IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
August 14, 2007
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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 August, 2007

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant´s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F __T__ Form 40-F ______

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

Yes ______ No __T__

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IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is an English translation of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2007 and 2006.

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Inversiones y Representaciones

Sociedad Anónima

Business Overview and Financial Statements

Years ended June 30, 2007 and 2006.

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CORPORATE PROFILE

Incorporated under the laws of Argentina in 1943, IRSA Inversiones y Representaciones Sociedad Anónima (IRSA or The Company) is the biggest real estate company in Argentina and the only one whose shares are listed and traded on the *Bolsa de Comercio de Buenos Aires* (BCBA) and New York Stock Exchange.

We are one of Argentina s leading real estate companies. We are engaged directly or indirectly through subsidiaries, joint ventures and strategic alliances in a range of real estate activities in Argentina. Our principal activities consist of: (i) the acquisition, development and operation of office and other properties primarily for rental purposes; (ii) the acquisition, development and operation of shopping centers properties; (iii) the acquisition and development of residential properties primarily for sale; (iv) the acquisition and operation of luxury hotels; and (v) the acquisition of undeveloped parcels of land in strategic areas for future developments or sale. We hold an interest of 11.76% in Banco Hipotecario, one of the main financial organizations of the country.

Our principal executive office is located in Bolívar 108, Buenos Aires (C1066AAB), Argentina. Our headquarters are located in the Intercontinental Plaza Tower, Moreno 877, Buenos Aires (C1091AAQ). Our telephone is +54 (11) 4323-7400, our fax is +54 (11) 4323-7480 and our website is www.irsa.com.

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LETTER TO SHAREHOLDERS

To Shareholders:

Income for fiscal year 2007 was Ps. 107. 1 million that is 11% increase with respect to the previous year. After several years of sustained growth we have been able to consolidate the profits of all our business lines, placing us in an excellent position to start a new path for future growth. This situation is clearly shown in the uninterrupted growth of the EBITDA that increase 8.5% as related to the previous year. As a consequence of this improvement and as a part of our investment strategy we have completed certain acquisitions and developments in several Company segments.

Year 2006 concluded with an increase of the economic activity of 8.4% and a growth of 7.9% is awaited for year 2007. Consequently, the economy grew uninterruptedly during 49 months, exceeding by 17.9% the maximum levels of year 1998 and by 50.3% the floor of the year 2002 crisis. Future projections indicate a significant rhythm of economic expansion estimating that the income policy will continue being strongly expansive as there are no signs of deceleration of the key consumption variables. Also, salary and retirement increases are projected as well as higher consumption credits. Private consumption grew 8.2% during the year this being higher to the GDP increase.

On the other hand, the construction industry was one of the most important boosters of the economy as from year 2003 with growth rates that duplicated those of the GDP. Investments of the sector were 62% of the total gross investment of year 2006 and it is currently expanding at moderate rates with the higher level registered in July 2006. It is awaited that by the end of year 2007 the growth rate will be in line with the GDP, which is 7.5% approximately. We are optimistic as regards the industry projections as the sector continues a good growing level.

In respect of the shopping center segment, in line with our regional expansion strategy, we have acquired two real estates in the city of Cordoba the second most important city in the country. In July 2006 the acquisition of the Villa Cabrera Shopping Center was completed, this being a shopping center covering 35,000 square meters of surface area, including 106 shopping stores, 12 movie theatres and parking lot for 1,500 vehicles, placed in the Villa Cabrera quarter one of highest acquisition power districts in the city of Cordoba. In November 2006, we were awarded through a public bidding the building known as Edificio Ex-Escuela Gobernador Vicente de Olmos, covering 5,147 square meters of surface area on which a part of the Patio Olmos commercial center is placed with four commercial plants and two underground parking lots.

On the other hand, we have started developing a large new commercial center in the city of Buenos Aires that will be placed in the crossing of the General Paz Avenue and the Panamericana highway in the Saavedra district. This business will allow us to consolidate the market share we currently have in the city of Buenos Aires. The project includes the construction of a shopping mall, an hypermarket, several movie theatres and an office and/or residential building allowing us to capture people with a very good acquisition power living in the Northern area of Greater Buenos Aires. Panamerican Mall S.A. (PAMSA), a recently incorporated company in which our Alto Palermo S.A. (APSA) subsidiary holds 80% share, is in charge of developing this project.

The offices segment continues a significant recovery path. The consistent lack of locative offer and the increasing demand of the last year have put an upward pressure on the rental values. The class A and AAA office segment is placed on the market in vacancy levels under 4% and rental values of 30 US$/square meters and 35 US$/square meters[1], approximately, which are pre-crisis levels. We believe that this scenario is highly positive for the Company. In respect of the impact on the recovery of our profits, as these are mostly 36 months rental contracts, the effect will only show progressively during the coming fiscal years.

Also in this segment, important acquisitions were completed during the year. We have subscribed a purchase option for the Edificio República, one of the most emblematic in the city having been designed by the worldwide known architect César Pelli. This is a 20-storey building totaling a gross locative area of 19,800 square meters of class AAA offices. We have also acquired the Edificio Bouchard Plaza, which is known as Edificio La Nación, this also being a 20-storey class AAA office building covering a gross locative area of 33,324 square meters, located in Buenos Aires city downtown. In addition, we have purchased commercial stores and parking lots in the Edificio Dock del Plata a class AAA building covering a gross locative area of

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[1] Source: Richard Ellis

7,921 square meters located in the very exclusive area of Puerto Madero. With all these acquisitions, the Company´s rentable area of AAA and A offices has increased by 70% placing our share in this segment of the market in 20%.

In respect of our sales and real estate development business unit, in addition to our projects directed to the higher income segment, we have started focusing on other lesser income segments of the market. We believe that the salary adjustments and the improving situation of mortgage loans will tend to generate a larger access to the real estate property by such lesser income segments.

A lesser number of plots were bartered during the current year in respect of the previous one since our intention is to start our own new development by participating in a company that was incorporated for such purpose. The decision to keep the plots in our stock for their development was shown in lesser income and in the EBITDA of this business unit in year 2007. However, thanks to this decision it is awaited that a significant increase will occur in the results and EBITDA of future years. If we analyze the growth of EBITDA in total segments, excluding this business unit, the increase in respect of the previous year was 27.3%, which is much higher to 8.5% if we included. This would show the significant growth in the other segments that was not entirely shown in the global indicators due to the change of operating modality in the business unit.

During the year we have moved forward with the Torres Renoir project in Puerto Madero, which is a two tower building project aimed at a high income segment. The progress level of the first tower is 78% and 4.5% for the second one. We have continued developing the Caballito Nuevo project, a residential complex of two 34-storey buildings directed to a medium income segment.

Also during the current year we have acquired two adjacent buildings in the Vicente López district, our project being to develop a very important entrepreneurial real estate. We are currently beginning the construction of the show-room for the future marketing of the buildings.

In respect of the urbanization of the 70 hectares estate located 10 minutes far from the Government House, the first development stages have started. This project is being developed through our recently incorporated subsidiary Solares de Santa María S.A. (Solares), having a residential profile devoted to a mix of purposes, including offices, stores, hotels, sport and nautical clubs, supporting service areas such as schools, supermarkets, parking lots, etc. This project has been conceived as a new district in the city of Buenos Aires.

As regards the hotel market the demand continues the expansion trend pushed by tourism, which has generated an increase in the sector´s tariffs. Within such context, in the twelve months as of June 30, 2007 the average occupancy rate was 74% and the average rate was US$ 152, approximately. As there are possibilities that the growth potential of the sector will still increase, we have started remodeling the two Buenos Aires hotels. On the other hand, the expansion of the Hotel Llao Llao in the Argentine Patagonia is in an important stage of progress, the opening of the 42 suites on the Moreno Lake being estimated for the beginning of the next year.

With the purpose of financing the investments and developments referred to above, in February we issued Class I ten years Negotiable Bonds of IRSA in an amount of US$ 150 million and 8.5% annual rate to be paid biannually. The issue price was 100% of the nominal value and cut offer rates were received for up to three and a half times on the amount offered, which shows the strong investment community support to the Company´s business plan. In May 2007 we issued two other series of Negotiable Bonds through APSA in an amount of US$ 170 million. APSA´s Class I are for the issuance of US$ 120 million to be matured in 2017, accruing a fixed interest rate of 7.875% to be paid biannually, the capital to be fully paid at maturity. APSA´s Class II are for issuing Ps. 154 million (equivalent to US$ 50 million), to be matured in year 2012, accruing a fixed interest rate of 11% to be paid biannually, the capital to be cancelled in seven biannual, equal and consecutive installments as from year 2009.

This unquestionable favorable context is a highly significant time to plan and complete new projects. In this new stage our plan is to widen our investments in Latin America as we believe that the know-how we have been able to achieve during the last years and the access to the capital market will allow us to capture important business opportunities.

Undoubtedly, IRSA´s potential has been possible to attain only with the joint effort of our shareholders, creditors, directors, lessees, clients, vendors, employers and the community in general, all of these being

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protagonists of our current evolution. Consequently, I wish to express my gratitude for the permanent effort and compromise towards the organization.

Eduardo S. Elsztain

President

City of Buenos Aires, July 30, 2007.

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MACROECONOMIC CONTEXT

The Argentine economy

Subsequent to the strong progress shown during calendar year 2006, the economy activity continued its growing path during the current calendar year principally pushed by the internal expense and the favorable evolution of the price of commodities. In line with the current rates, it is estimated that during the second quarter of this calendar year the economy would have expanded slightly above 2% seasonally adjusted, accumulating 21 quarters of uninterrupted growth allowing the Gross Domestic Product to (GDP) be 20% above the maximum estimated prior to the crisis (8.3% in per capita terms).

The GDP increase in calendar year 2007 would be principally boosted by private consumption and the public consumption would increase at a rate higher than that of year 2006. The Gross Domestic Fixed Investment (GDFI) would continue growing above the economy average, although at a lesser speed than that of the last years, led by purchases of durable production equipment.

Taking these estimates into account and the statistical pull of 3.3 percent points of calendar year 2006, it is awaited that the economy will grow approximately 8% inter-annually by December of the current year. Consequently, we would be entering into the fifth consecutive year of economic growth, being the largest and strongest expansive stage since the 1964-1974 period.

During the current calendar year investment expense would be showing deceleration signs with respect to the previous years. Higher expense levels would be the consequence of higher investments both in the private and public sectors. In the first case, expectancies of a larger economic growth and profitability would stimulate all investment decisions. On the other hand, higher investments in infra-structure (focused on the delivery of electricity) and household plans would increase the share of the public sector in the GDFI

Specifically for the second quarter of the current calendar year 2007 the investment would have accelerated and expanded at a rate above 5% seasonally adjusted, that is higher to the last year average (3.3% seasonally adjusted). This increase would be principally boosted by purchases of durable production equipment, and construction expense would be relatively stable in the levels of the fourth quarter.

Consumption is still the principal booster of the economy growth along 2007, influenced both by larger expenses of families and of the public sector. The increase of the private consumption would relate to several issues, among which we would mention the increase of retirement payables and salaries within a context in which loans for consumption are growing at high rates.

In accordance with estimates of the Argentine Central Bank (BCRA), it is awaited that private consumption will increase 7% approximately during the year, this amount being slightly lesser to the rising of previous years, and would indicate that this issue keeps an outstanding dynamism and contributes with two-thirds of the product growth. These ratios would anticipate a good consumption behavior in family houses as regards wholesales, retailers and sale of vehicles, in a context in which personal loans continue showing higher growing rates.

The trade balance of goods and services would be surplus for the sixth consecutive year although it will continue it current declining trend. During the first six-months of calendar year 2007 imports measured at constant prices continued increasing in inter-annual terms at a higher rhythm than exports.

The boosting of imports resulted due to higher purchases of capital and intermediate goods, together with increases in all the other items in a context of de-accumulation of stocks.

In the absence of an international level moneylender and with the purpose of eradicating the external vulnerability that characterized our economy during the last decades, the BCRA continues with the policy of accumulating international reserves based on precautionary reasons (maintaining the nominal rate of exchange of Ps. 3,10 = US$ 1) and providing for a solvent and foreseeable scenario. Consequently, this policy allowed an historical record of international reserves in Argentina by exceeding the amount of US$ 37,380 million recorded in January 2001.

It is important to mention that the BCRA executes a monetary policy consistent with the balance between supply and demand in the monetary market, sterilizing a significant portion of the primary money generated by

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purchasing foreign exchange and placing LEGAC and NOBAC, concentrating swap operations and collecting re-discounts. Particularly during the six-month period ended June 30, 2007, the BCRA sterilized approximately 90% of the primary issue of money associated with the accumulation of international reserves.

Furthermore, the hoarding of reserves is not the simple reflection of external indebtedness but the opposite face of the external surplus in a fiscal surplus context. In this sense, the current account continues showing favorable results, estimating that by December 2007 six consecutive years of positive balances will be completed, which has not happened during the last four decades. During last year, the current account outcome was higher than in 2005 growing by US$ 8,000 million (3.8% of the GDP). For the current year, a surplus that in nominal terms would be similar to that of 2006 is estimated, principally pushed by the trade balance. Although during the second quarter of calendar year 2007 exports showed a temporary deceleration -principally due to the dispatch of certain primary products such as soy beans and copper benefiting- it is estimated that during the next months external sales will recover the previous upward trend and that total sales will be US$ 52,000 million, approximately.

On the other hand, the public accounts still have a positive performance, boosted by increasing tax collections that in part allow compensating the upward trend of the primary expense. For the rest of the year it is estimated that tax profits will continue expanding and collections would be above 24% of the GDP, and the outcome of the National Non-financial Public Sector (NNPS) would reach as of December 31, 2007 the primary surplus included in the National Budget. However, considering the estimated financial surplus up to the end of the calendar year and the new estimated issues of debt in foreign currency, the financing of the National Public Treasury (NPT) needs would not have difficulties during the current calendar year.

The positive evolution of activity levels is still accompanied by better labor and social variables. For the first quarter of calendar year 2006, unemployment was in line with the awaited increasing to 9.8%.

As of June 30, 2007 the Consumer Price Index of Greater Buenos Aires (CPI GBA) registered in June of the current year an inter-annual increase of 8.8%, and the Wholesale Internal Price Index (WIPI) of June 2007 registered a 1.9% increase with respect to the previous month and an inter-annual rise of 9.3%.

Under such context, the economic activity would continue moving upwards during the rest of year 2007, principally pushed by internal expense. Although during the second quarter the GDP would have grown at a lesser rhythm than the average of the current expansive cycle, in accordance with the BCRA projections it is estimated that it will accelerate during the third and fourth quarters. By the end of the calendar year the estimated average increase will be 8%, approximately.

Leading indicators

	2001	2002	2003	2004	2005	2006
GDP Actual growth (in %)	-4.4%	-10.9%	8.8%	9.0%	9.2%	8.5%
Inflation (combined prices) in % *	-1,7%	49.4%	16.0%	5.9%	9.1%	9.8%
Unemployment rate ***	20.5%	20.7%	14.5%	13.0%	10.1%	8.7%
Primary result (no privatizations) as % of GDP	0.5%	0.7%	2.3%	3.9%	3.7%	3.5%
Exportations FOB (Million US$)	26,610	25,710	29,565	34,550	40,107	46,569
Importations CIF (Million US$)	20,320	8,991	13,834	22,447	28,688	33,500
Commercial Balance (Million US$)	6,289	16,719	15,731	12,103	11,419	12,410
Payment Balance Account (Million US$) **	-3,291	8,673	7,659	3,349	5,705	8,053

Annual average *

Accrual criterion**

Country average (as percentage of E.A.P)***

Source: Estudio M.A. Broda y Asoc.

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The Construction Industry

On the basis of the INDEC´s last available data, the first quarter of calendar year 2007 registered an improvement in total consumption reaching record amounts both in the private (positive inter-annual variation of 8.2%) and public (positive variation of 6.4%) levels. It is awaited that private consumption will increase in 2007 approximately 7%, which would be slightly lesser to the rising registered during the previous years, and it would indicate that this component would keep an outstanding dynamism contributing with two thirds of the GDP´s growth. These rates would anticipate a good behavior of household consumption during the first quarter of the year, according to the evolution of wholesales, retailers and automotives, in a context in which personal loans have high grow rates.

The increase in retailer consumption was shown due to higher number of sales in Commercial Centers at constant prices. During June 2007 seasonally adjusted sales at constant prices in Commercial Centers had a positive inter-annual variation of 21.1% and total sales of the first six-month period of calendar year 2007 had an inter-annual variation of 27.3% with respect to the same period of the previous year.

