 2006 as compared to Ps. 27.7 million registered as of December 31, 2005.

First semester of fiscal year 2007 highlights, including significant operations occurred after the end of the period.

I. Offices and Other Rental Properties

During the six-months period ended December 31, 2006, income from rental properties totaled Ps.23.0 million, registering a 71.6% increase as compared to Ps.13.4 million registered in the same period of fiscal year 2006. Occupancy levels of our office buildings continued to recover significantly, reaching 98% as of December 31, 2006, as compared to 92% registered as of the same date of the previous year.

The sustained increase in demand for rental space and the scarce supply of new spaces gave rise to a price recovery. Foreign capital oil companies and service companies demanded greater spaces in our properties, which demand is in accordance with market trends that reflect a largest interest of foreign companies to establish offices and branches or to expand their activities in Argentina based on the opportunities offered by the country. Among the benefits provided by the city of Buenos Aires, the following should be highlighted: the significant training and professionalism of the local work force, the higher security offered by our city as compared to other Latin American cities, the similarity of the time zones as compared to the main U.S. cities, and the comparative advantages as regards operation costs.

The promising future of this business segment encouraged us to make significant acquisitions during the first semester, adding the following properties to our office portfolio:

Dock del Plata. On November 15, 2006, we acquired for an aggregate price of US\$ 8.8 million, offices, stores and parking lots pertaining to Edificio Dock del Plata. This is a class A+ property with a 7,921 sqm. gross rental area located in the exclusive Puerto Madero area. Simultaneously, the Credit Default Swap agreement with Credit Suisse was cancelled, allocating to the purchase of this real property the US\$4.0 million related to such agreement. The remaining balance was paid in cash.

Edificio República. On December 22, 2006, we entered into a purchase option with Banco Comafi S.A., as trustee of Fideicomiso República trust, for US\$74.0 million in connection with a building located in the city of Buenos Aires known as Edificio Tucumán 1 República, recently acquired by the trustee through a public auction. This is a 20-storey class AAA office building designed by architect Cesar Pelli which constitutes a true has ship feature of the City of Buenos Aires. The building has a 19,800 sqm. gross rental area. This option is subject to certain conditions: (i) the option shall be exercised within a 60-day term as from the fulfillment of certain requirements as regards the trustee's ownership of the building, (ii) the title deed shall be executed within a 90-day term as from the exercise of the option, and (iii) 50% of the purchase price shall be paid on the date of execution of the title deed and the remaining 50% shall be paid in five annual installments, with a fixed 8% interest rate, payable semi-annually, and a mortgage shall be created on the real property. Furthermore, during the term of this option, the trustee also has an option to sale Edificio República to our Company under the same conditions described above.

Edificio Bouchard Plaza. On December 28, 2006, we submitted a bid, as agent, before Banco Rio de la Plata S.A., in its capacity as trustee of Fideicomiso Financiero Edificio La Nación, to acquire Edificio Bouchard Plaza, the main asset of the trust. The offer consists in the acquisition, as agent, of the building, and the assumption, as assignee, of all the rental agreements in force as of the date of the acquisition in relation to all and every part of the building. On the same date, we were informed about the acceptance of our offer. The price offered by us amounted to US\$84.1 million, of which Ps.46.2 million were paid at the time of the offer. The title deed shall be executed by the parties no later than March 2007. As of the date hereof, the Company has not appointed principals in connection with the acquisition and is analyzing several alternatives in connection with this real property, including the possibility to purchase it in association with third parties. This real property, known as Edificio Bouchard or Edificio La Nación, is a 20-storey class AAA office building, located at downtown Buenos Aires, and has a 33,324 sqm. gross rental area.

Edificio Intercontinental Plaza. As a result of the transaction entered into with GSEM/AP Holding L.P., the Company acquired 33% of Edificio Intercontinental Plaza, which has a 22,535 sqm. leaseable area. This is a 24-storey building located next to Hotel Intercontinental, in the historical neighborhood of Monserrat, at downtown Buenos Aires, and has an average area of 900 square meters per floor, with 324 parking lots.

It should be highlighted that these acquisitions will imply an increase of more than 70% in the A and AAA office rental area of our portfolio, and thus the Company's market share in this segment will be 20%. To have an idea of the volume and significant impact of these acquisitions on the Company's results, we can take into account that the monthly rent per square meter of premium offices with similar characteristics to the ones purchased has a current value of US\$/sqm. 30 to US\$/sqm. 35, similar values to those registered before the 2001 Argentine crisis.

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Below is information on our office space as of December 31, 2006.