Unemployment will go downwards in inter-annual terms, with the highest labor demand that would be in line with the economic activity expansion. Consequently, the downward trend noted since 2002 would extend along 2007 although the reduction would be lesser than the last years´. For the first quarter of calendar year 2007, the unemployment rate measured by the Permanent Survey of Households (PSH) prepared by the INDEC was 9.8% of the Working Population (WP), continuing the downward trend noted after the crisis.

During the first six-month period of calendar year 2007, the acquisition power of employees deflated by the Consumer Price Index of Greater Buenos Aires (CPI GBA) continued an upward trend at a similar rhythm to the one noted at the end of calendar year 2006 and slightly higher to the one expected. Salary increases would have occurred both due to the formal sector negotiations (principally at corporation level) and to a salary increase in the non-registered segment. For the remaining part of calendar year 2007, it is awaited that current salaries will increase for the fifth consecutive year, exceeding in the average the amounts received prior to the crisis but still persisting differences between the different segments of the labor market.

Prospects on the behavior of consumption and the performance of the Commercial Centers are strongly related to the course of the economy and the preference of tourists, which is based on the country´s commercial alternatives and the competitiveness of the nominal rate of exchange. In accordance with the consensus existing in the market in respect of the GDP evolution during calendar years 2006 and 2007, which will be higher to 8%, sales in the Commercial Centers will continue improving in the next year.

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OPERATIONS AND PRINCIPAL ACTIVITIES

We are one of Argentina s leading real estate companies. We are engaged directly or indirectly through subsidiaries, joint ventures and strategic alliances in a range of real estate activities in Argentina. Our principal activities consist of: (i) the acquisition, development and operation of office and other properties primarily for rental purposes; (ii) the acquisition, development and operation of shopping centers properties; (iii) the acquisition and development of residential properties primarily for sale; (iv) the acquisition and operation of luxury hotels; and (v) the acquisition of undeveloped parcels of land in strategic areas for future developments or sale. We hold an interest of 11.76% in Banco Hipotecario, one of the main financial organizations of the country. We are the only real state company in Argentina whose shares are listed and traded in the Bolsa de Comercio de Buenos Aires (BCBA) and New York Stock Exchange. (NYSE).

Our principal executive office is located in Bolívar 108, Buenos Aires (C1066AAB), Argentina. Our headquarters are located in the Intercontinental Plaza Tower, Moreno 877, Buenos Aires (C1091AAQ). Our telephone is +54 (11) 4323-7400, our fax is +54 (11) 4323-7480 and our website is www.irsa.com.

Commercial strategy

As one of the few companies in Argentina owning, developing and administrating real estate, we consider that we possess certain competitive advantages that we hope will allow us to continue gaining an increasing share of the real estate market in Argentina. Such advantages include:

- The experience of the Company and our managers in the acquisition, development, sale, rental and administration of top-quality properties.
- Our reputation and positioning as developers of comprehensive real-estate services in Argentina and other Latin American real estate markets;
- The quality of our portfolio of existing properties and undeveloped parcels of land.
- Our access to sources of long-term capital;
- Our strategy for maintaining a high level of liquidity, enabling better advantage to be taken of real estate opportunities when they arise in favorable terms, and
- The quality of our existing tenants and the high occupancy levels of our rental property portfolio, which allows us to rely on a major, stable source of liquidity for our cash flows.

We try to take advantage of our position as one of the only first tier companies in Argentina devoted to legal entitlement, development and administration of real estate. Our commercial strategy is to maximize our funds flow and appreciation of assets in the long term through a continuing expansion of our property portfolio by purchasing, developing and operating a diversified range of real estate assets. Our intention is to continue investing in corporations together with other developers and operators on a selective basis of projects and evaluating the purchase or disposition of investment buildings according the attractive opportunities.

Commercial Centers. In recent years the Argentine commercial center industry has taken advantage of the improvements in the macroeconomic conditions and in the expansion of consumer´s loans. We believe that this industry has highly attractive prospects for the long term growth considering, among other, the following issues: (i) the continue evolution of the consumer´s preference for commercial malls (over the small district shops), and (ii) the penetration attained in the market of commercial centers that we consider is low in comparison with other developed countries. We seek to improve our position in the Argentine commercial center industry by benefiting from the scale economies so as to improve our diversified portfolio operating margins as regards existing commercial centers. We intend to develop new buildings in strategic places of the city of Buenos Aires an in other important urban areas including the Argentine provinces, as well as in other places of Latin America.

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Residential Buildings. During the 2001 and 2002 Argentine economy crisis, a scarcity of mortgage financing slowed down the purchase of medium-class houses. Consequently, we have decided to focus on projects devoted to successful individuals who do not need financing the acquisition of their houses. We believe that there are attractive opportunities in the residential segment as construction costs remained in low levels and building values have recovered significantly. We intend to take advantage of this opportunity and of the improvements in high-ways and other transportation infrastructure both in the City of Buenos Aires and in the suburbs. Consequently, we will focus on the development of residential properties for medium and high-income individuals. In urban areas, we intend to buy under-developed properties in thickly populated areas and build apartment complexes offering green areas for developing recreational activities. In the suburbs we will develop residential communities by acquiring under-developed properties with easy access to the city of Buenos Aires, developing roads and other basic infrastructure as for instance the provision of electric energy and water resources. Later we will sell plots of land for building residential units.

Office buildings. During the 2001 and 2002 Argentine economy crisis, there were little investments in high category office buildings in the city of Buenos Aires. Consequently, we believe that there is a substantial demand for attractive office buildings. We will acquire, develop and operate first class office buildings in the main office areas of the city of Buenos Aires and in other strategic areas that, in our opinion, have an important return and potential for valuation of capital. We expect to continue focusing on attractive corporation tenants for our office buildings and we will consider any opportunity for acquiring buildings or constructing new buildings according to location and circumstances.

Hotels. We understand that our three luxury hotels portfolio is in good conditions to benefit from the increase of tourism and traveling to Argentina. We will continue with our strategy of investing in high-quality properties operated by international hotel companies known for having capitalized their operating experience and international standing. Our intention is to renew and expand the Hotel Llao Llao and to remodel the Hotel Sheraton Libertador.

Land reserves. We continue acquiring plots of land located both inside and outside Buenos Aires, which we consider attractive. In all these cases, the objective is to acquire land having potential for developing or valuation for sale. We believe that counting with attractive and underdeveloped plots of land increases our capacity for making long-term strategic investments and provide us with a strong base to develop new projects in the next years

International. In the past, we have made significant investments in real estate out of Argentina, including investments in Brazil Realty of Brazil and in the Real Estate Value Fund of Venezuela, in 2002 and 2001, respectively. Although we cannot assure that we will make investments in the future out of Argentina, we believe that Brazil and certain Latin American countries have good opportunities in the real estate business. We will continue evaluating new regional opportunities as long as they arise.

Description of operations

As of June 30, 2007, either directly or through our subsidiaries and joint ventures, we held important participations in a 58 buildings portfolio in Argentina mostly located in the City of Buenos Aires. The chart that follows shows certain information on our operations and real estate portfolio.

Consolidated Operating Income

	Years ended June 30,		
	2007 (1)	**2006**	**2005**
	(in thousands of Pesos)		
Office and others	19,626	12,076	13,768
Shopping centers	124,832	105,583	81,638
Sales and development (2)	6,177	44,518	21,132
Hotels	14,653	14,552	11,066
Credit cards	32,636	24,836	13,546
Financial operations and others	608	56	(39)
Total	**198,532**	**201,621**	**141,111**

(1) At June 30, 2007 includes Ps. 2.5 million gain from operations and holdings of real estate assets, net distributed as follows: Offices and others Ps. 1.8 million, Shopping centers Ps. 0.7 million, Sales and development Ps. -0.02 million.

(2) Also, in the current 2007 year, Results for valuation of inventories are included at the net realizable value for Ps. 20.7 million fully allocated to the business unit Sales and development.

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Consolidated Income by Geographical Zone

	Annual Income for fiscal years ended June 30, (1)		
	2007	2006	2005
	(in thousands of Pesos)		
Offices and other rental properties			
Buenos Aires City	55,032	29,918	19,402
Buenos Aires Province	651	647	29
Shopping Centers			
Buenos Aires City	407,294	281,119	192,400
Buenos Aires Province	31,249	25,151	19,149
Salta Province	6,635	5,243	3,829
Santa Fe Province	15,464	11,823	5,497
Mendoza Province	18,779	14,636	9,212
Córdoba Province	3,810		
Sales and Developments			
Buenos Aires City	74,536	99,949	27,278
Buenos Aires Province	1,124	3,942	5,033
Cordoba Province	91	75	
Hotels			
Buenos Aires City	74,601	64,607	53,784
Rio Negro Province	48,080	39,156	33,336
Mendoza Province			
Total Buenos Aires city	611,463	475,593	292,864
Total Buenos Aires Province	33,024	29,740	24,211
Total Rio Negro Province	48,080	39,156	33,336
Total Santa Fe Province	15,464	11,823	5,497
Total Salta Province	6,635	5,243	3,829
Total Córdoba Province	3,901	75	
Total Mendoza Province	18,779	14,636	9,212
TOTAL	**737,346**	**576,266**	**368,949**

(1) Shopping centers do not include incomes for sales and developments.

Offices and other rental properties

We are engaged in the acquisition, development and management of offices and other rental properties in Argentina. As of June 30, 2007, we, directly and indirectly, owned interests in 24 office and other rental properties in Argentina which comprised 234,321 square meters of gross leasable area. Of these properties, 17 were office properties which comprised 138,315 square meters of gross leasable area. For the fiscal year 2007, we had revenues from office and other rental properties of Ps. 55,683 million.

All our office rental property in Argentina are located in Buenos Aires City. All of these properties are rented to various different premium tenants. For the year ended June 30, 2007 the average occupancy rate for all our properties in the Offices and other rental property segment was approximately 97.37%. Seven different tenants accounted for approximately 26.75% of our monthly office rental and 28.91% of our total revenues for the fiscal year 2007 for the same concept. Our seven main office rental tenant are: Grupo Total Austral, Finterbusch Pickenhayn Sibille S.C. (KPMG), Microsoft Argentina S.A., Techint Cia. Tecnica Int. SACeI, Occidental Argentina , Exploration and Production Inc., Marval & O´Farrel and Cisco Systems Argentina S.A.

Administration and Management. We generally act as the managing agent of the office properties in which we own an interest. These interests consist primarily of the ownership of entire buildings or a substantial

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number of floors in a building. The buildings in which we own floors are generally managed pursuant to the terms of a condominium agreement that typically provides for control by a simple majority of the interests (based on the area owned) in the building. As the managing agent of operations, we are responsible for handling services, such as security, maintenance and housekeeping. These services are generally contracted to third party providers. The cost of the services are passed-through and paid for by the tenants, except in the case of our unrented units, in which case we absorb the cost. Our leasable space is marketed through commissioned brokers, the media and directly by us.

Leases. In general we rent our office and other properties on the basis of lease contracts running for terms of three years, and exceptionally, four years renewable for two or three additional years at the tenant s option. Contracts for the rental of property are generally stated in U.S. dollars, and in accordance with Argentine law they are not subject to inflation adjustment. Rental corresponding to the period renewed is negotiated at market value.

The following table sets forth certain information regarding our direct and indirect ownership interest in offices and other rental properties.

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 Annual Rental Income for fiscal years Ps./000 (4) 2007	2006	2005	Book Value Ps. /000 (5)
Offices									
Intercontinental Plaza (6)	11/18/97	22,535	100.00%	100.00%	1,115	10,977	5,436	5,289	94,992
Dock Del Plata	11/15/06	7,921	100.00%	100.00%	450	3,103	N/A	N/A	26,194
Libertador 498	12/20/95	10,533	100.00%	100.00%	651	6,3072	3,872	3,061	41,061
Maipú 1300	09/28/95	10,280	100.00%	100.00%	590	6,006	3,515	2,797	42,347
Laminar Plaza	03/25/99	6,521	100.00%	100.00%	416	4,631	3,059	2,346	29,187
Reconquista 823/41	11/12/93	5,016	100.00%	100.00%	173	1,139	N/A	N/A	19,093
Suipacha 652/64	11/22/91	11,453	100.00%	100.00%	188	1,398	1,055	621	12,292
Edificios Costeros	03/20/97	6,389	95.73%	100.00%	282	3,124	1,760	1,242	18,471
Costeros Dique IV	08/29/01	5,437	96.01%	100.00%	222	1,987	1,736	1,378	20,875
Bouchard 710	06/01/05	15,014	100.00%	100.00%	767	8,900	5,813	412	68,390
Bouchard 551	03/15/07	33,324	100.00%	100.00%	1,124	3,925	N/A	N/A	241,899
Madero 1020	12/21/95	215	100.00%	100.00%	8	97	78	47	1,694
Works in progress Dique IV (11)	12/02/97	N/A	N/A	100.00%	N/A	N/A	N/A	N/A	9,684
Others (7)	N/A	3,677	100.00%	N/A	110	1,289	1,041	804	10,826
Subtotal Offices		**138,315**	**99.36%**		**6,095**	**52,883**	**27,364**	**17,997**	**637,005**
Other rental properties									
Commercial properties (8)	**N/A**	642	83.00%	N/A	20	242	175	139	4,156
Thames (6)	11//01/97	33,191	100.00%	100.00%	51	607	607	580	3,899
Santa María del Plata	07/10/97	60,100	100.00%	100.00%	68	1,043	1,234	57	12,494
Other properties (9)	**N/A**	2,072	100.00%	N/A	5	168	106	124	2,610
Subtotal		**96,005**	**95.75%**	**N/A**	**144**	**2,060**	**2,122**	**900**	**23,159**
Related fees	N/A	N/A	N/A	N/A	N/A	740	1,079	534	N/A
TOTAL OFFICES AND OTHER (10)	**N/A**	**234,320**	**97.37%**	**N/A**	**6,239**	**55,683**	**30,565**	**19,431**	**660,164**

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 30/06/07 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.
(6) Through IBSA.
(7) Includes the following properties: Madero 942, Av. de Mayo 595, Av. Libertador 602, Rivadavia 2774, Dock 5 Puerto Madero and Sarmiento 517 (through Irsa)
(8) Includes the following properties: Constitución 1111, Alsina 934/44 (fully sold), Crucero I; Retail stores in Abril and Casona in Abril (through IRSA and IBSA).
(9) Includes the following properties: one unit in Alto Palermo Park (through IBSA) 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.
(11) Work in progress of a building of offices AAA in Puerto Madero.

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The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2007, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring	Square meters subject to expiring leases (sqm)	Percentage of total square meters subject to expiration (%)	Annual rental income under expiring leases (Ps.)	Percentage of total rental income under expiring leases (%)
2008	75	144,085	62%	20,056,180	27%
2009	52	37,736	16%	20,622,695	28%
2010	42	30,493	13%	20,072,355	27%
2011+	11	21,102	9%	13,892,432	18%
Total	**180**	**233,416**	**100%**	**74,643,662**	**100%**

Includes Offices which contract has not been renewed and vacant stores as of June 30, 2007.

Does not include vacant lease square meters.

The following table shows our offices occupancy percentage during fiscal years ended June 30, 2007, 2006 and 2005:

	Occupancy Percentage Fiscal year ended June 30, (1)		
	2007 (%)	2006 (%)	2005 (%)
Offices			
Intercontinental Plaza	100	100	96
Bouchard 710	100	100	100
Bouchard 557	100	N/A	N/A
Dock del Plata	100	N/A	N/A
Libertador 498	100	100	94
Maipu 1300	100	95	96
Laminar Plaza	100	100	95
Madero 1020	100	100	100
Reconquista 823/41	100	0	0
Suipacha 652/64	100	100	80
Edificios Costeros	96	95	100
Costeros Dock IV	96	100	100
Others (2)	100	100	100

(1) Leased square meters in accordance with lease agreements in effect as of June 30, 2007, 2006 and 2005 considering the total leassable office area for each year.

(2) Includes the following buildings: Madero 942, Av. De Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2007, 2006 and 2005:

	Annual average income per square meter		
	Fiscal year ended June 30, (1)		
	2007 (Ps/sqm)	2006 (Ps/sqm)	2005 (Ps/sqm)
Offices			
Intercontinental Plaza	487	299	293
Bouchard 710 (2)	623	387	27
Bouchard 557 (3)	118	N/A	N/A
Dock del Plata	392	N/A	N/A
Libertador 498	634	374	330
Maipu 1300	597	373	286
Laminar Plaza	710	479	379
Madero 1020	450	362	219
Suipacha 652/64	123	119	95
Reconquista 823/41	236		
Edificios Costeros	504	278	196
Costeros Dock IV	387	259	265
Others (4)	429	285	219

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(1) Calculated considering Annual Leases to total leassable office area, in accordance with our percentage of ownership in each building.
(2) Lease agreement beginning in the forth quarter of fiscal year 2005.
(3) Lease agreement beginning in the third quarter of fiscal year 2007, consequently income is for only three months.
(4) Includes the following buildings: Madero 942, Av. De Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

Set forth below you will find information regarding our principal currently owned office properties, including the names of the tenants occupying 5% or more of the gross leasable area of each property.