Offices and Other Rental Properties

| | Date of Acquisition | Leaseable Area sqm (1) | Occupancy Rate (2) | IRSA's Effective Interest | Monthly Rental Income Ps./000 (3) | Accumulated Rental Income as of December 31, for fiscal period Ps./000 (4) | | | Book Value Ps./000 (5) |
|-------------------------------------|---------------------------|---------------------------|-----------------------|---------------------------------|--|--|---------------|--------------|------------------------------|
| | | | | | | 2007 | 2006 | 2005 | |
| Offices | | | | | | | | | |
| Intercontinental Plaza (6) | 11/18/97 | 22,535 | 100% | 100% | 925 | 4,558 | 2,351 | 2,254 | 65,516 |
| Dock Del Plata | 11/15/06 | 7,921 | 100% | 100% | 345 | 684 | | | 26,854 |
| Libertador 498 | 12/20/95 | 10,533 | 88.33% | 100% | 533 | 2,747 | 1,754 | 1,465 | 42,081 |
| Maipú 1300 | 09/28/95 | 10,280 | 97.52% | 100% | 501 | 2,688 | 1,600 | 1,307 | 43,299 |
| Laminar Plaza | 03/25/99 | 6,521 | 100% | 100% | 374 | 2,301 | 1,163 | 1,179 | 29,762 |
| Reconquista 823/41 | 11/12/93 | 5,016 | 96.24% | 100% | 162 | 158 | | | 19,364 |
| Suipacha 652/64 | 11/22/91 | 11,453 | 100% | 100% | 182 | 860 | 596 | 260 | 11,676 |
| Edificios Costeros | 03/20/97 | 6,389 | 97.62% | 100% | 136 | 1,492 | 791 | 615 | 18,837 |
| Costeros Dique IV | 08/29/01 | 5,437 | 96.01% | 100% | 214 | 881 | 829 | 627 | 21,272 |
| Bouchard 710 | 06/01/05 | 14,280 | 100% | 100% | 758 | 4,240 | 2,517 | N/A | 70,069 |
| Madero 1020 | 12/21/95 | 215 | 100% | 100% | 8 | 47 | 29 | 22 | 1,800 |
| Others (7) | N/A | 3,677 | 100% | N/A | 108 | 634 | 511 | 397 | 10,507 |
| Subtotal | | 104,257 | 98.09% | | 4,246 | 21,290 | 12,139 | 8,125 | 361,037 |
| Other Properties | | | | | | | | | |
| Commercial Properties (8) | N/A | 642 | 74.69% | N/A | 21 | 116 | 126 | 85 | 2,137 |
| Thames (6) | 11/1/97 | 33,191 | 100% | 100% | 51 | 304 | 304 | 276 | 3,033 |
| Santa María del Plata S.A. | 7/10/97 | 60,100 | 100% | 100% | 67 | 593 | 298 | | 10,513 |
| Other Properties (9) | N/A | 2,072 | 100% | N/A | 5 | 30 | 184 | 115 | 2,516 |
| Subtotal | | 96,005 | 99.83% | N/A | 144 | 1,043 | 912 | 476 | 18,199 |
| Related Fees | N/A | N/A | N/A | N/A | N/A | 655 | 342 | 261 | N/A |
| TOTAL OFFICES AND OTHER (10) | N/A | 200,262 | 98.93% | N/A | 4,390 | 22,989 | 13,394 | 8,862 | 379,236 |

Notes:

- (1) Total leaseable area for each property. Excludes common areas and parking.
- (2) Calculated dividing occupied square meters by leaseable area.
- (3) Agreements in force as of 12/31/06 for each property were computed.
- (4) Total consolidated leases, according to the RT21 method.
- (5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value.
- (6) Through Inversora Bolívar S.A.
- (7) Includes the following properties: Madero 942, Av. de Mayo 595, Av. Libertador 602, Rivadavia 2768, and Sarmiento 517 (through IRSA).
- (8) Includes the following properties: Constitución 1111, Crucero I, Retail stores in Abril and Casona de Abril (through IRSA and IBSA).
- (9) Includes the following properties: 1 unit in Alto Palermo Park (through Inversora Bolivar S.A.) and Constitución 1159 (through IRSA).
- (10) Corresponds to the Offices and Other Rental Properties business unit mentioned in Note 4 to the Consolidated Financial Statements.

II. Shopping Centers Alto Palermo S.A (APSA).

The following information relates to data extracted from the balance sheet of our subsidiary Alto Palermo S.A. (APSA), the company which operates our shopping centers, in which we had a 61.67% as of December 31, 2006.

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Net income for the semester was Ps.40.2 million, compared to Ps. 23.3 million recorded in the same period of the previous year. In terms of percentages, this improvement stands for a 72.6% increase.

Total revenues as of December 31, 2006, amounted to Ps. 282.4 million, i.e., 53.1% higher than the total revenues recorded in the same period of the previous year. This increase is mainly due to the income derived from the sale of the General Paz plot, the excellent situation currently experienced by our shopping centers and to a 61.8% increase in the income generated by our subsidiary Tarshop S.A.

Gross profit for the period showed a major 35.6% increase, from Ps. 109.5 million in the second quarter of fiscal year 2006 to Ps. 148.5 million in the same period of fiscal year 2007. Thus, the consolidated operating income for the period registered a gain of Ps. 84.9 million as compared to Ps. 73.7 million registered in the same period of the previous year, which stands for a 15.1% increase.

EBITDA¹ for the six-month period totaled Ps. 117.6 million representing a 11.7% increase as compared to the EBITDA for the same period of the previous year.

During the six-month period ended December 31, 2006, our tenants' sales have continued to grow, reaching Ps. 1,422.5 million, 22.5% higher in nominal terms than those recorded in the same period of the previous year.

The business success of our tenants continues to increase demand for space at our shopping centers. In this way, we had been able to maintain an occupancy rate of 99.1%. The evolution of this variable not only shows an improvement in our business, but also the excellent quality of our shopping centers' portfolio.

New commercial project. During December 2006, Alto Palermo S.A. (APSA) entered into several agreements in connection with the construction, marketing and management of a new commercial project that will be developed in the neighborhood of Saavedra, City of Buenos Aires, by Panamerican Mall S.A. (PAMSA), a recently incorporated company in which APSA has an 80% interest.

In connection with this new development, Alto Palermo S.A. made a capital contribution to PAMSA for Ps.158.3 million and sold to such company the plot of land on the streets Posta, Pico and Arias (timely acquired from Philips Argentina S.A.) for an amount of Ps.59.9 million. Furthermore, APSA has committed to make future capital contributions to PAMSA for a maximum amount of up to US\$37.8 million, in order to finish the works and secure the start-up and operation of the Shopping Center.

The other shareholder of PAMSA is Centro Comercial Panamericano S.A., who holds the remaining 20% of the shares. This company sold to PAMSA the plot located on the streets Melian, Vedia and Arias (adjacent to the plot sold by APSA) for an aggregate amount of Ps.61.5 million and committed to make capital contributions in connection with the termination of the works and the start-up of the Shopping Center, for a maximum amount of up to US\$9.4 million.

The project includes the construction of a shopping center, a supermarket, cinemas and an office building. This development is one of the most significant projects to be conducted by the Company.

Acquisition of Córdoba Shopping. On July 7, 2006, the Company entered into an agreement with Grupo Roggio, by means of which, subject to a due diligence process, all the shares of Empalme S.A., owner of Córdoba Shopping Villa Cabrera, were transferred to APSA and Shopping Alto Palermo S.A. (subsidiary of APSA).

On December 18, 2006, the operation was approved by the *Comisión Nacional de Defensa de la Competencia* (Federal Trade Commission) through resolution SCI No. 67 of the Trade Secretariat and, therefore, the Company began to manage the premises.

The price of the transaction was set in a gross amount of US\$12.0 million, plus a variable amount derived from the post-closing adjustment (originally set forth in the agreement) which was established in the sum of Ps.4.0 million. As of the date of these financial statements, APSA and SAPSA have paid the amount of US\$4.0 million and the amount pertaining to the post-closing adjustment; the outstanding balance amounts to US\$8.0 million.

Córdoba Shopping Villa Cabrera has a total area of 35,000 sqm., with 160 shops, 12 cinemas and parking space for 1,500 vehicles and is located in Villa Cabrera neighborhood in the city of Córdoba. This investment is an opportunity for APSA to grow in the shopping center segment, in line with its strategy of expanding and gaining foothold in the main cities of the Argentine provinces.

Acquisition of a real estate property in the Province of Córdoba. In November 2006, Alto Palermo S.A. participated in a public bid conducted by Corporación Inmobiliaria Córdoba S.A. in connection with the sale of the property known as *Edificio Ex Escuela Gobernador Vicente de Olmos*, located in the city of Córdoba. The building has a 5,147 sqm. area where part of the *Patio Olmos* shopping center operates, developed in four commercial floors and two parking basements. The shopping center, which also occupies two adjacent properties, has cinemas and a commercial annex, both linked to the bid sector which are related by easement agreements.

¹ EBITDA represents the net results plus the accrued interest charge, income tax, depreciation and amortization charges, income/(loss) from permanent investments, third parties' interests in subsidiaries and all the items not entailing movements of funds and any extraordinary or non-recurring income/(loss).

EBITDA is not regarded as a generally accepted accounting measure and should therefore not be used to measure financial or operating performance.

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The offer submitted by the Company for the purchase of this real property amounted to Ps. 32.5 million. On November 20, 2006, we were notified of the award of the bid to APSA. Ps. 9.8 million, pertaining to 30% of the aggregate amount to be disbursed, were timely paid, in accordance with the bidding terms. The balance shall be paid at the time of execution of the title deed, which, as of the date of these financial statements, has not been granted.

Furthermore, on January 15, 2007, we were notified by the *Comisión Nacional de Defensa de la Competencia* (Federal Trade Commission) about two claims filed with this authority by an individual and by the licensee of the shopping center in connection with this operation. On February 1, 2007 we answered such claims. As of the date hereof, we have not been informed of any decision in this regard.

Tarjeta Shopping

Tarshop S.A. is a credit card company in which we have an 80% interest.

The favorable context and successful performance of our credit card business unit caused Tarshop S.A. to record a gain of Ps. 9.0 million for the first semester of fiscal year 2007, representing a 28.6% increase as compared to a gain of Ps. 7.0 million recorded in the same period of the previous year.

Net revenues posted a significant increase of 61.8%, from Ps. 55.2 million during the first semester of fiscal year 2006 to Ps. 89.3 million during the same period of fiscal year 2007. In addition, the operating results increased 31.3% to Ps. 17.0 million.

The credit portfolio including securitized coupons as of December 31, 2006 amounted to Ps. 558.0 million, 125.5% higher than the Ps. 247,5 million portfolio as of December 31, 2005.

In the area of collections, short-term delinquency at December 31, 2006 was 9.8%.

Shopping Centers

| | Date of Acquisition | Leaseable Area sqm (1) | Occupancy Rate (2) | APSA s Effective Interest (8) | Accumulated Rental Income as of December 31, for fiscal periods Ps./000 (3) | | | Book Value Ps./000 (4) |
|--------------------------------|---------------------|---------------------------|-----------------------|----------------------------------|---|----------------|----------------|---------------------------|
| | | | | | 2007 (10) | 2006 (11) | 2005 | |
| Shopping Centers (5) | | | | | | | | |
| Alto Palermo | 12/23/97 | 18,270 | 100% | 100.0% | 28,878 | 23,966 | 18,161 | 184,885 |
| Abasto | 7/17/94 | 39,486 | 100% | 100.0% | 27,707 | 21,677 | 16,982 | 191,293 |
| Alto Avellaneda | 12/23/97 | 27,251 | 97% | 100.0% | 16,069 | 12,285 | 9,371 | 86,650 |
| Paseo Alcorta | 06/06/97 | 14,794 | 99% | 100.0% | 15,862 | 12,230 | 9,917 | 60,787 |
| Patio Bullrich | 10/01/98 | 10,752 | 100% | 100.0% | 12,707 | 10,474 | 8,597 | 106,027 |
| Nuevo NOA Shopping | 03/29/95 | 18,831 | 99% | 100.0% | 3,261 | 2,465 | 1,768 | 28,077 |
| Buenos Aires Design | 11/18/97 | 14,598 | 100% | 53.68% | 5,153 | 4,210 | 3,439 | 17,239 |
| Alto Rosario | 11/9/04 | 30,023 | 100% | 100.0% | 7,594 | 5,750 | 1,183 | 84,837 |
| Mendoza Plaza | 12/2/04 | 39,465 | 98% | 85.4% | 8,678 | 6,864 | 2,671 | 90,739 |
| Fibesa and others (6) | | | | 100.0% | 7,894 | 29,340 | 5,883 | |
| Revenues from Tarjeta Shopping | | | | 80.0% | 89,296 | 55,197 | 25,648 | |
| Neuquen (9) | 7/6/99 | | N/A | 98.40% | N/A | N/A | N/A | 10,012 |
| Panamerican Mall (12) | 1/12/06 | 28.741 | N/A | 80.0% | N/A | N/A | N/A | 123,568 |
| Córdoba Shopping Villa Cabrera | 31/12/06 | 35.000 | 99% | 100.0% | N/A | N/A | N/A | 50,862 |
| GENERAL TOTAL (7) | | 277,211 | 99.1% | | 223,099 | 184,458 | 103,620 | 1,034,976 |

Notes:

- (1) Total leaseable area in each property. Excludes common areas and parking spaces.
- (2) Calculated dividing occupied square meters by leaseable area.
- (3) Total consolidated rents according to RT21 method.