Intercontinental Plaza, Buenos Aires City. Intercontinental Plaza is a modern 24-storey building located next to the Intercontinental Hotel in the historic neighborhood of Monserrat in downtown Buenos Aires City. We own the entire building which has floor plates averaging 900 square meters and 324 parking spaces. The principal tenants currently include Total Austral S.A., Danone Argentina S.A., Occidental Argentina Exploration and Production Inc, IRSA, APSA (APSA s subsidiary Tarshop S.A.) and Cresud.

Bouchard 710, Buenos Aires City. Bouchard 710 is an office building acquired by the Company in June, 2005, located in the Retiro area close to the intersection of avenues Leandro Alem and Córdoba. The building is a 12-storey tower, with an average surface per plant of 1,251 square meters, with 180 units for car parking. Tenants are Unilever de Argentina S.A., Finterbusch Pickenhayn Sibille S.C. (KPMG), and Microsoft de Argentina S.A, which in addition rents the building poster for an annual amount of US$ 0.12 millions.

Bouchard 551, City of Buenos Aires. Bouchard 551 is a Class A office building acquired by the Company in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Cordoba avenues and the Plaza Roma. The building is a 23-storey tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. Principal lessees include La Nación S.A., Price Waterhouse & Co., AS. EM. S.R.L. and Techint Cía. Técnica Internacional S.A.C.e I.

Dock del Plata, City of Buenos Aires. Dock del Plata is a Class A office building acquired by the Company in November 2006, located in the Puerto Madero area at Alicia Moreau de Justo 400. The building is 4-storey high, with an average surface per plant of 1,500 square meters and parking lot for 309 units. The principal lessees are Veco S.A., Davila 380 S.A., Farmacity S.A., Rosso Alba, Francia y Ruiz Romero, Converse Argentina S.A., AT & T Communications Serv. S.R.L., MCO LEX S.R.L., Garfin Agropecuaria S.A., CA Argentina S.A. and Dell América Latina Corp.

Libertador 498, Buenos Aires City. Libertador 498 is a 27-storey office tower located at the intersection of Avenida 9 de Julio, Avenida del Libertador and Autopista Illia, three of the most important thoroughfares of Buenos Aires City, making it accessible from the north, west and south of the city. We own 17 floors with floor plates averaging 620 square meters and 281 parking spaces. The building has a singular cylindrical design and a highly visible circular neon billboard that makes it a landmark in the Buenos Aires skyline. The principal tenants in this building currently include MTV Networks Argentina S.R.L., Epson Argentina S.A., Cervecería y Maltería Quilmes, Yara Argentina S.A., Alfaro Abogados S.C., Julius Baer Financial Consultancy S.A., LG Electronics Argentina S.A., Eastman Chemical Argentina S.R.L., Allergan Productos Farmaceuticos S.A., and CTI PCS S.A. leases the billboard for an annual rent of US$ 0.13 millions through February 13, 2009; and APSA s subsidiary, Tarshop S.A..

Maipú 1300, Buenos Aires City. Maipú 1300 is a 23-storey office tower located on the San Martín Plaza, a prime office zone, on Avenida del Libertador, a major north-south thoroughfare. The building is also located within walking distance of the Retiro commuter train station, Buenos Aires most important public transportation hub, connecting rail, subway and bus transit. We own the entire building which has floor plates measuring 440 square meters on most floors and 53 parking spaces. The building s principal tenants currently include Allende & Brea, Carlson Wagonlint Travel Argentina S.A., and PPD Argentina S.A.

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Laminar Plaza, Buenos Aires City. Laminar Plaza is a 20-storey office building located in Catalina*s*, Buenos Aires City s most exclusive office district. The floors plates each measures 1,453 square meters, including common areas. We own the last 5 floors and 66 parking spaces. The main tenants, among others, are as follows: Cisco Systems, Telefónica Moviles de Argentina S.A., Chubb Argentina de Seguros S.A., Hewitt Associates S.A., Apache Petrolera Argentina S.A., Natural Energy S.A. and Bank Hapoalim B.M.

Madero 1020, Buenos Aires City. Madero 1020 is a 25-storey office tower located in the center of Catalinas, an important office area, with spectacular views of the Buenos Aires Port, the River Plate and the city s downtown area. As of June 30, 2007, we own a 215-square meter lockup.

Suipacha 652/64, Buenos Aires City. Suipacha 652/64 is a 7-storey office building located in the office district of the Buenos Aires City. We own the entire building and 70 parking spaces. The building has floor plates unusually large, measuring 1,580 square meters on most floors. This property underwent substantial renovations shortly after we acquired the deed in 1991 to prepare the building for rental. The building s principal tenants currently include Gameloft Argentina S.A., Monitor de Medios Publicitarios S.A, Organización de Servicios Director Empresarios (OSDE) and APSA s subsidiary, Tarshop S.A.

***Reconquista 823/41, Buenos Aires City*.** Reconquista 823/41 is a 15-storey office tower located in the Catalina*s* area. We own the entire building which is made up of three basements, space for 52 cars in the car parks, ground floor and 15 floors of office space. The building has floor plates averaging 540 square meters. The building´s principal tenants include Marval & O´Farrel and Tracker S.R.L.

Edificios Costeros, Dock II, Buenos Aires City. Costeros A and B are two four-storey buildings developed by us and located in the Puerto Madero area. We own the two buildings which have a gross leasable area of 6,389 square meters and 147 parking spaces. In September 1999 we completed their construction and in April 2000 began to market the office spaces. The main tenants of these properties are as follows: Leo Burnett Worldwide Invest. Inc., Reckitt Benchiser Argentina S.A., Martina Di Trento S.A., Loyalty Marketing Group S.A., Italcred S.A., Minera Agua Rica L.L.C. and Somos Tres S.R.L.

Edificios Costeros, Dock IV, Buenos Aires City. On August 29, 2001 we signed for the deed of purchase of Section C of the office complex known as Puerto del Centro that includes buildings 5 and 6 . The property is located in Pierina Daelessi street No. 340, over the East Side of Dock 4 of Puerto Madero and has approximately 5,500 square meters of gross leasable area and 50 parking spaces. The building s principal tenants currently include Nextel Argentina S.A., Consultora de Estudios Bonaerense S.R.L., London Suply S.A.C.I.F.I., Techint Cía. Técnica Intenacional S.A.C.I. and Trafigura Argentina S.A.

Other office properties

We also have interests in other office properties, all of which are located in Buenos Aires City. These properties are either entire buildings or portions of buildings, none of which contributed more than Ps. 0.8 million in annual rental income for fiscal year 2007. Among these properties are Madero 942, Libertador 602, Av. De Mayo 595, Rivadavia 2768 and Sarmiento 517.

Retail and other properties

Our portfolio of rental properties includes nine rental properties that are leased as street retail, a warehouse, two leased undeveloped parcels of land and various other uses. Most of these properties are located in the Buenos Aires City, although some are located in other cities in Argentina. These properties include Constitución 1111 and Edificio Crucero I and Abril commercial stores.

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Shopping centers

We are also engaged in purchasing, developing and managing shopping centers, through our subsidiary APSA. As of June 30, 2007, APSA operated and owned majority interests in ten shopping centers, five of which are located in Buenos Aires City. One shopping center is located in greater Buenos Aires and the rest inside the country in the cities of Salta, Rosario, Mendoza and Cordoba.

During year 2007, APSA acquired a 100% of Empalme S.A. shares, the latter being the owner of Córdoba Shopping, a shopping centre covering 35,000 square meters of surface area, having 160 commercial stores, 12 movie theatres and parking lot for 1,500 vehicles, located in the Villa Cabrera neighborhood of Córdoba City.

In addition to purchasing, developing and managing shopping centers, APSA owns an 80% interest in Tarshop, a limited purpose credit card company which originates credit card accounts to promote sales from APSA s tenants and other selected retailers.

APSA s shopping centers comprised a total of 224,138 square meters of gross leasable area (excluding certain space occupied by hypermarkets which are not APSA s tenants and the surface area of the Panamerican Mall that include several projects one of these being the construction of a commercial center), approximately the 58.9% of Ciudad de Buenos Aires gross leasable area and the 10.8% of Gran Buenos Aires gross leasable area. For the year ended June 30, 2007, the average occupancy rate of the shopping center portfolio was approximately 98.9%. For the fiscal year 2007, we had revenues from shopping centers of Ps. 272.1 million.

Management and administration. As a result of the acquisition of several shopping centers and of the corporate reorganization of APSA, we were able to reduce expenses by centralizing management of the shopping centers in APSA. APSA is responsible for providing common area electrical power, a main telephone switchboard, central air conditioning and other basic common area services.

As of June 30, 2007 we owned 62.48% of APSA and Parque Arauco S.A. (Parque Arauco) owned 29.5%. The remaining shares are held by the public and traded on the Bolsa de Comercio de Buenos Aires and on the Nasdaq Stock Market (USA).

Leases**.** APSA enters into lease contracts for terms between three to ten years, with most leases having terms of no more than five years. The typical contracting modality, in the majority of contracts, includes a monthly value assured generally stated in Argentine pesos, a review clause of such value every six-months, and a 7% increase annual and accumulative that in general has an effect as from month 13 of initiating the contract relationship. Generally, these contracts do not include renewal clauses. Tenants are generally charged the major value between a rent which consists of a base rent and a percentage which generally ranges between 4% and 12% of tenant s gross sales. Tenants are also required to pay for the direct expenses of their units, such as electricity, water, telephone and air conditioning, as well as their proportion of the common area expenses and the Promotion´s Fund (FPC).

In addition to rent, tenants are generally charged with an admission right paid upon entering into a lease and upon lease renewal. Admission right can be paid in a lump sum or in a small number of monthly installments. If the tenant pays in installments, it is the tenant s responsibility to pay for the balance of any such amount unpaid in the event the tenant terminates its lease prior to its expiration date.

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The following table shows certain information concerning our shopping centers:

Shopping center properties

	Date of Acquisition	Leaseable Area sqm (1)	APSA s Effective Interest (3)	Occupancy Rate (2)	Accumulated Annual Rental Income for the fiscal years Ps./000 (4) 2007	2006 (11)	2005	Book Value Ps. /000 (5)
Shopping Centers (6)								
Alto Palermo	12/23/97	18,210	100.0%	99.6%	57,345	47,730	37,888	175,517
Abasto de Buenos Aires	07/17/94	39,683	100.0%	97.0%	56,380	44,739	34,583	187,436
Alto Avellaneda	12/23/97	27,336	100.0%	95.0%	31,249	25,151	19,149	89,664
Paseo Alcorta	06/06/97	14,403	100.0%	99.0%	31,241	24,562	19,734	64,432
Patio Bullrich	10/01/98	10,978	100.0%	100.0%	25,368	21,425	17,819	103,137
Alto NOA Shopping	03/29/95	18,831	100.0%	100.0%	6,635	5,243	3,829	27,040
Buenos Aires Design	11/18/97	13,988	53.7%	100.0%	10,359	8,619	7,082	16,082
Alto Rosario	11/09/04	30,261	100.0%	93.4%	15,464	11,823	5,497	84,145
Mendoza Plaza Shopping	12/02/04	39,392	85.4%	95.9%	18,779	14,636	9,212	89,004
Cordoba Shopping Villa Cabrera	12/31/06	11,056	100.0%	99.0%	3,810	N/A	N/A	75,508
Panamerican Mall S.A. (12)	12/01/06	28,741	80.0%	N/A	N/A	N/A	N/A	167,606
Fibesa and others (7)	N/A	N/A	100.0%	N/A	13,636	34,459	10,734	N/A
Income from Tarjeta Shopping	N/A	N/A	80.0%	N/A	212,965	122,969	64,558	N/A
Neuquen (8)	07/06/99	N/A	94.6%	N/A	N/A	N/A	N/A	12,302
TOTAL (7)		**252,879**	**N/A**	**97.0%**	**483,231**	**361,356**	**230,085**	**1,091,873**

Notes:

(1) Total leaseable area in each property. Excludes common areas and parking spaces.
(2) Calculated dividing occupied square meters by leaseable area.
(3) Effective participation of APSA in each business unit. IRSA has a 62.48% in APSA.
(4) Represents the total consolidated leasings according to the RT21 method.
(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances if applicable.
(6) Through APSA.
(7) Includes revenues from Fibesa S.A. and Alto Invest S.A..
(8) Plot of land for developing a Commercial Center.
(9) The project includes the construction of a commercial center, an hypermarket, a movie theater complex and an office and/or dwelling building.
(10) Corresponds to the Shopping Centers business unit mentioned in Note 4 to the Consolidated Financial Statements. Includes profits for the Tarshop Credit Card.
(11) Includes Ps. 23.0 million resulting from the sale of the Alcorta Plaza lot as disclosed in Note 4 to IRSA s Consolidated Financial Statements, within the Sales and Developments segment.
(12) Meters represent only the land surface.

The following table shows a schedule of lease expirations for our shopping center properties in place as of June 30, 2007, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expiration as of June 30,	Number of Leases Expiring	Square Meters Subject to Expiring Leases (sqm)	Percentage of Total Square Meters Subject to Expiration (%)	Annual Base Rent Under Expiring Leases (1) (Ps.)	Percentage of Total Base Rent Under Expiring Leases (%)
2008(2)	703	134,815	63%	49,763,778	28%
2009	277	35,413	17%	66,336,108	38%
2010	96	17,564	8%	41,939,740	24%
2011+	25	25,290	12%	17,961,963	10%
Total	**1,101**	**213,082**	**100%**	**176,001,589**	**100%**

Notes:

(1) Includes only the basic rental income amount. Does not give effect to our ownership interest.

(2) Includes stores which contracts have not been renewed yet and vacant stores at June 30, 2007.

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The following table shows the average occupancy rate of each shopping center during fiscal years ended June 30, 2007, 2006 and 2005:

	Occupancy Rate		
	Fiscal year ended June 30,		
	2007 (%)	2006 (%)	2005 (%)
Abasto de Buenos Aires	97.0	99.9	100.0
Alto Palermo Shopping	99.6	100.0	100.0
Alto Avellaneda	95.0	96.6	99.1
Paseo Alcorta	99.0	99.2	99.7
Patio Bullrich	100.0	100.0	98.6
Alto Noa	100.0	100.0	99.5
Buenos Aires Design	100.0	100.0	96.8
Alto Rosario	93.4	100.0	98.0
Mendoza Plaza Shopping	95.9	97.8	95.5
Córdoba Shopping Villa Cabrera	99.0	N/A	N/A
Total Average	97.0	99.1	98.4

The next schedule shows the annual average income per square meter by shopping center during fiscal years ended June 30, 2007, 2006 and 2005:

	Annual average income per square meter		
	Fiscal year ended June 30,		
	2007 (Ps./sqm)	2006 (Ps./sqm)	2005 (Ps./sqm)
Abasto de Buenos Aires	1,273	903	706
Alto Palermo Shopping	2,925	2,029	1,667
Alto Avellaneda	1,100	1,014	788
Buenos Aires Design	634	541	425
Paseo Alcorta	2,074	1,533	1,196
Patio Bullrich	2,051	1,546	1,309
Alto Noa	344	468	334
Mendoza Plaza	456	626	463
Alto Rosario	485	418	329
Cordoba Shopping Villa Cabrera	115	N/A	N/A

Set forth below is information regarding our principal shopping centers.

Alto Palermo Shopping, Buenos Aires City, Alto Palermo Shopping is a 150-store shopping center that opened in 1990 and is located in the densely populated neighborhood of Palermo in Buenos Aires City. Alto Palermo Shopping is located at the intersection of Santa Fe and Coronel Díaz avenues, only a few minutes from downtown Buenos Aires City and has nearby access from the Bulne*s* subway station. Alto Palermo Shopping has a total constructed area of 64,672 square meters that consists of 18,210 square meters of gross leasable area. The shopping center has a food court with 21 restaurants. Alto Palermo Shopping Center is spread out over four levels and has a 647 car-parking lot. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps. 2,925 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Zara, Frávega, Garbarino, Just For Sport and Musimundo.

Alto Avellaneda, Avellaneda, Greater Buenos Aires, Alto Avellaneda is a 145-store shopping center that opened in October 1995 and is located in the highly populated neighborhood known as Avellaneda, on the

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southern border of Buenos Aires City. Alto Avellaneda has a total constructed area of 97,062 square meters that includes 27,336 square meters of gross leasable area. Alto Avellaneda includes several anchor stores, a six-screen multiplex movie theatre, a Wal-Mart superstore, an entertainment area, a bowling alley, a 16-restaurant food court and an outdoor parking lot. Wal-Mart purchased the space it now occupies. Tenants in this shopping center generated average estimated monthly retail sales of Ps. 1,100 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Frávega, Rodo, Bingo, Garbarino and Compumundo.

Paseo Alcorta, Buenos Aires City. Paseo Alcorta is a 113-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in Buenos Aires City, within a short drive from downtown Buenos Aires City. Paseo Alcorta has a total constructed area of approximately 54,670 square meters that consists of 14,403 square meters of gross leasable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 18 restaurant food court, a Carrefour hypermarket, and a free parking lot with approximately 1,500 spaces. Carrefour purchased the space it now occupies but it pays proportional expenses of the shopping center. Tenants in this shopping center generated average estimated monthly retail sales of Ps. 2,074 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Zara, Frávega, Musimundo, Kartun and Etiqueta Negra.

Abasto de Buenos Aires, Buenos Aires City, Abasto Shopping is a 171-store shopping center located in Buenos Aires City. Abasto Shopping is directly accessible from the Carlos Gardel subway station and is located six blocks from the Once railway terminal and a few blocks from the highway to Ezeiza International Airport. Abasto Shopping opened in November 1998. The principal building is a landmark building which during the period 1889 to 1984 operated as the primary fresh produce market for Buenos Aires City. The property was converted into a 115,905 square meter shopping center, with approximately 39,683 square meters of gross leasable area. Abasto Shopping is located across from Torres de Abasto residential apartment development. The shopping center includes a food court with 24 restaurants covering an area of 5,600 square meters, a 12-screen multiplex movie theatre, entertainment facilities and the Museo de los Niños Abasto , a museum for children. Abasto Shopping is spread out over five levels and has a 2,500-car parking lot. Tenants in Abasto have generated estimated average monthly sales of Ps. 1,273 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Zara, Hoyts Cinemas*,* Frávega, Hiper Rodo and Garbarino.

Patio Bullrich, Buenos Aires City, Patio Bullrich is a 83-store shopping center located in Recoleta, a popular tourist zone in Buenos Aires City a short distance from the Caesar Park and Four Seasons hotels. Patio Bullrich has a total constructed area of 29,106 square meters that consists of 10,978 square meters of gross leasable area. The four-storey shopping center includes a 14 restaurant food court, an entertainment area, a six-screen multiplex movie theatre and a parking lot with 228 spaces. Patio Bullrich is one of the highest income shopping center in Argentine, with estimated average monthly sales of Ps. 2,051 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Etiqueta Negra, Rapsodia, Chirstian Dior, Casa López and Rouge International.

***Alto Noa, Salta, Province of Salta*, **Alto Noa is a 84 store shopping center located in Salta City, the capital of the province of Salta. The shopping center consists of 40,248 square meters of total constructed area that consists of 18,831 square meters of gross leasable area and includes a 13-restaurant food court, a large entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. Tenants have generated estimated average monthly sales of Ps. 344 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Supermercado Norte, Frávega, Garbarino, Y.P.F. and Slots.

Buenos Aires Design, Buenos Aires City. Buenos Aires Design Center is a 61-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. APSA owns Buenos Aires Design through a 51% interest in Emprendimientos Recoleta, which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 31,672 square meters that consists of 13,988 square meters of gross leasable area. The shopping center has 6 restaurants, is divided into two floors and has a 178-car parking lot. Tenants in this shopping have generated estimated average monthly sales of Ps. 634 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Morph, Barugel Azulay, Garbarino, Hard Rock Café and Prima Fila.

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Alto Rosario, Santa Fé, Rosario City. Alto Rosario is a shopping center of 146 stores, located in Rosario City, Province of Santa Fe. The center has 53,928 sqm of fully covered surface, and 30,261 sqm of gross leasable area. It is a modern shopping inaugurated in November 2004, its influence area being the metropolitan scale. This center is devoted to clothing and entertainments. Includes a food patio with 18 stores, a children entertainment area, a 14 cinema complex and parking lot for almost 1,800 vehicles. Monthly average sales by tenants is estimated in Ps. 485 by square meter, for fiscal year ended June 30, 2007. Principal tenants are Frávega, Sport 78, McDonald´s, Compumundo and Red Megatone.

Mendoza Plaza, Mendoza, Province of Mendoza. Mendoza Plaza is a 148-store shopping center located in Mendoza City in the Province of Mendoza. It consists of 39,392 square meters of gross leasable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,515 square meters, the Chilean department store Falabella, a food court, with 23 stores, an entertainment center and a supermarket which is also a tenant. Tenants in this shopping have generated estimated average monthly sales of Ps. 456 per square meter for the fiscal year 2007. During the year 2005 a 68,8% interest was acquired to Pérez Cuesta, increasing up to 85,4%. Principal tenants currently include Falabella, Super Vea Plaza, Frávega, Garbarino and Red Megatone.

Córdoba Shopping, Villa Cabrera, Córdoba. Córdoba Shopping is a 106 shops commercial center located in Villa Cabrera, Province of Córdoba. It covers 11,056 square meters of gross locative area. The Córdoba Shopping has a movie theatre complex with 12 units covering a surface area of approximately 6,929 square meters, a food patio and an entertainment area. Monthly sales average of lessees is estimated in Ps 115 per square meter for the period ended June 30, 2007. Principal lessees are New Sport, Musimundo, Dexter, McDonald´s and Plenty.

Credit Cards

Tarjeta Shopping. Our subsidiary, Centros Comerciales APSA has a participation of 80% on Tarjeta Shopping SA, a non banking credit card issued by Tarshop, which is a limited purpose credit card company engaged in credit card operations and is not affiliated to any bank. Tarshop originates credit card accounts to encourage customers to purchase goods and services inside and outside our shopping centers. Tarjeta Shopping is currently accepted at all shopping malls and an extensive network of supermarkets and stores.

At June 30, 2007 Tarshop recorded total current assets of approximately Ps. 128.0 million and a net worth of Ps. 47.8 million. During the year ended June 30, 2007 total net revenues of Tarshop amounted to Ps. 212.9 million, representing approximately 44.1% of APSA s revenues for the period and recorded a net income of Ps. 19.0 million.

Tarshop S.A. has a consumption portfolio securitization program for assuring the long-term financing having direct access to the capital markets.

Under this securitization program, Tarshop S.A. assigned on June 30, 2007 a total amount of $ 597,7 million of credits receivable arising from the use of the credits cards of its clients and the granting of personal loans executed through promissory notes. For such purpose T.D.F. Series A were issued in the amount of $ 510 million, T.D.F. Series B for $ 35.9 million, C.P. Series C for $ 51.6 million and C.P. Series D in the amount of $ 0.2 million.

Competitors analysis

Offices and Other Real Estate Property for Lease

With respect to the office unit and other real estate property for lease, a vast number of our properties in Argentina are located in developed areas. There are great number of offices, shopping malls, retail and

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residential premises in the areas where each of our properties are located. The number of properties in a specific area may cause an adverse effect on our ability to rent or sell units and on the selling and leasing price of our real estate. Historically, only a few companies have competed with us in the purchase of offices or properties for development. This is an atomized market which, given the absence of major participants, we do not account for a challenging competitor. We own Santa María del Plata and Puerto Retiro, the only two undeveloped parcels of land overlooking the River Plate close to Buenos Aires City which have not been developed and where we do not have any competiors whatsoever. Likewise, in future, other companies, both national and foreign, shall be able to actively take part in the real estate purchase and development market of Argentina, as well as in the international markets wherein we may participate.

Commercial Centers

Also, among our main activities, are the purchase, development and administration of commercial centers, through our subsidiary company APSA. The number of commercial centers within a specific area may affect our ability to rent the gross locative area of our commercial centers as well as its price. We are convinced that, due to the limited availability of large pieces of real estate and the real estate restrictions in Buenos Aires City, it will not be easy for companies to compete with us for the commercial centers development areas. Our main competitor is Cencosud S.A., owner and operator of Unicenter Shopping Center and Jumbo Hypermarkets chain among others.

The following chart shows certain information relative to the most important owners and operators of commercial centers in Argentina:

Company	Shopping Center	Location (1)	Leasable gross area	Shops	% Over national leaseble area (2)	% Shop (2)
APSA						
	Alto Avellaneda (5)	GBA	49,604	152	3.77%	3.08%
	Abasto de Buenos Aires	CBA	39,683	171	3.01%	3.47%
	Mendoza Plaza Shopping (3)(5)	Mendoza	39,392	151	2.99%	3.06%
	Paseo Alcorta (5)	CBA	48,893	116	3.71%	2.35%
	Alto Palermo Shopping	CBA	18,210	150	1.38%	3.04%
	Buenos Aires Design (4)	CBA	13,988	61	1.06%	1.24%
	Patio Bullrich	CBA	10,978	83	0.83%	1.68%
	Alto Noa (5)	Salta	18,831	85	1.43%	1.72%
	Cordoba Shopping (5)	Cordoba	23,428	108	1.78%	2.19%
	Alto Rosario (5)	Rosario	40,415	143	3.07%	2.90%
Subtotal			**303,422**	**1,220**	**23.04%**	**24.72%**
Cencosud						
	Unicenter Shopping (5)	GBA	90,869	287	6.90%	5.82%
	Plaza Oeste Shopping (5)	GBA	38,720	138	2.94%	2.80%
	Quilmes Factory (5)	GBA	31,373	47	2.38%	0.95%
	Lomas center Shopping (5)	GBA	24,271	50	1.84%	1.01%
	San Martin Factory (5)	GBA	24,388	31	1.85%	0.63%
	Parque Brown Factory (5)	GBA	23,553	41	1.79%	0.83%
	Las Palmas del Pilar Shopping (5)	GBA	37,662	102	2.86%	2.07%
	Jumbo Palermo Centro Comercial (5)	CBA	22,763	46	1.73%	0.93%
	El Portal de la Patagonia (5)	Neuquén	21,700	45	1.65%	0.91%
	El Portal de Escobar (5)	GBA	18,886	24	1.43%	0.49%
	El Portal de los Andes (5)	Mendoza	22,962	40	1.74%	0.81%
	Portal de Madryn (5)	Chubut	0	0	0.00%	0.00%
	El Portal de Rosario (5)	Rosario	57,419	182	4.36%	3.69%
Subtotal			**414,566**	**1,033**	**31.48%**	**20.93%**
Other Operators						
Subtotal			**598,862**	**2,682**	**45.48%**	**54.35%**

Total	**1,316,850**	**4,935**	**100%**	**100%**

(1) GBA means Gran Buenos Aires and CBA means Ciudad de Buenos Aires.

(2) Percentage over total shopping centers in Argentina. Figures may not sum due to rounding.
(3) The effective interest of APSA in Mendoza Plaza Shopping is 85.4%.
(4) APSA has an effective interest of 51% in ERSA, company that operates the concession of this building.
(5) Includes total leassable area occupied by supermarkets and hypermarkets.
Source: Cámara Argentina de Shoppings Centers y APSA.

Sales and development properties; Undeveloped parcels of land

Residential development properties

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. Our developments of residential apartment complexes is related to construction of new high-rise towers or the conversion and renovation of existing structures such as factories and warehouses. In residential communities, we acquire vacant land, develop the infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. We may also develop or sell portions of land for others to develop complementary facilities such as areas for shopping in the area of the residential developments. In fiscal year 2007 revenues from the sales and developments segment reach de sum of Ps. 75.7 million, compared to Ps. 103.9 million in fiscal 2006. The local currency remained stable throughout the 2007 fiscal year; the real estate market was promoted by the increase in the demand for all types of properties, whether office buildings, housings, retail premises or other. Likewise, the current framework provides incentives for the development of projects linked to our real estate activity. Therefore, for 2008 fiscal year we expect not only the completion of projects already underway but also an analysis of new undertakings.

Construction and renovation works on our residential development properties is currently performed, under our supervision, by independent Argentine construction companies that are selected through a bidding process. We enter into turnkey contracts with the selected company for the construction of residential development properties pursuant to which the selected company agrees to build and deliver the development for a fixed price and at a fixed date. We are generally not responsible for any additional costs based upon the turnkey contract. All other aspects of the construction including architectural design are performed by third parties.

Another modality for the development of residential undertakings is the exchange of land for constructed meters. In this way, IRSA delivers undeveloped pieces of land and another firm is in charge of building the project. Eventually, IRSA receives finished square meters for commercialization, without taking part in the construction works.

Prior to the commencement of construction of a residential project, we conduct an advertising program that continues after the launching of the sales of the units. Latter the sales are realized by real estate companies. This exhibition has wide public appeal and has been a successful marketing tool for us.

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The following table shows certain information and gives an overview regarding our sales and development properties:

Sales and Development Properties

	Date of acquisition	Estimated Cost /Real Cost (Ps.000) (1)	Area intended for sale (sqm) (2)	Total Units or Lots (3)	IRSA s Effective Interest	Percentage constructed	Percentage sold (4)	Accumulated Sales (Ps. 000) (5)	Accumulated Sales as of June, 30 for fiscal years (6) (Ps. 000) 07´(Ps. 000)	06´(Ps. 000)	05´(Ps. 000)	Boo ´(Ps.
ntial ents												
ardín	07/18/96	56,579	32,339	490	100.00%	100.00%	97.40%	70,049			21	
le Abasto	07/17/94	74,810	35,630	545	62.36%	100.00%	100.00%	109,266			21	
s s	07/22/03	5,740	3,633	40	100.00%	100.00%	91.40%	18,414	8,383	10,031		
Chico	03/2003	12,171	2,891	20	100.00%	100.00%	85.20%	8,557	8,557			
ción	12/20/96	15,069	6,913	70	100.00%	100.00%	98.90%	11,626				
ermo	11/18/97	35,956	10,488	72	100.00%	100.00%	100.00%	47,920	390	63		
aballito 15)	11/03/97	22,815	6,833	118	100.00%	4.00%	0.00%					
Renoir	09/09/99	22,861	5,383	28	100.00%	78.26%	76.40%					
Renoir II	11/03/97	41,808	6,294	37	100.00%	4.50%	0.00%					
tial nts (10)		31,245	22,804	163	100.00%	100.00%	100.0%	48,532				
l ntial ents		**319,055**	**128,554**	**1,583**	**N/A**	**N/A**	**N/A**	**302,054**	**17,330**	**10,094**	**42**	
ntial unities												
aldovinos	01/03/95	130,955	1,408,905	1,273	100.00%	100.00%	95.50%	218,061	1,124	3,942	3,820	
lez (15)	11/18/97	20,544	989,423	110	100.00%	90.00%	100.00%	11,830				
elina I, II	05/26/92	4,742	75,970	219	100.00%	100.00%	98.90%	13,952				
elina IV y	12/17/97	2,450	58,373	181	100.00%	100.00%	100.00%	9,505				
tial nities					N/A	N/A	N/A					
l		**158,691**	**2,532,671**	**1,783**	**N/A**	**N/A**	**N/A**	**253,348**	**1,124**	**3,942**	**3,820**	
eserve												
Retiro (9)	05/18/97		82,051		50.00%	0.00%	0.00%					
o	11/03/97		20,968		100.00%	0.00%	40.10%	22,815		22,815		
aría del	07/10/97		675,952		90.00%	0.00%	10.00%	31,000	31,000			
la (11)	12/16/96		1,299,630		100.00%	0.00%	0.00%					

s Natal	07/27/05		4,320,000		55.93%	0.00%	0.00%	166	91	75	
es	07/07/98		1,925		67.67%	0.00%	100.00%	22,969		22,969	
Lopez	01/16/07		29,564		100.00%	0.00%	0.00%				
Land (12)			13,628,354		89.18%	0.00%	2.00%				
l Land s			**20,798,681**		**N/A**	**N/A**	**N/A**	**76,950**	**31,091**	**45,859**	
34	08/20/92	705	3,750	1	100.00%	100.00%	100.00%	11,745		1,833	
1020	12/21/95	16,008	5,056	8	100.00%	100.00%	100.00%	16,471			3,543
	09/09/99	25,836	10,474	3	100.00%	0.00%	100.00%	91,638	26,206	41,808	23,624
roperties		23,871	11,352	61	100.00%	80.00%	88.20%	30,310		430	1,282
l		**66,420**	**30,632**	**73**	**N/A**	**N/A**	**N/A**	**150,164**	**26,206**	**44,071**	**28,449**
L (14)		**544,166**	**23,490,538**	**3,439**	**N/A**	**N/A**	**N/A**	**782,516**	**75,751**	**103,966**	**32,311**

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.