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- (4) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances if applicable.
- (5) Through Alto Palermo S.A.
- (6) Includes revenues from Fibesa S.A. and Alto Invest.
- (7) Corresponds to the Shopping Centers business unit mentioned in Note 4 to the Consolidated Financial Statements.

- (8) APSA's effective interest in each of its business units. IRSA has a 61.67% interest in APSA.
- (9) Plot for the development of a Shopping Center.
- (10) Does not include RT4 accounting deletions for Ps.579,000.
- (11) Includes Ps.23 million pertaining to the sale of Alcorta Plaza Plot; such sale is recorded in Note 4 to IRSA's Consolidated Financial Statements, under the item Sales and Developments.
- (12) The project includes the construction of a shopping center, a supermarket, a cinema complex and one office building and/or residential complex.

III. Sales and Developments

In the six-month period ended December 31, 2006, the sales and developments segment recorded a significant growth in revenues of Ps.30.8 million, as compared to Ps.27.7 million recorded in the same period of the previous year, representing a 11.0% increase as compared with the same period of fiscal year 2006. Below is a description of the main developments of the Company:

Barrio Chico (formerly San Martín de Tours). This is a unique project in Barrio Parque, the most exclusive residential area in the city of Buenos Aires. Sales in this project were launched in May 2006, with a high degree of success. Previously, efforts were made to develop the image of the product, choosing the name Barrio Chico, accompanied by advertising in the most important printed media. As of December 31, 2006, the project has been finished and four units are pending sale.

Cruceros, Dique II. This is a unique project in Puerto Madero area consisting in an apartment building with a surface area of 6,400 sqm. of which 3,633 sqm. are owned by the Company. Works are fully completed. As of December 31, 2006, three units are pending sale.

Torres Renoir, Dique III. In view of the steady demand for residential properties in the area of Puerto Madero, during fiscal year 2006 we closed swap agreements that allowed us to start the construction of these two exclusive residential buildings of 37 and 40 floors. In the light of the development boom in this area, the project has aroused great expectations in the market, given its outstanding features. On September 30, 2006, in view of the market's interest in this project, sales were launched in Tower 1, whose degree of progress was 65%, and during the second quarter of fiscal year 2007 the first bills of sale were entered into. As regards Tower 2, the project plans were filed with the Municipality.

Caballito. On May 4, 2006 we entered into a US\$7.5 million swap agreement with Koad S.A. (Koad) whereby we transferred title of block 36 of the property Terrenos de Caballito to Koad in order for it to develop at its sole expense, cost and liability, a residential complex known as Cabalito Nuevo. In consideration for it, Koad paid to us US\$0.05 million, while the US\$7.45 million balance will be repaid through the delivery of 118 apartment units and 55 parking spaces. The final number of units to be received will depend on the date of actual delivery by Koad, as the agreement provides for rewards for prompt delivery.

Besides, Koad created a US\$7.45 million mortgage on the property as security for the transaction and took two performance bonds for US\$2.0 million and US\$0.5 million.

Benavidez, Tigre. Benavidez is an undeveloped 99.8 hectare plot located in the area of Tigre, 35 kilometers north from downtown Buenos Aires. In this property we plan to develop a gated residential complex that will have a privileged front access to Highway No. 9, allowing an easy way to and from the city. Given the rise in the values of land in the Northern area of the Province of Buenos Aires, particularly in the area in which the development is located, our expectations regarding the sales of the lots to be received pursuant to the swap agreement are highly positive.

Canteras Natal Crespo, Province of Córdoba. During the quarter under consideration, 34,710 shares of the company Canteras Natal Crespo S.A. were acquired for an aggregate price of Ps.1.83 million. Therefore, our Company holds a 55.02% interest in said company. Canteras Natal Crespo S.A. is a company domiciled in the province of Córdoba, whose main corporate purpose shall be the urbanization of own or third-party lands, gated communities, lots for sale or lease, development of quarries, real estate transactions and construction of housing units.

The preliminary guidelines for the development of the project were designed during the period. As from the moment in which the Chilean architecture firm URBE was hired, progress was made in the design of the Master Plan draft project. The development will offer a luring, diversified suite of residential plots and low and medium density housing areas, social and commercial areas. Each of the neighborhoods will have full-service infrastructure. The project will stand out for being embedded in the unique hillside setting of Sierras Chicas, in the Province of Córdoba.

Vicente Lopez Residential Project. On April 6, 2006, we entered into an agreement, as agent, in connection with the purchase of all the shares of Rummaala S.A., whose main asset is a plot with a net area of 13,651 sqm. located in Vicente Lopez, Province of Buenos Aires, and another agreement with Verdier S.A. in connection with the acquisition of plot of land with a net area of 8,412 sqm. adjacent to Rummaala's plot. The closing of both transactions was subject to, among other conditions precedent, the approval of the *Comisión Nacional de Defensa de la Competencia* (Federal Trade Commission), which was granted on December 27, 2006. On January 16, 2007, the company appointed one of its subsidiaries, Patagonian Investment S.A., as principal to acquire 90% of Rummaala S.A., and Ritelco, to acquire the remaining 10%; furthermore, Rummaala S.A. was appointed as principal to acquire the Verdier S.A.'s plot. In both real properties, already unified, we plan to develop a new concept of residential complex, which will allow for the expansion of the public spaces. Such project shall be one of the most significant residential developments in the Province of Buenos Aires.