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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, but excluding common areas). 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 activated interest of properties consolidated in portfolio at June 30, 2007, adjusted for inflation at 02/28/03.
8) Through APSA.
9) Through IBSA.
10) Includes the following properties: Dorrego 1916 through IRSA, Yerbal 855 and Arcos 2343 through Baldovinos (fully sold).
11) Directly through IRSA and indirectly through IBSA. Includes sale of Abril shares.
12) Includes the following land reserves: Torre Jardín IV, Padilla 902 and Terreno Pilar (through IRSA), Pontevedra, Mariano Acosta, Merlo, Intercontinental Plaza II (through IBSA) and Caballito, Torres Rosario and the Coto Project (through APSA).
13) Includes the following properties: Puerto Madero Dock XIII 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 receivables from swaps disclosed as Inventories in the Consolidated Financial Statements.

Apartment and loft buildings

In the apartment building market, we acquire undeveloped properties that are strategically located in densely populated areas of Buenos Aires City, particularly properties located next to shopping centers and hypermarkets or those that are to be constructed. We then develop multi-building high-rise complexes targeted towards the middle-income market which are equipped with modern comforts and services such as open green areas, swimming pools, sports and recreation facilities and 24-hour security. In the loft buildings market, our strategy is to acquire old buildings in disuse that are located in areas with a significant middle and upper-income population. The properties are then renovated into unfinished lofts allowing buyers the opportunity to design and decorate them to their preferences.

Prior fiscal years developed projects

Torres Jardín, Buenos Aires City. Torres Jardín is a residential complex located in the Buenos Aires neighborhood of Villa Crespo, five minutes from Abasto Shopping. The project originally included four 23-storey towers directed towards the middle-income market; however, we decided not to construct Torres Jardín IV and we estimate to agreed a barter transaction for its construction. Torres Jardín I, II and III have been completed and consist of 490 one, two and three bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2007 there is one apartment and 35 parking spaces pending sale.

Torres de Abasto, Buenos Aires City. Torres de Abasto is a 545-apartment residential complex developed through APSA and is located one block from Abasto Shopping. The project consists of three 28-storey buildings and one 10-storey building directed towards the middle-income market. The apartments were completed in May 1999. The complex has a swimming pool, a terrace, 24-hour security, four retail stores on the ground floor of one of the buildings and 331 underground parking spaces. As of June 30, 2004 100% of the complex was sold.

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Edificios Cruceros, City of Buenos Aires. Edificios Cruceros is a project located in the Puerto Madero area. This dwelling building covers 6,400 square meters of surface area of which 3,633 belong to the Company, and it is close to the Edificios Costeros office building. It is directed to the high-income segment and all its common areas have spectacular views to the river. This development was partially financed through the anticipated sale of its apartments. Works are 100% finished and as of June 30, 2007 more than 90% of the units had been sold.

Barrio Chico, San Martín de Tous , City of Buenos Aires. This is a unique Project located in Barrio Parque, the most exclusive residential area of the City of Buenos Aires. During May 2006 the successful marketing of this project was launched. The image of the product was previously developed with the name of Barrio Chico with advertisements in the most important media. As of June 30 2007 the project is finished and only 3 units are still to be sold.

Concepción Arenal 3000, Buenos Aires City. Concepción Arenal 3000 is a 70-loft residential property located in north-central Buenos Aires City. Each loft unit has a salable area of 86 square meters and a parking space. Lofts in this building are directed towards the middle-income market.

Alto Palermo Park, Buenos Aires City. Alto Palermo Park is one of two 34-storey apartment buildings located two blocks away from Alto Palermo Shopping in the exclusive neighborhood of Palermo. Apartments in the building are targeted towards the upper-income market. The building is also located next to its twin, Alto Palermo Plaza. The buildings are comprised of 3 and 4-room apartments with an average area of 158 square meters in the case of Alto Palermo Park and of 294,5 square meters, in the case of Alto Palermo Plaza and each unit includes an average of 18 and 29 square meter parking/storage space, respectively. These buildings were included in the assets we acquired from Pérez Companc S.A. As of June 30, 2007, 100% of Alto Palermo Plaza was sold and there was only one unit to be sold in the Alto Palermo Park.

Projects under development

Torre Caballito, City of Buenos Aires. On May 4, 2006 Koad S.A. (Koad) and the Company entered into a bartering contract for U$S 7,500 by which the Company transferred to Koad the possession of block 36 of the plot called Terrenos de Caballito for the construction to its exclusive charge, cost and responsibility of a building complex denominated Caballito Nuevo . As consideration, Koad paid the Company the amount of US$ 0.05 million and the balance of US$ 7.45 million will be cancelled by handing over 118 apartment units and 55 garages in a maximum term of 1,188 days. The final number of units to be received will depend from the effective date of delivery of such units by Koad, as it will have different discounts according to the term of delivery.

In addition, Koad imposed a mortgage rem right in first and privilege degree on the building subject to this transaction in favor of the Company in the amount of US$ 7.45 million and established two security insurances for US$ 2.0 million and US$ 0.05 million.

Torre Renoir, Dock III, City of Buenos Aires. To provide for the sustained increase in the demand for residential apartments in the Puerto Madero area, during fiscal year 2006 we have entered into bartering contracts allowing to start the construction of these two exclusive dwelling towers of 37 and 40-storey. In line with the boom of developments in the area, the market has great expectations on the project given its exceptional features. On September 30, 2006 due to the interest shown in this project, the marketing of Tower I was launched as the rate of progress was 78.3%. During fiscal year 2007 preliminary sales contracts were signed for 76.4% of the units available. In respect of Tower II works started and the percentage of work completed is 4.5%.

Dock IV, City of Buenos Aires. In this plot of land located in the Puerto Madero area an 8-storey Class AAA building is under construction. This is a building offering big and versatile offices. The alternatives for dividing the offices will allow to be occupied both by companies requiring 200 square meters of surface area and companies in the need of a complete plant. Works will commence during the fourth quarter of fiscal year 2007. According to the boom of the Puerto Madero area, a big commercial success is expected from this project.

Residential communities

In the residential communities market, we acquire extensive undeveloped properties located in suburban areas or neighborhoods near the big cities to develop private neighborhoods and country clubs in which to sell vacant lots for the construction of single family homes. In these properties we build streets and roads, we arrange for the provision of basic municipal services and amenities such as open spaces, sport facilities and security. We seek to capitalize on improvements in transportation and communication around Buenos Aires City, the growing suburbanization of the region and the shift of the population moving to countryside-type residential communities.

An important factor in the trend towards living in suburban areas has been the improvements and additions to the Panamericana highway, General Paz Avenue and Acceso Oeste highways which significantly reduce traveling time, encouraging a large number of families to move to the new residential neighborhoods. Furthermore, the improvement in public train, subway and bus transportation since their privatization also provides another factor that influences the trend to adopt this lifestyle.

As of June 30, 2007, our residential communities for the construction of single-family homes for sale in Argentina had a total of 62,990 square meters of salable area in the Abril, residential communities located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is one of our private residential communities. It is a 312-hectare property located near Hudson City, approximately 34 kilometers south of the City Buenos Aires, developed into a private residential community for the construction of single family homes directed towards the upper-middle-income market. The project includes 20 neighborhoods subdivided into 1,273 lots consisting of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000 square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center was concluded in 1999. The neighborhoods have been completed and as of June 30, 2007, 95.5% of the property was sold.

In March 2003, 40 lots pending with Pulte were sold for Ps. 3.2 million. The payment was made by returning 27 previously purchased lots, amounting to Ps. 2.8 million, and cancelling the balance of Ps. 0.5 million in cash.

Benavidez, Tigre. Benavidez is an undeveloped 98.9 hectare plot located in the area of Tigre, 35 kilometers north from downtown Buenos Aires. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US$ 3.98 million to Inversora Bolívar S.A., of which US$ 0,98 million were paid and the balance of US$ 3.0 million will be paid through the exchange of 110 residential plots already chosen and identified in the option contract signed in December 3, 2003.. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar S.A. on real property amounting to US$ 3.0 million in guarantee of compliance with the operation and delivered US$ 0.5 million 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 will be returned as follows: 50% of the outstanding balance at the time of certification of 50% of the progress of work and the remaining upon certification of 90% of work progress. Within this property, a closed quarter called El Encuentro is developed, with a direct access to highway 9 that facilitates the way into and out of the city. Considering the high price of the plots in the North of the Province of Buenos Aires, mostly in the place in which this enterprise is placed, we have great expectations for marketing the land through the bartering system. The launching of the sale of our units will be carried out at the beginning of fiscal year 2008. As of June 30, 2007, the work progress degree is 90%.

Undeveloped parcels of land

We have acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. We have acquired what we believe to be two of the largest and most important undeveloped river front parcels in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, we have benefited from the improvement of land values during periods of economic growth, As of June 30, 2007, our land reserve totaled 17 properties consisting of approximately 2,079 hectares (including Rosario, Caballito, Vicente Lopez and COTO air space owned by APSA).

Buenos Aires City

Solares de Santa Maria, City of Buenos Aires*,* (ex Santa María del Plata). Solares de Santa María is a 70 hectares property facing the Río de la Plata in the South of Puerto Madero, 10 minutes far from the National Government House. This is an urbanization project developed through our subsidiary Solares de Santa María S.A. (Solares), which has been recently incorporated. This project has a residential profile and mixed uses, it will have offices, stores, hotels, sport and nautical clubs, service areas with schools, supermarkets, parking lots, etc. It has been conceived as another quarter in the City of Buenos Aires.

The project submitted to the government authorities is the result of the proposals suggested by the advisors of the Urban Environmental Plan Council (COPUA) and contemplates de transfer of land devoted to public parks, main avenues to go over the quarter through public streets, assignment of all the plots close to the water for the public use, mainly the central area in front of the stores that could be used as future moorings. Thus the presence of the River in this point is recovered for all of the citizens.

In order to optimize and start this project -while all the required authorizations and approvals are provided by the Government of the City of Buenos Aires- the Company has made contacts with investors having international experience in this kind of real estate undertaking. To such extent, the ownership of 10% of the shareholding has been transferred to Mr. Israel Sutton Dabbah in commission belonging to the Sutton Group in the amount of US$ 10,600,000.

Puerto Retiro. Puerto Retiro is an 8.3 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the transportation hub Retiro to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in Buenos Aires City, Puerto Retiro may currently be utilized only for port activities. We have initiated negotiations with municipal authorities in order to rezone the area. Our plan is to develop a 360,000 square meter financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided. We own indirectly trough of our subsidiary Inversora Bolívar S.A. (Inversora Bolívar), the 50% in Puerto Retiro.

Caballito, Ferro Project. It is a property of approximately 25,539 square meters in the Buenos Aires city neighborhood of Caballito, one of the most densely populated in Buenos Aires City, which APSA purchased in October 1998.

This plot of land could be devoted to the construction of a commercial center covering 30,000 square meters, including and hypermarket. The authorization of the Government of the City of Buenos Aires is still to be obtained in order to develop the center in this estate. To date, the granting of this authorization cannot be guaranteed.

Terreno Figueroa Alcorta. With respect to the plot located in the Figueroa Alcorta avenue, in front of Paseo Alcorta On December 22, 2005, our subsidiary APSA subscribed a preliminary purchase contract with possession, by which APSA sold to RAGHSA S.A. the plot denominated Alcorta Plaza for a total price of US$ 7.7 million. The terms and conditions of payment agreed were determined in four installments of US$ 1.9 million, the first installment to be due at the date of the preliminary sales contract and the second one collected on March 30, 2006, date on which the final deed was signed and the two pending installments on March 30, 2007 an 2008, respectively.

Province of Buenos Aires

Pereiraola, Hudson. We own directly and indirectly through Inversora Bolivar S.A. (IBSA) an

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100% interest in Pereiraola S.A., a company, whose principal asset is a 130 hectare undeveloped property adjacent to Abril. We intend to use this property to develop a private community for the construction of single family homes targeted at the middle-income market. We have the Municipality permission. We have not yet established the costs and financing method for this proposed project.

Pilar. Pilar is a 74 hectare undeveloped land reserve property located close to Pilar City, 55 kilometers to the northwest of downtown of Buenos Aires City. The property is easily accessible due to its proximity to the Autopista del Norte. The Pilar area is one of the most rapidly developing areas of the country. We are considering several alternatives for this property including the development of a residential community or the sale of this property as it is and, therefore, we do not have a cost estimate nor a financing plan.

Vicente López, (Rummaala) Olivos, Provincia de Buenos Aires. On January 16, 2007, Patagonian Investment S.A. and Ritelco S.A. acquired 90% and 10%, respectively, of the total shares of the company named Rummaala S.A., the main asset of which is a plot of land located in Vicente Lopez, Province of Buenos Aires. As of June 30, 2007, the Company holds 100% of the ownership interest of Rummaala S.A. as a result of certain transactions performed with Patagonian Investment S.A. and Ritelco S.A. The purchase price was US$ 21.17 million, payable as follows: (i) US$4.25 million in cash and (ii) by delivering certain units of the building to be constructed in the land owned by Rummaala in the amount of US$ 16.92 million, within a 4-year term as from the approval date of the plans by the related authorities or when the facilities be vacated, whichever last occurs.

As security for compliance with the construction of the future building and transfer of the future units, the shares acquired were pledged.

Simultaneously with the former transaction, Rummaala acquired a plot of land adjacent to its own property in the amount of US$ 15.00 million, payable as follows: (i) US$ 0.50 million in cash; (ii) by delivering certain units of buildings Cruceros I and II owned by the Company in the amount of US$ 1.25 million and (iii) by delivering certain units of the building to be constructed in the land acquired in the amount of US$ 13.25 million, within a 40-month term considered as from the approval date of the plans by the related authorities or when the facilities be vacated, whichever last occurs.

Other undeveloped parcels of land

Our undeveloped parcels of land portfolio also includes eight undeveloped parcels of land properties located in Buenos Aires and its surrounding areas. These properties are projected for future developments of offices, shopping centers, apartment buildings and residential communities. The principal properties include Merlo, Pilar, Terreno Isla Sirgadero, Mariano Acosta and Pontevedra.

Other provinces

Torres Rosario Projct, City of Rosario, Province of Santa Fe. Our subsidiary APSA owns a plot of land covering approximately 50,000 square meters of surface area in the city of Rosario, in the place in which the Alto Rosario Shopping Center is located. A residential complex will be built in this plof of land.

Proyecto Neuquén, Provincia de Neuquén. On July 6, 1999 our subsidiary APSA acquired 94.6% of the shares of Shopping Neuquén S.A. 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.

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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 Decrees 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. The Company file an extraordinary appeal for the case to be sent to the Argentine Supreme Court, which to date has not been resolved.

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 March 28, 2007, the Company submitted the new project draft and the extension of the environmental impact survey to the Municipality of Neuquén. On May 10, 2007, the Municipality of Neuquén, before issuing an opinion on the feasibility of the draft project submitted, required certain explanations and made certain comments and recommendations so that the Company responds to such matter within a reasonable time. The Company is currently working in such sense to provide the due reply with the Municipality. In the meantime, the 30-day terms in which the Municipality should declare the feasibility of the new draft project and extension to the environmental impact study as provided by covenant three of the previously mentioned agreement has been suspended.

The previously mentioned agreement is conditioned upon the Municipality declaring the feasibility of the draft project submitted, and upon such decision being accepted by Shopping Neuquen S.A. in the terms and conditions in which it was issued, otherwise the agreement will terminate. In the meantime, the above-mentioned trial has been suspended.

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. 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.

Canteras Natal Crespo, Province of Córdoba. The first guidelines for development of this project are in process on the basis of the Master Plan of the Chilean architect firm called URBE. Also, preliminary presentations have been submitted to the Municipality of La Calera and to the Provincial Government.

This undertaking is characterized by an attractive and varied residential offer of land, dwelling areas of low and medium density, and commercial and social areas. Each one of the quarters will have a full service infra-structure and will be distinguished by the particularities of the land in the outstanding natural environment of the Sierras Chicas of the Province of Córdoba.

Canteras Natal Crespo S.A. is a company located in the Province of Córdoba that will have as main activity the urbanization of own or third parties plots of land, the so-called countries, lots for sale or rent, production of quarries, real estate business and construction of houses.

Hotels

At the end of the 1997 fiscal year, we acquired the Hotel Llao Llao, our first luxury hotel. Some months later, as part of the acquisition from Pérez Companc of the Old Alto Palermo, we acquired an indirect 50% interest in the Hotel Intercontinental in Buenos Aires which we own through our subsidiary Inversora Bolívar. In March 1998, we acquired the Hotel Libertador. During fiscal year 1999, we sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A.C, (Hoteles Sheraton de Argentina) and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton group. During the fiscal year 2007 we increased our share in IBSA by 100% and obtained and indirect share in the Hotel Intercontinental of 76.34%.

The following chart shows certain information regarding our luxury hotels:

Hotel	Date of Acquisi-tion	IRSA s Effective Interest %	Number of rooms	Average Occupancy % (1)	Avg. price per room Ps.(2)	Accumulated sales as of June 30 of fiscal years (Ps. 000) 2007	2006	2005	Book Value as of June, 30, 2006 (Ps. 000)
Intercontinental (3)	11/97	76	309	69.4%	413	45,263	39,305	33,228	61,404
Sheraton Libertador (4)	3/98	80	200	82.9%	336	29,338	25,302	20,556	40,950
Llao Llao (5)	6/97	50	158	71.8%	768	48,080	39,156	33,336	66,992
Terrenos Bariloche (5)	12/06	50	N/A			N/A	N/A	N/A	21,900
Total			**667**	**74.0%**	**469**	**122,681**	**103,763**	**87,120**	**191,246**

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

Hotel Intercontinental, Buenos Aires City. Hotel Intercontinental is located in the downtown Buenos Aires City neighborhood of Monserrat, adjacent to the Intercontinental Plaza office building. This property was also a part of the acquisition of Old Alto Palermo from Pérez Companc Group. The hotel s meeting facilities include eight meeting rooms, a convention center and a divisible 588 square meter ballroom. Other amenities include a restaurant, a business center, a spa and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms, alter having included during the year 3 rooms to become Junior Suites . The hotel is managed by the Intercontinental Hotels Corporation, a United States Corporation.

Hotel Sheraton Libertador, Buenos Aires City. Hotel Sheraton Libertador is located in downtown Buenos Aires City at the corner of the streets Córdoba and Maipú, one block from Galerías Pacífico. The

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hotel contains 193 rooms and 7 suites, eight meeting rooms, a restaurant, a business center, a spa and fitness facilities with a swimming pool. In March 1999, we sold 20% of our interest in the Sheraton Libertador Hotel for US$ 4.7 million to Hoteles Sheraton de Argentina. The hotel is managed by Sheraton Overseas Management Corporation, a United States Corporation.

The rooms, corridors, lounges and elevators of the hotel are currently being remodeled. The total amount of the investments is estimated in US$ 5.0 million and works are estimated to finish by the end of year 2008.

Hotel Llao Llao, San Carlos de Bariloche, Province of Río Negro. Hotel Llao Llao is located on the Llao Llao península, 25 kilometers from San Carlos de Bariloche City, and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993. The building has a total constructed surface area of 15,000 square meters and 158 rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, health club, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World and is currently being managed by Compañía de Servicios Hoteleros S.A. which manages the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires City.

A suit extension is currently being carried out in the hotel that will increase its capacity by 25%, totaling 200 rooms. The total amount of the estimated investment is US$ 12.7 million, including other improvements in the kitchen and laundry, and the construction of a new last tech purifying plant. As of June 30, 2007 the progress of the works is 70.68% and works are estimated to be completed by the first quarter of fiscal year 2008. The offer of rooms to the public is estimated for the months of November and December of the current calendar year.

Terreno Bariloche, El Rancho , San Carlos de Bariloche, Province of Río Negro. On December 14, 2006 through our subsidiary hotel operator Llao Llao Resorts S.A. we acquired land covering 129,533 square meters of surface area in the City of San Carlos de Bariloche in the Province of Río Negro. The total price of the operation was US$ 7.0 million, of which US$ 4.2 million were paid cash and the balance of US$ 2.8 million was financed by means of a mortgage to be paid in 36 monthly, equal and consecutive installments of US$ 0.086 million each. The land is in the border of the Lago Gutiérrez, close to the Hotel Llao Llao in an incredible natural environment and it has a large cottage covering 1,000 square meters of surface area designed by the architect Ezequiel Bustillo.

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SUBSEQUENT EVENTS

These events took place subsequent to June 30, 2007, the year end closing date.

Agreements for the acquisition of real estate

The Company entered into different agreements on July 3, 2007 for acquiring 50% of a building in the amount of US$ 54.0 million and paid US$ 15.8 million on such date. The acquisition is subject to the fulfillment of certain conditions that would occur in the future. These transactions will terminate at the time of signing the pertinent deed, which has been agreed to be carried out on the last week of August 2007.

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SUMMARY OF SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following table sets out a brief summary of our financial and operating information at June 30, 2007 and 2006 and for the fiscal years then ended. This information is derived from our audited consolidated financial statements and their corresponding notes (the Audited Consolidated Financial Statements). Since the information disclosed in the following table is a summary, it does not contain all the information disclosed in the Audited Consolidated Financial Statements including the corresponding notes.

	As of and for the Year Ended June 30, (1)	
	2007 Ps. (000)	2006 Ps. (000)
Revenues	738,756	577,680
Cost	(311,647)	(243,831)
Gross profit	427,109	333,849
Gain from recognition of inventories at net realizable value	20,737	9,063
Selling expenses	(113,709)	(60,105)
Administrative expenses	(141,427)	(96,427)
Subtotal	(234,399)	(147,469)
Net gain in credit card trust Tarjeta Shopping	3,254	2,625
Gain from operations and holdings of real estate assets	2,568	12,616
Operating income	198,532	201,621
Amortization of goodwill	(1,472)	(1,080)
Financial results generated by assets:		
Interest income	27,197	12,312
Interest on discount by assets	(41)	456
Gain on financial operations	54,116	13,724
Exchange gain	(4,893)	21,546
Subtotal	71,379	48,038
Financial results generated by liabilities:		
Interest on discount by liabilities	111	20
Exchange loss	(749)	(39,274)
Financial expenses	(66,642)	(50,165)
Subtotal	(67,280)	(89,419)
Financial results, net	4,099	(41,381)
Equity gain from related companies	40,026	41,657
Other income and expenses, net	(14,100)	(18,263)
Net Income before taxes and minority interest	227,085	182,554
Income tax and asset tax	(87,539)	(58,791)
Minority interest	(32,449)	(27,190)
Net income for the year	107,097	96,573
Basic net income per share	0.241	0.254
Basic net income per GDS	2.41	2.54
Diluted net income per share	0.203	0.228
Diluted net income per GDS	2.03	2.28

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	As of and for the year ended June 30, (1) 2007 Ps. (000)	2006 Ps. (000)
BALANCE SHEET DATA		
Cash and banks and current investments	856,707	233,438
Inventories	35,375	81,280
Mortgage and lease receivables, net	169,623	114,911
Current assets	1,175,790	481,788
Non-current investments	673,273	647,981
Fixed asset, net	2,027,311	1,413,212
Total assets	4,144,899	2,740,121
Short-term debt (2)	214,193	142,140
Total current liabilities	652,082	419,228
Long-term debt (3)	1,222,423	295,282
Total non-current liabilities	1,395,693	385,138
Shareholders equity	1,646,714	1,485,766
Other financial data		
EBITDA(4)	292,960	269,984
Depreciation and amortization(5)	96,996	80,979
Capital expenses (6)	671,849	122,734
Net cash provided by (used in):		
Operating activities	163,099	194,685
Investing activities	(519,423)	(136,567)
Financing activities	900,907	(36,767)

Notes:

(1) In thousands Pesos , except for information per share. Total amounts are not exact due to rounding.
(2) Includes short-term loans and the current portion of mortgage payable.
(3) Includes long-term loans, and the non-current portion of mortgages payable.
(4) EBITDA is net income less consolidated cost of sales, consolidated selling expenses, consolidated administrative expenses, consolidated intangible assets depreciation and losses derived from operations and holdings of real estate assets.
(5) Included in operating income.
(6) Includes the purchase of fixed assets and long-term investments.

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OPERATING AND FINANCIAL REVIEW AND OUTLOOK

The following analysis should be read together with our Consolidated Financial Statements and their notes. For the purposes of the following analysis, our reference to Consolidated Financial Statements relates to our audited consolidated financial statements and their notes corresponding to the fiscal years ended June 30, 2007 and 2006.

Variability of results

A principal source of our revenue is rentals income derived from leases of office, and retail properties and for sales of developed properties. Nevertheless, our historical revenues have varied from period to period depending upon the timeliness of sales of properties. No assurance can be given that our period to period results of operations will not continue to vary as a result of periodic property sales.

Consolidation

Our balance sheets, statements of income and cash flows for the years ended June 30, 2007 and 2006 have been consolidated line by line with the financial statements of our subsidiary companies according to the procedure established in Technical Resolution 21 of the Argentine Federation of Professional Councils in Economic Sciences as approved by the Professional Council in Economic Sciences of the City of Buenos Aires and the National Securities Commission. Balances and significant transactions with controlled companies have been eliminated in the consolidation.

Certain amounts in the financial statements as of June 30, 2006 were reclasiffied for disclosure on a comparative basis with those for the fiscal year ended June 30, 2007.

The 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 financial statements taken as a whole.

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

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Revenue recognition

We primarily derive our revenues from sales and development, domestic office and shopping center leases and services operations, hotel operations and from operations with credit cards. This section reflects our revenue recognition policies and those of our controlled and jointly-controlled subsidiaries.

Development and sale of properties. We generally enter into purchase and sale agreements with purchasers of units in our residential properties prior to the commencement of construction. Pursuant to this practice, we initiate our marketing and sales efforts on the basis of already-commissioned architectural designs and model units. As a general rule, purchasers pay a booking charge for the units and subsequently enter into fixed price purchase and sale agreements. The balance of the purchase price is due upon delivery of the constructed and completed unit.

Construction of such residential development properties is done pursuant to turn-key contracts with major Argentine and South American construction companies that provide for construction to be completed within a prescribed period and budget, subject to customary exceptions.

We record revenue from the sale of properties when all of the following criteria are met:

- the sale has been consummated;
- there is sufficient evidence of the buyer s initial capacity and commitment to pay for the property;
- our receivable is not subject to future subordination; and
- we have transferred to the buyer the risk of ownership, and do not have a continuing involvement in the property.

We use the percentage-of-completion method of accounting with respect to sales of development properties under construction effected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. We do 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 management to prepare budgeted costs (*i.e.,* the estimated costs of completion) in connection with sales of properties / units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Under this method of accounting, revenues for work completed may be recognized in the statement of income prior to the period in which actual cash proceeds from the sale are received. In this situation, a deferred asset is recorded. Alternatively, and as is more common for us, where property / unit purchasers pay us an advance down-payment and monthly cash installments prior to the commencement of construction, a liability is recorded. This is recorded as a customer advance in the financial statements.

Leases and services from office and other buildings. Leases with tenants are accounted for as operating leases. Tenants are charged a rent on a monthly basis. Rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the consolidated balance sheets.

Leases and services related with the operation of commercial centers. Leases signed with lessees are accounted for as operative income. Typically, lessees pay a rent that consists in the highest of: (i) a basic monthly rent (the Basic Rent) and (ii) a specific percentage of the lessees´ monthly gross sales (the Percentage Rent) that generally oscillates between 4% and 8% of the lessees´ gross sales.

Also, in line with the rental´s adjustment clause in most services contracts the Basic Rent of a lessee generally increases between 4% and 7% each year during the duration of the service contract. Minimum incomes for rentals are recorded according to the straight line method during the contract term. Some services contracts have clauses that establish rentals based on a percentage of sales or based on a percentage of the sales volume exceeding a specific limit. The Company determines the compliance with specific objectives and calculates the additional rental on a monthly basis as stipulated in the contract. Consequently, these contingent rentals are not accounted for until the required limits are exceeded.

Typically, the Company´s services contracts vary from 36 to 120 months. Law 24,808 provides that lessees can rescind the services contracts after the six initial months, by means of a 60 days written notice, subject to sanctions that vary from one to one and a half month of the rent if the lessee rescinds the contract during the first year, and one month of rent if the lessee rescinds the contract once the first year has elapsed.

In addition, the Company invoices on a monthly basis to the lessees the administration fees that are prorated among such lessees in accordance with the amounts included in the service contracts. These amounts vary according to the commercial center and are related to the administration and maintenance of the common areas and the administration of contributions by the lessees to finance operating promotion efforts with global commercial centers.

Administration fees are recorded monthly as they are accrued. In addition to the rent, the lessees are generally invoiced admission rights , which payment can be demanded to the lessees at the time of entering into the contract or at the time of renewal of the services contract. The admission right is generally paid in a global amount or in few monthly installments, and it is recorded in the statement accounts following the straight line method during the term of the respective services contract.

Operations with credit cards. Income generated by credit card operations include commissions, income for financing, charges to users for life and disability insurance and bank statements of account, among other. Commissions are accepted at the time of processing the dealer´s operations and the remaining operations at the time of accrual.

Hotel operations. We accept the incomes arising from room services, catering and restaurant installation as they are accrued at closing of each day´s operations.

Rental property depreciation

We compute depreciation using the straight-line method over an estimated useful life of each property, ten years for facilities, five years for furniture and other equipment and three years for computer equipment, all of which are judgmental determinations. These determinations may prove to be different than the actual life of the properties.

Operating costs and expenses

Allocation of profits for valuation of inventories at the net realization value.

Fully appropriated to the Sales and Developments segment.

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Allocation of selling expenses to business segments

Selling expenses related to the shopping centers, Credit cards and hotels segments are directly allocated to such segments because such business units are individually managed and clearly identifiable. The remaining selling expenses are allocated among the Sales and developments and offices and others segments, considering the business unit which originated them, excluding, if existing, those located in shopping centers, credit cards and hotels.

Allocation of administrative expenses to business segments

Administrative expenses related to our shopping centers, credit cards and hotel business segments are directly attributable to such segments because such business units are individually managed and are clearly identifiable. The remaining administrative expenses are allocated as follows:

(i) Administrative expenses without considering which originate them are 53.11% assigned to the Sales and development segment, and 46.89% to the Office and Others. Such percentages are calculated on the basis of operating assets and on revenues generated by each segment.

(ii) Administration expenses with Shopping center, Credit card and Hotels cost center are assigned directly to such segments.

Allocation of profits from our interest in the Tarjeta Shopping trust funds

This allocation of profits stems from the interest of APSA in the Tarjeta Shopping trust funds. These profits have been allocated to the Credit card segment.

Allocation of results from operations and the holding of real estate assets

These results are allocated to the segment that generates them.

Allocation of the goodwill amortization

They principally include the goodwill depreciations generated by the acquisition by APSA of its subsidiaries, of our own goodwill generated by the purchase of Alto Palermo S.A. and Palermo Invest S.A. shareholdings and the amortization of the higher value generated by the purchase of APSA´s Negotiable Bonds, which are allocated to the originating segment.

Allocation of other expenses and revenues to business segments

Financial results, net Includes interest income, interest on discounting of assets and liabilities, gain on financial operations, financial expenses, exchange gain (loss) and discounts allocable to each segment, as described below:

Gain on financial operations. Only income related to business units Shopping centers, Credit card and Hotels were segregated by segment, as in these cases each of them manages the financial surplus recorded. The remaining amounts are recognized under Financial and other operations as they are not directly related to any specific segment.

Interest income, interest on discounting of assets and liabilities and financial expenses. In the segments of Shopping Centers, Credit card and Hotels are directly allocated according who generate them. The remaining results are prorated among Sales and development, Office and others, Shopping center, Hotels, Credit card and Financial and other operations in proportion to the corresponding assets to each segment.

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***Exchange gain (loss) and discounts*.** In the case of Shopping centers, Credit card and Hotels, they are directly charged to the business units giving rise to them. The remaining items are recorded in Financial and other operations as they are not directly related to any segment.

***Gain on equity investments*.** It is allocated to the corresponding segments. Gain on equity investments carrying out activities not falling under any of our segments of activity are recorded under Financial and other operations.

Other income and expenses, net*.* Only the associates to business units, Commercial Centers, Credit Cards and Hotels are segregated by segment. The rest is charged to Financial Operations and other as they have no direct relationship with any segment in particular.

Income tax and assets tax. Applied to each pertinent income tax segment, except the assets tax that is prorated between Sales and developments, Office and other and Financial Operations.

Minority interest. This result is allocated among the segments of the company that generate it.