Dique IV. This is a 18,370 sqm. plot located in Puerto Madero area, on which an 8-floor class A+ office building will be built. Works will commence during the third quarter of fiscal year 2007. In the light of the development boom in Puerto Madero area, we hope that this project will be successful.

El Rancho, San Carlos de Bariloche. On December 14, 2006, we acquired through our hotel operator subsidiary Llao Llao Resorts S.A., a 129,533 sqm. plot located in the city of San Carlos de Bariloche, in the Province of Rio Negro. The total price for the operation amounted to US\$7.0 million, of which US\$4.2 million were paid in cash and the balance of US\$2.8 million was financed through a mortgage payable in 36 equal, consecutive and monthly installments of US\$0.086 million each. The plot is located in the shore of Gutiérrez Lake, in an unequalled natural frame, and has a 1,000 sqm. chalet designed by architect Ezequiel Bustillo.

Below is a detail of property being developed by IRSA as of December 31, 2006.

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Development Properties

| | Date of Acquisition | Estimated / Real Cost (Ps. 000) (1) | Area intended for sale (sqm.) (2) | Total Units or Lots (3) | IRSA's Effective Participation | Percentage Built | Percentage Sold (4) | Acum. Sales (Ps,000) (5) | Accumulated Sales as of December 31 for fiscal years (6) (Ps. 000) | | | Book Value (Ps. 000) (7) |
|---|---------------------|-------------------------------------|-----------------------------------|-------------------------|--------------------------------|------------------|---------------------|--------------------------|--|---------------|--------------|--------------------------|
| | | | | | | | | | 07 (Ps. 000) | 06 (Ps. 000) | 05 (Ps. 000) | |
| Residential Apartments | | | | | | | | | | | | |
| Torres Jardín | 7/18/96 | 56,579 | 32,339 | 490 | 100% | 100% | 97.4% | 70,049 | | | | 472 |
| Torres de Abasto (8) | 7/17/94 | 74,810 | 35,630 | 545 | 62% | 100% | 100% | 109,266 | | | 11 | 312 |
| Edificios Cruceros | 7/22/03 | 5,740 | 3,633 | 40 | 100% | 100% | 65.6% | 13,293 | 3,262 | | | 1,858 |
| Barrio Chico (formerly San Martín de Tours) | 03/2003 | 12,171 | 2,891 | 20 | 100% | 100% | 0% | | | | | 16,504 |
| Minetti D | 12/20/96 | 15,069 | 6,913 | 70 | 100% | 100% | 98.9% | 11,626 | | | | 72 |
| Alto Palermo Park (9) | 11/18/97 | 35,956 | 10,488 | 72 | 100% | 100% | 100% | 47,530 | | 63 | | |
| Torre Caballito Mz 36 (15) | 11/3/97 | 22,815 | 6,833 | 118 | 100% | 0% | 0% | | | | | 22,663 |
| Torres Renoir (15) | 9/9/99 | 22,861 | 5,383 | 28 | 100% | 63% | 0% | | | | | 27,151 |
| Torres Renoir II (15) | 11/3/97 | 41,808 | 6,294 | 37 | 100% | 0% | 0% | | | | | 41,808 |
| Otros (10) | | 31,245 | 18,151 | 163 | N/A | N/A | 100% | 36,222 | | | | 13 |
| Subtotal | | 319,054 | 128,555 | 1,583 | N/A | N/A | N/A | 287,986 | 3,262 | 63 | 11 | 110,853 |
| Residential Communities | | | | | | | | | | | | |
| Abril/Baldovinos (11) | 1/3/95 | 130,955 | 1,408,905 | 1,273 | 100% | 100% | 95.5% | 218,437 | 1,121 | 2,823 | 1,519 | 8,083 |
| Benavides (15) | 11/18/97 | 20,544 | 989,423 | 110 | 100% | 68% | 100% | 11,830 | | | | 8,542 |
| Villa Celina I, II y III | 5/26/92 | 4,742 | 75,970 | 219 | 100% | 100% | 98.9% | 13,952 | | | | 43 |
| Villa Celina IV y V | 12/17/97 | 2,450 | 58,373 | 181 | 100% | 100% | 100% | 9,505 | | | | |
| Other lands | | | | | N/A | | | | | | | |
| Subtotal | | 158,691 | 2,532,671 | 1,783 | N/A | N/A | N/A | 253,724 | 1,121 | 2,823 | 1,519 | 16,668 |
| Land Reserves | | | | | | | | | | | | |
| Puerto Retiro (9) | 5/18/97 | | 82,051 | | 50% | 0% | 0% | | | | | 46,443 |
| Caballito | 11/3/97 | | 20,968 | | 100% | 0% | 40.1% | 22,815 | | | | 9,223 |
| Santa María del Plata | 7/10/97 | | 675,952 | | 100% | 0% | 0% | | | | | 114,397 |
| Pereiraola (11) | 12/16/96 | | 1,299,630 | | 100% | 0% | 0% | | | | | 21,875 |
| Dique 4 (ex Soc del Dique) | 12/2/97 | | 4,653 | | 100% | 0% | 50.0% | 12,310 | | | | 6,704 |
| Canteras Natal Crespo | 7/27/05 | | 4,320,000 | | 55% | 0% | 0% | 134 | 59 | | | 6,328 |
| Alcorta Plots | 7/7/98 | | 1,925 | | 68% | 0% | 100% | 22,969 | | 22,986 | | |
| Others (12) | | | 3,535,391 | | N/A | | 19.8% | | | | | 85,169 |
| Subtotal | | | 9,940,570 | | N/A | N/A | N/A | 58,228 | 59 | 22,986 | | 290,139 |
| Others | | | | | | | | | | | | |