Business Segment Reporting

We have determined that our reportable segments are those that are based on internal reporting generated by the Company. Accordingly, we have six reportable segments. These segments are Development and Sale of properties, Office and other non-shopping center rental properties, Shopping centers, Hotel operations, Credit card and Others. As mentioned before, the consolidated statements of income were prepared in accordance with Technical Resolution No. 21 of the F.A.C.P.C.E.

A general description of each segment follows:

Development and sale of properties. This segment includes the operating results of our construction and ultimate sale of residential buildings business.

Offices and other non-shopping center rental properties. This segment includes the operating results of our lease and service revenues of office space and other non-retail building properties.

Shopping centers. This segment includes the operating results of our shopping centers principally comprised of lease and service revenues from tenants.

Credit card. This segment includes incomes from Credit card´s operations which consist in commissions, incomes from inflation and financing and charges to users for life insurance and disability and bank statements of accounts, among other.

*Hotel operations. T*his segment includes the operating results of our hotels principally comprised of room, catering and restaurant revenues.

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. This business segment also includes the results of its affiliates related to bank activities.

We measure our business units to be informed based on operating income. Inter-business units transactions, if any, are accounted for at current market prices. We evaluate performance of our business units and allocate resources based on operating income. We do not depend on an only client.

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The following tables show certain operating data by business activity:

As of June 30, 2007	Development and sale of properties	Office and Other non-shopping center rental properties (a)	Shopping Centers	Hotel operations	Credit card	Others	TOTAL
Sales	75,751	55,683	270,266	122,681	212,965	1,410	738,756
Costs	(57,823)	(16,699)	(91,112)	(68,960)	(76,251)	(802)	(311,647)
Gross profit	17,928	38,984	179,154	53,721	136,714	608	427,109
Income from valuation of inventories at net sale value	20,737						20,737
Selling Expenses	(12,846)	(4,376)	(22,346)	(12,175)	(61,966)		(113,709)
Administrative Expenses	(19,624)	(16,827)	(32,717)	(26,893)	(45,366)		(141,427)
Net gain in credit card trust Tarjeta Shopping					3,254		3,254
Gains from operations and holdings of real estate assets	(18)	1,845	741				2,568
Operating Income	6,177	19,626	124,832	14,653	32,636	608	198,532
Amortization of goodwill	286	1,044	(2,802)				(1,472)
Financial results, net	(7,088)	(6,256)	(28,190)	(5,268)	825	50,076	4,099
Equity gain (loss) from related companies	(491)		(818)	(412)		41,747	40,026
Other income and expenses, net			(6,382)	160	3,034	(10,912)	(14,100)
Income before taxes and minority interest	(1,116)	14,414	86,640	9,133	36,495	81,519	227,085
Income tax and assets tax	(11,786)	(1,987)	(40,798)	(3,102)	(15,455)	(14,411)	(87,539)
Minority interest	(4)	(326)	(22,000)	(1,400)	(8,719)		(32,449)
Net income for the year	(12,906)	12,101	23,842	4,631	12,321	67,108	107,097
Depreciation and amortization (b)	39	16,256	67,046	12,358	1,297		96,996
Operating assets	508,742	675,321	1,336,166	202,113	139,657		2,861,999
Non operating assets	30,516	24,662	39,073	6,318	18,771	1,163,560	1,282,900
Total assets	539,258	699,983	1,375,239	208,431	158,428	1,163,560	4,144,899
Operating liabilities	31,472	83,073	199,616	23,304	165,713		503,178
Non operating liabilities	278,615	247,763	734,370	153,117	44,722	86,010	1,544,597
Total liabilities	310,087	330,836	933,986	176,421	210,435	86,010	2,047,775

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

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As of June 30, 2006	Development and sale of properties	Office and Other non-shopping center rental properties (a)	Shopping Centers	Hotel operations	Credit card	Others	TOTAL
Sales	103,966	30,565	215,003	103,763	122,969	1,414	577,680
Costs	(54,200)	(8,987)	(77,382)	(57,971)	(43,933)	(1,358)	(243,831)
Gross profit	49,766	21,578	137,621	45,792	79,036	56	333,849
Income from valuation of inventories at net sale value	9,063						9,063
Selling Expenses	(1,797)	(1,020)	(15,700)	(10,688)	(30,900)		(60,105)
Administrative Expenses	(12,566)	(11,101)	(25,837)	(20,998)	(25,925)		(96,427)
Net gain in credit card trust Tarjeta Shopping					2,625		2,625
Gains from operations and holdings of real estate assets	52	2,619	9,499	446			12,616
Operating Income	44,518	12,076	105,583	14,552	24,836	56	201,621
Amortization of goodwill			(856)		(224)		(1,080)
Financial results, net	(5,629)	(4,788)	(23,273)	(1,935)	106	(5,862)	(41,381)
Equity gain (loss) from related companies			(1,599)	146		43,110	41,657
Other income and expenses, net			(9,636)	(415)	(125)	(8,087)	(18,263)
Income before taxes and minority interest	38,889	7,288	70,219	12,348	24,593	29,217	182,554
Income tax and assets tax	(2,053)	(2,451)	(40,220)	(3,852)	(8,238)	(1,977)	(58,791)
Minority interest		(1,077)	(14,582)	(4,157)	(7,374)		(27,190)
Net income for the year	36,836	3,760	15,417	4,339	8,981	27,240	96,573
Depreciation and amortization (b)	253	7,903	62,337	9,671	815		80,979
Operating assets	386,740	359,725	1,139,767	145,796	74,148		2,106,176
Non operating assets	49,624	46,158	18,536	13,310	10,665	495,662	633,945
Total assets	436,364	405,883	1,158,303	159,106	84,803	495,662	2,740,121
Operating liabilities	15,183	52,688	129,653	21,281	97,969		316,774
Non operating liabilities	81,414	72,126	243,303	59,030	13,272	18,447	487,592
Total liabilities	96,597	124,814	372,956	80,311	111,241	18,447	804,366

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

Result of the Operations for the fiscal years ended June 30, 2007 and 2006.

Income

Income increased by 27.9%, that is from Ps. 577.7 million in fiscal year 2006 to Ps. 738.8 million in fiscal year 2007, principally due to an increase in the income of our Credit Card, Commercial Centers, Office and other and Hotels segments.

Sales and developments

Income from Sales and developments segment decreased by 27.1% from Ps. 104.0 million in fiscal year 2006 to Ps. 75.8 million in fiscal year 2007. This business segment does not show recurrent income; consequently the comparison between periods may vary significantly in accordance with the projects that the Company is developing. The decrease of the incomes of this segment was principally due to: (i) the absence in fiscal year 2007 of the Ps. 104.0 million recognized during fiscal year 2006 principally arising from the following operations: 1) income for Ps. 41.8 million for the sale of plot Y, Dock III; 2) income for Ps. 23.0 million from the sale of Alcorta Plaza made by APSA that consisted of a plot placed close to the Paseo Alcorta commercial center; 3) income for Ps. 22.8 million for the sale of block 36 of the plot called Terrenos de Caballito ; and 4) income for Ps. 10.0 million for the sale of Edificios Cruceros units. This decrease was partially compensated by the income recognized during the current 2007 fiscal period, which are detailed as follows: (i) income for Ps. 31.0 million for the sale to third parties of 10% of the Santa María del Plata plot of land; (ii) income for Ps. 26.2 million arising from the sale of the San Martín de Tours units; (iii) income for Ps. 8.6 million arising from the sale of units in San Martín de Tours and (iv) income for Ps. 8.4 million originated in the sale of Edificios Cruceros units.

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Office and other

Income from our Office and other segment increased by 82.2% going from Ps. 30.6 million in fiscal year 2006 to Ps. 55.7 million in fiscal year 2007. This increase was principally due to the 93.3% increase in the income for rental of offices that went from Ps. 27.4 million in fiscal year 2006 to Ps. 52.9 million in fiscal year 2007. The evolution of the office income is due to: (i) 5.1% increase from 94% to 99.1% of the average occupation rates during fiscal year 2007 due to the inclusion of Dock del Plata and Bouchard 551 and the almost full occupation of Reconquista 823; (ii) 108.7% increase of the accumulated annual rentals arising from the price increases in the following buildings: Intercontinental Plaza Ps. 5.5 million, Bouchard 551 Ps. 3.9 million (no income during 2006), Bouchard 710 Ps. 3.1 million, Dock del Plata Ps. 3.1 million (no income during 2006), Maipú 1300 Ps. 2.5 million and Libertador 498 Ps. 2.4 million. The occupation rate of this segment increased by 0.5% from 96.9% in the year ended June 2006 to 97.4% during the year ended June 2007.

Commercial centers

Income from our Commercial center segments increased by 25.7% from Ps. 215.0 million in fiscal year 2006 to Ps. 270.3 million in fiscal year 2007. Such increase was principally due to and increase of Ps. 55.3 million of the income for rentals and admission rights as a consequence of: (i) 18% increase in the average price per square meter; and (ii) 24% increase in the total sales of our lessees, which increased from Ps. 2,273.3 million during fiscal year ended June 30, 2006 to Ps. 2,825.8 million during fiscal year ended June 30, 2007 resulting in larger income per percentage of rentals. The average occupation rate of our Commercial Centers was 98.9% in fiscal year 2007 that is slightly under the 99.1% of fiscal year 2006.

Hotels

Income from our hotel operations increased 18.2% from Ps. 103.8 million in fiscal year 2006 to Ps. 122.7 million in fiscal year 2007, principally due an increase of 23.7% in the average price per room in our hotels of Ps.379.0 in 2006 to Ps. 469.0 in 2007. On the other hand, the average occupation rates decreased to 74.0% during 2007 in comparison with 78.7% in fiscal year 2006. In comparison, versus the fiscal year 2006, during 2007 the income from the Hotel Llao Llao increased Ps. 8.9 million, income from the Hotel Intercontinental Ps. 6.0 million and income from the Hotel Sheraton Libertador increased Ps. 4.0 million.

Credit cards

Income from our Credit card operations recorded 73.2% increase passing from Ps. 123.0 million during fiscal year 2006 to Ps. 213.0 million during fiscal year 2007. Such increase resulted from the favorable macroeconomic conditions, the general increase in consumption and the continuing expansion of our services with an increase of 90.5% in sales with the shopping card and 49% increase in the number of stores adhered.

Financial operations and other operations

Income from our Financial Operations and other operations segment remained stable with respect to year 2006. Income included in this segment represents fees for services with no specific imputation to any of the prior segments.

Cost of sales, rentals and services

Our costs increased 27.8% from Ps. 243.8 million in fiscal year 2006 to Ps. 311.6 million in fiscal year 2007 showing an increase in costs of each business segment during fiscal year 2007, unless Financial operations and other operations. Total costs as percentage of income remained in 42.2% approximately, that is the same percentage that in the previous fiscal year.

Sales and developments

Costs related to Sales and developments increased 6.7% from Ps. 54.2 million in fiscal year 2006 to Ps. 57.8 million in fiscal year 2007. The increase in costs of this segment is principally due to the following: (i) Ps. 26.2 million related with the sale of plot 1.d Z of Dock III; (ii) Ps. 12.9 million related with the sale to third parties of 10% of the Santa María del Plata plot; (iii) Ps. 8.2 million related with the sale of San Martín de Tours units; (iv) Ps. 3.2 million related with the sale of Edificio Cruceros units and (v) Ps. 1.2 million in costs related with the sale of the estate located in the Saavedra district (previously acquired from Philips Argentina S.A.) to Panamerican Mall S.A. a company in which APSA has 80% share. All these operations were partially compensated due to the non-recurrence of: (i) Ps. 18.4 million in costs related with the sale of Alcorta Plaza (through APSA); (ii) Ps. 11.3 million of costs related with the sale of block 36 of the plot called Terrenos de Caballito ; (iii) Ps. 7.9 million of costs related with the sale of plot Y , Dock III; (iv) Ps. 8.8 million of costs related with the sale of Edificios Cruceros units; and (v) Ps. 1.4 million related with the sale of Alsina 934. Costs included in this segment as percentage of income increased from 52.1% in fiscal year 2006 to 76.3% in fiscal year 2007.

Office and other

The costs of the Office and other segment increased 85.5% from Ps. 9.0 million in fiscal year 2006 to Ps. 16.7 million in fiscal year 2007 principally due to the higher depreciation in such fiscal year as a result of having included new buildings for rental. The principal cost component in the office segment is the depreciation of buildings rented. Costs included in this segment as percentage of income increased from 29.4% during fiscal year 2006 to 30.0% in fiscal year 2007.

Commercial centers

Costs related with Commercial centers increased 17.7% from Ps. 77.4 million in fiscal year 2006 to Ps. 91.1 million in fiscal year 2007. This increase principally originated in: (i) increase in costs related with reforms and modifications in locative areas of Ps. 6.6 million; (ii) a higher depreciation and amortization charge of Ps. 4.7 million; and (iii) an increase in costs for not recovered expenses of Ps. 2.3 million. The cost of the Commercial center segment as percentage on the income of this same business unit reduced from 36.0% in the fiscal year ended June 30, 2006 to 33.7% during the fiscal year ended June 30, 2007.

Hotels

Costs of Hotel operations increased 19.0% from Ps. 58.0 million in fiscal year 2006 to Ps. 69.0 million in fiscal year 2007 principally due to increasing income. Higher costs of the Hotels segment are mainly due to an increase in the assets depreciation, Fees for commissions and services, Food and beverages and salaries and social security charges. Costs of Hotel Llao Llao increased Ps. 6.0 million, of Hotel Intercontinental Ps. 2.6 million and of Hotel Sheraton Libertador Ps. 2.4 million. Costs of hotel operations as percentage of income of this segment increased from 55.9% in fiscal year 2006 to 56.2% in fiscal year 2007.

Credit cards

The cost of the Credit cards segment increased 73.6% from Ps. 43.9 million during fiscal year ended June 30, 2006 to Ps. 76.3 million during fiscal year ended June 30, 2007. Increases were principally due to: (i) an increase of Ps. 11.0 million in the cost of salaries and social security charges; (ii) an increase of Ps. 9.8 million in expenses for interest and commissions; (iii) higher charges for taxes, rates, contributions and services of Ps. 5.7 million; and (iv) an increase in the charge for fees and services to third parties of Ps. 2.8 million as a result of the expansion of our operations.

The cost of Credit cards as percentage of income of such segment remained practically stable in 35.8% approximately, in both fiscal years due to the almost proportional increase of both items in the fiscal year ended June 30, 2007.

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Financial operations and other operations

The cost of the Financial operations and other operations segment decreased Ps. 0.6 million from Ps. 1.4 million in fiscal year 2006 to Ps. 0.8 million in fiscal year 2007. Costs included in this line represent expenses incurred in the rendering of services generated by income.

Gross income

As a result of the above, gross income increased 27.9% from Ps. 333.8 million in fiscal year 2006 to Ps. 427,1 million in fiscal year 2007.

Income for acceptance of inventories at their net realization value

This line was generated due to having valued at net realization value inventories in respect of which we received a purchase price or pre-payments for rentals that fix prices, and the contract conditions of the operations that establish the concretion of the sales an the profits. Under this criterion, during the current fiscal year Ps. 20.7 million were accepted and mainly applied to the following developments: Dock III - Plot 1.c for Ps. 18.4 million and San Martín de Tours for Ps. 1.5 million.

Marketing expenses

Marketing expenses increased 89.2% from Ps. 60.1 million in fiscal year 2006 to Ps. 113.7 million in fiscal year 2007 principally due to an increase in the marketing expenses of the Credit cards and Commercial centers segments of Ps. 31.1 million and Ps. 6.6 million, respectively. Marketing expenses as percentage of income increased from 10.4% in fiscal year 2006 to 15.4% in fiscal year 2007.

Sales and developments

Marketing expenses for sales and developments increased Ps. 11.0 million in fiscal year 2006 principally due the higher charge during the current year of the turnover tax paid, especially for the sales of Solares de Santa María. Marketing expenses for this business unit consist in commissions and expenses derived from sales, stamp tax and on gross sales (gross income).

Offices and other

Marketing expenses in respect of the Offices and other segment increased Ps. 3.4 million from Ps. 1.0 million in fiscal year 2006 to Ps. 4.4 million in fiscal year 2007 due to the higher charge for bad debtors of our subsidiary Inversora Bolívar for Ps. 1.9 million, and higher charges for turnover tax and real estate commissions.

Commercial centers

Marketing expenses related to Commercial centers increased 42.3% from Ps. 15.7 million in fiscal year 2006 to Ps. 22.3 million in fiscal year 2007 due to: (i) an increase of Ps. 2.0 million in the costs of salaries and social security charges; (ii) an increase of Ps. 1.4 million of the charge for turnover tax; and (iii) an increase in the charge for bad debtors of Ps. 1.2 million. Marketing expenses as a percentage of income of the same segment increased from 7.3% in the fiscal year ended June 30, 2006 to 8.3% in the fiscal year ended June 30, 2007.