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|----------------------------------|----------|----------------|-------------------|--------------|------------|------------|------------|----------------|---------------|---------------|---------------|----------------|
| Alsina 934 | 8/20/92 | 705 | 3,750 | 1 | 100% | 100% | 100% | 11,745 | 1,833 | | | |
| Madero 1020 | 12/21/95 | 16,008 | 5,056 | 8 | 100% | 100% | 100% | 16,471 | | | 1,806 | |
| Dique 3 | 9/9/99 | 25,836 | 10,474 | 3 | 100% | 0% | 100% | 91,638 | 26,206 | | 23,624 | |
| Other Properties (13) | | 23,871 | 11,352 | 61 | N/A | 100% | 95.7% | 30,415 | 105 | 1 | | 1,595 |
| Subtotal | | 66,420 | 30,632 | 73 | N/A | N/A | N/A | 150,269 | 26,311 | 1,834 | 25,430 | 1,595 |
| TOTAL (14) | | 544,165 | 12,632,428 | 3,439 | N/A | N/A | N/A | 750,207 | 30,753 | 27,706 | 26,960 | 419,255 |

Notes:

- (1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, adjusted for inflation until 02/28/03.
- (2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces).

In the case of Land Reserves the land area was considered.

- (3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
- (4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters.
- (5) Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation until 02/28/03.
- (6) Corresponds to the company's total sales consolidated by the RT4 method adjusted for inflation until 02/28/03. Excludes turnover tax deduction.
- (7) Cost of acquisition plus improvement, plus accrued interest of properties consolidated in portfolio at December 31, 2006, adjusted for inflation at 02/28/03.
- (8) Through Alto Palermo S.A.
- (9) Through Inversora Bolivar S.A.
- (10) Includes the following properties: Dorrego 1916 through IRSA and Arcos 2343 fully sold (through Baldovinos).
- (11) Directly through IRSA and indirectly through Inversora Bolivar S.A.
- (12) Includes the following land reserves: Torre Jardín IV, Padilla 902 and Terreno Pilar (through IRSA), Pontevedra, Mariano Acosta, Merlo, Intercontinental Plaza II (through Inversora Bolivar S.A.) and Caballito, Torres Rosario and the Coto Project (through APSA S.A.).
- (13) Includes the following properties: Puerto Madero Dock 13 and Dique II, Sarmiento 517, Income from Termination, APSA's Real Properties Sales, and Rivadavia 2768 (fully sold through IRSA).
- (14) Corresponds to the Sales and Developments business unit mentioned in Note 4 to the Consolidated Financial Statements.
- (15) Corresponds to swap receivables disclosed as Inventories in the Consolidated Financial Statements.

IV. Hotels

Revenues from the hotel segment recorded a 18.2% increase, from Ps.53.0 million in the first semester of fiscal year 2006 to Ps.62.7 million in the same period of this fiscal year.

This rise was due to both the occupation and the average price rate increase. During the first six months of fiscal year 2007, the accumulated average occupancy rate in our hotels was 74.5%. Price rates were very favored being the average price per room being Ps.470 during this period as compared to Ps.357 during the previous period.

As a result of the purchase of a 33% interest of Sociedad Palermo Invest S.A., our interest in Hotel Intercontinental recorded a 25.45% increase, from 50.89% as of the end of the first semester of fiscal year 2006 to 76.34% for the same period of fiscal year 2007.

The enlargement works at Llao Llao Hotel are going on as expected. 52 new suites are being built with the usual characteristics of such hotel. Therefore, the hotel will have 200 rooms.

The following chart shows information regarding our hotels for the six-month period ended December 31, 2006.

Hotels

| Hotel | Date of Acquisition | Number of rooms | Average Occupancy (1) | Average price per room Ps.(2) | Accumulated sales as of December 31, of fiscal year (Ps.000) | | | IRSA's Effective Interest | Book Value as of 12/31/06 (Ps. 000) |
|-----------------------|---------------------|-----------------|-----------------------|-------------------------------|--|---------------|---------------|---------------------------|-------------------------------------|
| | | | | | 2007 | 2006 | 2005 | | |
| Inter-Continental (3) | Nov-97 | 309 | 67.1% | 408 | 22,147 | 19,695 | 17,438 | 76.34% | 53,966 |
| Sheraton Libertador | | | | | | | | | |
| (4) | Mar-98 | 200 | 84.7% | 339 | 15,480 | 13,084 | 10,240 | 80.00% | 40,793 |
| Llao Llao (5) | Jun-97 | 158 | 76.1% | 760 | 25,024 | 20,240 | 17,626 | 50.00% | 73,762 |
| Total | | 667 | 74.5% | 470 | 62,651 | 53,019 | 45,304 | | 168,521 |

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Notes:

- 1) Accumulated average in the six-months period.
- 2) Accumulated average in the six-months period.
- 3) Through Nuevas Fronteras S.A.(Subsidiary of Inversora Bolívar S.A.).
- 5) Through Hoteles Argentinos S.A.
- 6) Through Llao Llao Resorts S.A.

V. Financial and Other Transactions

Principal Amortization and Interest Payment on the Secured Notes and the Unsecured Loan. On November, a principal payment was made under the Secured Notes for US\$0.93 million and under the Unsecured Loan for US\$0.58 million, resulting in a residual nominal amount of US\$29.9 million and US\$18.4 million, respectively. Furthermore, interest payments were made for US\$0.58 million and US\$0.35 million, respectively.

Exercise of warrants. On December 31, 2006, warrants issued by our Company were exercised for a total of 3.3 million (nominal value), resulting in the issue of 6.0 million shares. Therefore, the Company received proceeds for US\$3.9 million.

During the three months period ended in December 31, 2006, the holders of our Convertible Notes exercised their conversion rights for a total of 2.8 million units with a nominal value of US\$1 each, resulting in the issuance of 5.2 million common shares with a nominal value of Ps.1 each.

As of December 31, 2006, the amount of outstanding Convertible Notes and warrants was US\$24.7 million and 46.2 million, respectively, while the number of outstanding shares amounted to 448,742,660.

The following is a detail of the past, present and potential situation of the Convertible Notes issued on November 14, 2002 under the laws of the State of New York at an 8% interest rate (payable on a half-yearly basis) maturing on November 14, 2007 and convertible at a price of US\$0.545 per share of US\$1.00 par value (1.8349 shares for each Convertible Note). The Convertible Notes also have a warrant attached that allows its holder to purchase 1.8349 shares of US\$1.00 par value at a price of US\$ 0.654 each per Convertible Note.

Acquisition of Palermo Invest S.A. shares from GSEM/AP Holdings L.P. On October 4, 2006, we acquired 26,083,596 common, registered, non-endorsable Class B shares of one peso nominal value each and entitled to one vote per share of Palermo Invest S.A. from GSEM/AP Holdings, L.P., for a total price of US\$18.0 million. Upon execution of the agreement, the sum of US\$9.0 million was paid, and the balance will be paid in three equal, consecutive installments of US\$3.0 million each, to fall due in October 2007, 2008 and 2009, accruing interest at 9% per annum, payable every three months.

Simultaneously, a share assignment agreement was entered into between IRSA (assignor) and Patagonian Investment S.A. (assignee), whereby the assignor sells, assigns and transfers to the assignee 1,565,016 common, registered, non-endorsable Class B shares of one peso nominal value each and entitled to one vote per share of Palermo Invest S.A. The contract price is US\$1.1, which sum will be paid by Patagonian Investment S.A. within 90 days counted as from the agreement's execution date. On January 2, 2007, the payment of the US\$1.1 was postponed up to May 2, 2007, accruing interest at an 8% annual rate payable on the maturity of the agreement.

After the referred transactions, IRSA is holder of 98% of Palermo Invest S.A. while Patagonian Investment S.A. owns the remaining 2%.

Approval of a Global Note Program. The General Ordinary Shareholders Meeting, held on October 31, 2006, approved by majority vote the creation of a Global Program for the issuance of unsecured, unconvertible Notes for a principal amount of up to US\$200 million or its equivalent in other currencies, in accordance with the provisions of Law No. 23,576 (Negotiable Obligations Law) as amended and supplemented.

Issue of Notes. Under the Global Note Program approved by the Shareholders Meeting, on February 2, 2007 we issued Series 1 Notes for an amount of US\$150 million at an interest rate of 8.5% per annum (payable semi-annually) maturing on February 2, 2017. The issue price was 100% of the nominal value and as of the cut rate offers were received for up to US\$529 million (3.5 times the offered amount), demonstrating the strong support of the investment community to the Company's business plan.

Series 1 Notes for up to US\$150 million have been rated A-(arg), at local level, and B, at international level, by Fitch Argentina Calificadora de Riesgo S.A. In addition, the Series 1 Notes have been rated B+, at international level, and raA+, at local level, by Standard & Poor's.

These ratings are based on the strong competitive position of the Company, consolidating as a real estate market leader in Argentina. Besides, the Company has moderate levels of consolidated indebtedness as compared to its sound asset base which is reflected in the quality and excellent location of its property portfolio. Finally, both rating companies consider that the proceeds derived from the issue of Notes shall be allocated to the financing of investment opportunities which shall provide significant income for the Company, due to the positive evolution evidenced by the different business in which the Company takes part and to the favorable medium-term outlook for the real estate sector.

APSA- Approval of dividends distribution and creation of a Global Note Program. The General Ordinary Shareholders Meeting of our subsidiary APSA, held on October 31, 2006, approved by majority vote the distribution of a cash dividend in the amount of Ps.47.0 million and the allocation of Ps.2.2 million to the legal reserve. In addition, the meeting approved the creation of a Global Program for the issuance of unsecured, unconvertible Notes for a principal amount of up to US\$200 million or its equivalent in other currencies, in accordance with the provisions of Law No. 23,576 (Negotiable Obligations Law) as amended and supplemented.

APSA Financial Debt. To finance the acquisitions made during the three-month period ended December 31, 2006, we have incurred in an additional short-term debt amounting to 167.2 million. During the next periods, we may also consider other financing alternatives, adjusting their maturities to the Company's cash flow.

As of December 31, 2006, the financial debt of APSA is mainly comprised as follows:

| Debt | Outstanding Amount | Maturity |
|--------------------------------|-----------------------|------------|
| Syndicated Loan | Ps. 12.5 | Apr-07 |
| Convertible Notes | US\$ 47.2 | Jul-14 |
| Córdoba Shopping Financing (1) | US\$ 8.0 | Dec-08 |
| Short-Term (variable rate) (2) | Ps. 127.2 | May/Jun-07 |
| Bank Boston | Ps. 40.0 | Nov-07 |

(1) Does not include the variable part in Pesos of the financing which amounts to Ps. 3.9 million.

(2) Includes daily advances.

During the three-months period ended September 30, 2006, APSA made the last payment to Deutsche Bank relating to the debt restructuring of Mendoza Plaza Shopping. The outstanding balance at the beginning of the fiscal year of US\$3.0 million was repaid on August 1, 2006.

As regards the Ps. 50 million-syndicated loan obtained in fiscal year 2005, Alto Palermo S.A. repaid the third principal installment on October 5, 2006, for Ps. 12.5 million. The outstanding balance as of December 31, 2006 amounts to Ps. 12.5 million and this indebtedness accrues interest at the Encuesta rate + 3%.

As regards the Series I Convertible Notes for up to a nominal value of US\$50 million, on May 2, 2006 during an extraordinary meeting of noteholders a resolution was adopted to extend the maturity date to July 19, 2014. The aggregate outstanding amount is US\$47,227,934, whereas the amount of shares in the Company amounts to 782,064,214 and its capital stock to 78,206,421.

VI. Brief comment on prospects for the next quarter

The Company has embarked in a strong investment plan tending to increase future cash flow in all its business lines adding constant value for its shareholders.

Based on the favorable prospects offered by the real estate market, the expansion of the office business through the acquisition of Dock del Plata as well as through the transactions related to Edificio República, Edificio Bouchard Plaza, and Edificio Intercontinental Plaza, should be highlighted. Such acquisitions will imply an increase of more than 70% in the AAA office rental area, and thus the Company's market share in this segment will be 20%.

Furthermore, the Company continues to consolidate its significant position in the Shopping Center segment. Córdoba Shopping Villa Cabrera, the development of a shopping center in the Province of Neuquén and the development of Shopping General Paz have been added to the asset portfolio. The later shall be strategically located in the city of Buenos Aires and shall be the largest shopping center to be developed by the Company, exceeding Abasto Shopping, the largest shopping center that we own as of the date hereof. Furthermore, in order to constantly improve our portfolio, certain refurbishments are being conducted in order to change the image of almost all our shopping centers.

Based on the hotel activity development, which showed a significant growth during calendar year 2006, and the surprising tourist potential offered by Argentina, we have very favorable expectations in connection with this business sector.

Finally, and as a result of the renewed strategy adopted by the Company, we are analyzing several projects to be carried out in our land reserves taking advantage of any opportunity that might arise, as well as the incorporation of new plots at attractive rates adding value to our portfolio.

To face such investments, the Company resolved to finance part of the transactions through the issue of negociable obligations. In January 2007 the company issued Series 1 Notes for US\$150 million, which have been successfully placed both in terms of rate and number of offers received.

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Limited Review Report

To the Shareholders, President and Board of Directors of

IRSA Inversiones y Representaciones Sociedad Anónima

C.U.I.T.: 30-52532274-9

1. We have reviewed the balance sheet of IRSA Inversiones y Representaciones Sociedad Anónima at December 31, 2006, and the related statements of income, of changes in shareholders' equity and of cash flows for the six-month periods ended December 31, 2006 and 2005 and the supplementary notes 1 to 25 and exhibits A, C, D, E, F, G, H and I. Furthermore, we have reviewed the consolidated balance sheet of IRSA Inversiones y Representaciones Sociedad Anónima with its subsidiaries at December 31, 2006, and the consolidated statements of income and of cash flows for the six-month periods ended December 31, 2006 and 2005, which are presented as supplementary information. These financial statements are the responsibility of the Company's management.
2. We conducted our review in accordance with standards established by Technical Resolution No. 7 of the Argentine Federation of Professional Councils of Economic Sciences for limited reviews of financial statements. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
3. IRSA Inversiones y Representaciones Sociedad Anónima and its subsidiaries have a significant participation in Banco Hipotecario S.A. (the Entity), which is recorded at equity value at period-end. At December 31, 2006 the equity value was applied to provisional amounts since, at the date of issuance of this limited review report, the Entity had not completed the process for the issuance and approval of its financial statements. The limited review report of the external auditors on the financial statements of the Entity at September 30, 2006 dated November 8, 2006 states that the financial statements should be read considering the level of exposure of the Entity to the Public Sector. The participation of the Company in the Entity as a whole represents approximately 14% of basic assets and 9% of consolidated assets at December 31, 2006.
4. Based on our work and examinations of the financial statements of the Company and the consolidated financial statements for the years ended June 30, 2006 and 2005, on which we issued our unqualified report on September 8, 2006, we report that:
 - a) the financial statements of IRSA Inversiones y Representaciones Sociedad Anónima at December 31, 2006 and 2005 and its consolidated financial statements at those dates, set out in point 1, prepared in accordance with accounting standards prevailing in the Autonomous City of Buenos Aires, include all significant facts and circumstances of which we are aware and we have no observations to make on them.

Free translation from the original prepared in Spanish for publication in Argentina

Limited Review Report (Cont.)

- a) the financial statements of IRSA Inversiones y Representaciones Sociedad Anónima at December 31, 2006 and 2005 and its consolidated financial statements at those dates, set out in point 1, prepared in accordance with accounting standards prevailing in the Autonomous City of Buenos Aires, include all significant facts and circumstances of which we are aware and we have no observations to make on them.
- b) the comparative information included in the basic and consolidated balance sheets and the supplementary notes and exhibits to the attached financial statements arise from the Company's financial statements at June 30, 2006.
5. In accordance with current regulations we report that:
- a) the financial statements of IRSA Inversiones y Representaciones Sociedad Anónima and its consolidated financial statements are pending transcription into the Inventory and Balance Sheet book;
- b) the financial statements of IRSA Inversiones y Representaciones Sociedad Anónima arise from official accounting records carried in all formal respects in accordance with legal requirements; at the date of issue, those financial statements are being transcribed into the Journal;
- c) we have read the business highlights and the additional information to the notes to the financial statements required by sect. 68 of the Buenos Aires Stock Exchange Regulations, on which, as regards those matters that are within our competence, we have no observations to make; and
- d) at December 31, 2006, the debt accrued in favor of the Integrated Pension and Survivors Benefit System according to the accounting records amounted to thousands of Ps. 236, none of which was claimable at that date.
Autonomous City of Buenos Aires, February 9, 2007.

PRICE WATERHOUSE & Co. S.R.L.

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Andrés Suarez

Public Accountant (U.B.A.)

C.P.C.E.C.A.B.A. T° 245 F° 61

ABELOVICH, POLANO & ASOCIADOS

Dr. José Daniel Abelovich

Public Account (U.B.A.)

C.P.C.E.C.A.B.A. T° 102 F° 191

Professional Registration of the Firm

C.P.C.E.C.A.B.A. T° 1 F° 240

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Buenos Aires, Argentina.

IRSA Inversiones y Representaciones Sociedad Anónima

By: /S/ Saúl Zang

Name: Saúl Zang

Title: Vice Chairman of the Board of Directors

Dated: March 16, 2007