Hotels

Marketing expenses related with the operation of Hotels increased 13.9% from Ps. 10.7 million in fiscal year 2006 to Ps. 12.2 million in fiscal year 2007 principally due to the an increase of Ps. 0.5 million of the turnover tax, Ps. 0.3 million in salaries and social security charges, Ps. 0.4 million in commission for tourism agencies due to an increase in the income of the segment in line with higher activity levels and Ps. 0.2 million for advertising.

Credit cards

Marketing expense of the Credit card segment increased 100.5% from Ps. 30.9 million in the fiscal year ended June 30, 2006 to Ps. 62.0 million in the fiscal year ended June 30, 2007 principally due to: (i) an increase of Ps. 11.7 million in advertising and prize expenses; (ii) an increase in the charge for bad debts of Ps. 11.8 million and (iii) a charge of Ps. 5.8 million in the turnover tax. Marketing expense of Credit cards as a percentage of the income of this segment increased 25.1% in the fiscal year ended June 30, 2006 and 29.1% in fiscal year ended June 30, 2007.

Administration expenses

Administration expenses increased 46.7% from Ps. 96.4 million in fiscal year 2006 to Ps. 141.4 million in fiscal year 2007 due to the increase in the Credit cards segment and in a lesser level to the increase in each one of the remaining activity levels. Principal issues of administration expenses are salaries and social security charges, fees to Directors, fees and remunerations for services and depreciation of fixed assets and amortization of intangible assets.

Sales and developments

Administration expenses of the Sales and developments segment increased 56.2% from Ps. 12.6 million in fiscal year 2006 to Ps. 19.6 million in fiscal year 2007 due to: (i) an increase of Ps. 4.5 million for salaries, bonds and social security charges, and (ii) an increase of bank expenses of Ps. 2.1 million. The administration expenses of Sales and developments as a percentage of the income of this segment increased from 12.1% in fiscal year 2006 to 25.9% in fiscal year 2007.

Offices and other

The administration expenses of the Offices and other segment increased 51.6% from 11.1 million in fiscal year 2006 to Ps. 16.8 million in fiscal year 2007. The increase is principally due to an increase of Ps. 4.0 million in salaries, bonds and social security charges and to an increase of Ps. 1.8 million in bank expenses. Administration expenses of Office and other as percentage of income in this segment decreased from 36.3% in fiscal year 2006 to 30.2% in fiscal year 2007.

Hotels

Administration expenses of our Hotels increased 28.1% from Ps. 21.0 million in fiscal year 2006 to Ps. 26.9 million in fiscal year 2007, principally due to: (i) an increase of Ps. 1.7 million in Hotel Continental mostly due to an increase of Ps. 0.6 million in salaries and social security charges, Ps. 0.5 million in commissions, Ps. 0.4 million in depreciation of fixed assets and Ps. 0.1 million in fees and services to third parties; (ii) an increase of Ps. 1.4 million in Hotel Sheraton Libertador principally due to an increase of Ps. 0.5 million in fees for services, Ps. 0.4 million in salaries and social security charges and Ps. 0.2 million en Miscellaneous and (iii) an increase of Ps. 2.8 million in the Hotel Llao Llao principally due to an increase of Ps. 1.7 million in salaries and social security charges, an increase of Ps. 0.5 million for fees for services and Ps. 0.4 million in taxes, rates and contributions. Administration expenses of Hotels as percentage of income arising from hotel operations increased from 20.2% in fiscal year 2006 to 21.9% in fiscal year 2007.

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Commercial centers

Administration expenses of our Commercial centers increased 26.6% from Ps. 25.8 million in fiscal year 2006 to Ps. 32.7 million in fiscal year 2007 principally due to (i) a higher charge in expenses for fees and third parties services of Ps. 3.7 million; (ii) an increase in the charge for fees to the board of directors of Ps. 2,0 million; (iii) an increase in expenses for taxes, rates and contributions of Ps. 1.3 million mostly due to the tax on banks debits and credits. Administration expenses of Rentals and Services as percentage of the income of this segment remained practically stable only increasing slightly from 12.0% in fiscal year ended June 30, 2006 to 12.1% in fiscal year ended June 30, 2007.

Credit cards

Administration expenses of the Credit cards segment increase from 75.0% from Ps. 25.9 million in fiscal year ended June 30, 2006 to Ps. 45.4 million in fiscal year ended June 30, 2007. The reason is principally due to: (i) a higher charge for salaries, compensations, social security charges and charges for personnel of Ps. 11.4 million, (ii) higher expenses for rentals, taxes, rates and contributions of Ps. 2.4 million and (iii) an increase in expenses for fees and third parties services of Ps. 3.0 million. Administration expenses of Credit cards as percentage of the income of this segment increased from 21.1% in the fiscal year ended June 30, 2006 to 21.3% during the fiscal year ended June 30, 2007 as a result of a higher proportional average of these expenses in respect of the income increase of this segment.

Net income for the participations in securitized accounts receivable

This income is the result of the participation of APSA in the Shopping Credit Card Trusts. This line increased 24.0% from Ps. 2.6 million in fiscal year 2006 to Ps. 3.3 million in fiscal year 2007 principally due to the new issuance of the credit cards trusts.

Income for the operations and holding of real estate assets

The operation and holding of real estate assets decreased 79.6% from an income of Ps. 12.6 million in fiscal year 2006 to an income of Ps. 2.6 million in fiscal year 2007 principally recorded in Suipacha 652 for Ps. 0.9 million, Avenida de Mayo 589 for Ps. 0.7 million and Ps. 0.7 million for real estate of APSA.

Operative income

Operative income decreased slightly from Ps. 201.6 million in fiscal year 2006 to Ps. 198.5 million in fiscal year 2007 mainly due to a decrease in the Sales and developments segment that was compensated by increases in the rest of the business units. The operative income as percentage of income decreased from 34.9% in fiscal year 2006 to 26.9% in fiscal year 2007.

Sales and developments

Operative income arising from the Sales and development segment decreased 86.1% from Ps. 44.5 million in fiscal year 2006 to Ps. 6.2 million in fiscal year 2007 mostly due to a decrease of 27.1 % in the income arising from this segment and partially compensated by increases of 6.7% in costs, 614.9% in marketing expenses and 56.2% in administration expenses. The operating result of this segment as percentage of the incomes of such business unit decreased from 42,8% during fiscal year ended June 30, 2006 to 8,2% during fiscal year ended June 30, 2007.

Offices and other

Operative income arising from the Office and other segment increased 62.5% from Ps. 12.1 million in fiscal year 2006 to Ps. 19.6 million in fiscal year 2007 mostly due to the 82.2% increase in the income of this segment together with increase of 85.5% in costs, 329.0% in marketing expenses and 51.6% in administration expenses. The operative result of this segment as percentage of the incomes of the business unit decreased from 39.5% during the fiscal year ended June 30, 2006 to 35.2% during the fiscal year ended June 30, 2007.

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Commercial centers

Operating income of Commercial centers increased 18.2% from Ps. 105.6 million in fiscal year 2006 to Ps. 124.8 million in fiscal year 2007 mostly due to an increase of 25.7% in the incomes of this segment that were partially compensated by increases of 17.7% in costs, 42.3% in marketing expenses and 26.6% in administration expenses. The operating result of this segment as percentage of income of the business unit decreased from 49,1% during fiscal year ended June 30, 2006 to 46.2% during fiscal year ended June 30, 2007.

Hotels

The operating income of Hotels increased 0.7% from Ps. 1.46 million in fiscal year 2006 to Ps. 14.7 million in fiscal year 2007 mostly due to an increase of 18.2% in incomes from this segment that were partially compensated by increases of 19.0% in costs, 13.9% in marketing expenses and 28.1% in administration expenses. The operative result of this segment as percentage of the income of the business unit decreased from 14.0% during fiscal year ended June 30, 2006 to 11.9% during fiscal year ended June 30, 2007.

Credit cards

Operative income of the Credit Card segment increased 31.4% from Ps. 24.8 million in fiscal year 2006 to Ps. 32.6 million in fiscal year 2007 mostly due to an increase of 73.2% in incomes of this segment that were partially compensated by increases of 73.6% in costs, 100.5% in marketing expenses and 75.0% in administration expenses. The operating result of this segment as percentage of the incomes in such business unit decreased from 20.2% during fiscal year ended June 30, 2006 to 15.3% during fiscal year ended June 30, 2007.

Financial operations and other operations

The operative income of the Operations and other operations segment increased Ps. 0.5 million from an income of Ps. 0.1 million in fiscal year 2006 to and income of Ps. 0.6 million in fiscal year 2007. Operating income of this segment as percentage of the incomes in such business unit increased from 4.0% in fiscal year 2006 to 43.1% in fiscal year 2007. This is the result of a decrease of 40.9% in the costs of this segment.

Amortization of the goodwill

The amortization of the goodwill includes: (i) the amortization of the goodwill of the following subsidiaries of APSA: Shopping Alto Palermo S.A., FIBESA, Tarshop, ERSA and Empalme and (ii) of our own negative goodwill generated by the purchase of APSA and Palermo Invest S.A. shares. The amortization of the goodwill increased 36.3% passing from a loss of Ps. 1.1 million in fiscal year 2006 to a loss of Ps. 1.5 million in fiscal year 2007, as a result of the incorporation during the current year of new negative goodwill values due to the purchase of 33.33% of Palermo Invest S.A. and 0.94% of APSA as mentioned in the precedent point (ii) and the amortization during the current fiscal year of the higher value generated by the purchase of the Negotiable Bond of APSA.

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Financial results, net

The financial results, net decreased from 109.9% from a loss of Ps. 41.4 million in fiscal year 2006 to an income of Ps. 4.1 million in fiscal year 2007. The principal causes that originated this variation were: (i) the increase of Ps. 40.4 million in Results of financial operations mainly due to an increase of Ps. 46.9 million originated by the FCI Quantum Dolphin; (ii) a positive exchange difference in respect of the previous year of Ps. 12.1 million due to a lesser depreciation during the current fiscal year of the Argentine peso versus the US dollar of 3.046/3.086 to 3.053/3.093 (0.2%) in respect of the variation recorded during the previous fiscal year 2.847/2.887 to 3.046/3.086 (6.9%); (iii) Ps. 9.9 million due to a higher result for interest gained of which Ps. 7.6 million were generated through APSA (principally placement of funds and other interest gained) and (iv) Ps. 16.5 million for higher expenses in financing principally due to the higher charge for interest paid as a result of the negotiable bonds issued by IRSA and APSA during the current fiscal year.

Equity gain from related companies

Our income on capital investments decreased by 3.9% from an income of Ps. 41.7 million in fiscal year 2006 to an income of Ps. 40.0 million in fiscal year 2007. This lesser income principally results from: (i) a decrease of Ps. 5.7 million in the income of Banco Hipotecario of Ps. 47.0 million to Ps. 41.3 million and (ii) an income of Ps. 4.0 million due to the absence during fiscal year ended June 30, 2007 of the adjustment for the transference of the management of Abril S.A.

Other income and expenses, net

Other income and expenses, net, decreased 22.8% going from net expenses of Ps. 18.3 million in fiscal year 2006 to net expenses of Ps. 14.1 million in fiscal year 2007 principally due to the effect of: (i) a decrease of Ps. 7.5 million in the allowance for uncollectible loans; (ii) an increase of Ps. 3.1 million for recovery of allowances, both issues being partially compensated by: (i) and increase of Ps. 4.5 million in charges for donations, and (ii) an increase of Ps. 2.7 million in contingencies for lawsuits.

Income before taxes and minority interest

As a result of the above mentioned issue, income before taxes and minority interest increased 24.4% passing for an income of Ps. 182.6 million in fiscal year 2006 to an income of Ps. 227.1 million in fiscal year 2007.

Income tax and assets tax

Income tax and assets tax increased 48.9% from Ps.58.8 million in fiscal year 2006 to Ps. 87.5 million in fiscal year 2007. The deferred tax method was applied to calculate the income tax for the two fiscal years recognizing the temporary differences in the accounting and in tax assets and liabilities. The variation of Ps. 28.7 millions was principally caused by the net impact of: (i) the increase of Ps. 23.6 million in the expense for income tax or IRSA from Ps. 4.0 million during fiscal year 2006 to Ps. 27.6 million during fiscal year 2007 due to the charge during the current year for deferred tax of Ps. 11.6 million mostly caused by the sale of Santa María del Plata; the allowance for income tax of the current fiscal year of Ps. 12.9 million mostly caused by the sale of BHSA shares and units of ownership of Quantum-Dolphin and, finally, the positive variation between both fiscal years of Ps. 1.0 million due to a lesser accounting amortization of the tax on minimum presumed income; (ii) an increase of Ps. 7.8 million in the expense for income tax of APSA of Ps. 48.5 million in fiscal year 2006 to Ps. 56.3 million in fiscal year 2007 and (iii) an increase in the expense for income tax of Nuevas Fronteras S.A. that during fiscal year 2007 was Ps. 0.5 million higher than the expense for fiscal year 2006.

Minority interest

The negative result caused by third parties´ participation in subsidiaries increased 19.3% from a loss of Ps. 27.2 million in fiscal year 2006 to a loss of Ps. 32.4 million in fiscal year 2007 as a consequence of an increase in the income accounts of corporations in which the Company has a minority interest (principally in the Commercial center and Credit cards segments).

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Net income

Due to the above-mentioned issues, net income increased 10.9% from a gain of Ps.96.6 million in year 2006 to an income of Ps. 107.1 million in fiscal year 2007.

IRSA s Debt

The following table describes our total outstanding debt as of June 30, 2007:

	Class	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	More than 4 years	Total (1)	Average annual interest rate %
		Maturity schedule (in million of pesos) (2)						
Bank and other debt								
Unsecured loans	Ps./US$	67.5	26.1	15.2			108.8	
Floating rate secured Negotiable Obligations - IRSA	US$	23.8	34.7	22.5			81.0	7.36
Secured loan - Hoteles Argentinos	US$	1.2	17.9				19.1	12.36
Negotiable Obligations - APSA (3)	US$	5.8	-0.8	-0.8	-0.8	417.7	421.1	7.875/10.00
Negotiable Obligations - APSA	Ps.	1.8	21.4	43.7	43.9	43.9	154.7	11.00
Negotiable Obligations - IRSA (4)	US$	74.2	-0.9	-0.9	-0.9	459.0	530.5	8.00 / 8.50
Debt related to purchase of subsidiaries	Ps./US$	22.4	15.5	9.3		52.1	99.3	
Total bank and other debt		**196.7**	**113.9**	**89.0**	**42.2**	**972.7**	**1,414.5**	
Mortgages payable								
Mortgages payable Bouchard 710	US$	14.7					14.7	8.50
Mortgages payable Terrenos Bariloche	US$	2.8	3.0	1.6			7.4	7.00
Total mortgages payable	US$	**17.5**	**3.0**	**1.6**			**22.1**	
Total debt		**214.2**	**116.9**	**90.6**	**42.2**	**972.7**	**1,436.6**	

(1) Figures may not sum due to rounding.
(2) Exchange rate as of June 30, 2007: US$ 1,00 = Ps. 3,093.
(3) Includes APSA s Convertible Negotiable Obligations issued at 10% annual fixed rate and Class I of APSA s Negotiable Obligations issue for US$ 120 million at 7.875% fixed rate.
(4) Includes IRSA s Convertible Negotiable Obligations issued at 8% annual fixed rate and IRSA´s Negotiable Obligations issue for US$ 150 million at 8.5% fixed rate.

Unsecured loan contract

On November 21, 2002 we completed a debt re-structuring with six financial creditors (Banca Nazionale del Lavoro, BankBoston, Banco Ciudad, HSBC, Banco Itaú and Banco Nación) of the unsecured loan contract of US$ 80.0 million and US$ 37.0 million of our floating rate Secured Negotiable Bonds. Related to this re-structuring we got into a re-structured unsecured bank debt of US$ 51.0 million of which as of June 30, 2007 US$ 16.1 million were outstanding. These loans accrue LIBO interest rate, three months added 200 basic points and are amortized quarterly until maturity in November 2009. This loan contract has a series of commitments that require us to comply with determined financial indices and other tests. The most restrictive financial commitments arising from these loan contracts and bonds require us to maintain:

An EBITDA consolidated ratio for the four most recent consecutive economic quarters in respect of consolidated financial disbursements of such period as a minimum of 1.0 /1.40;

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A maximum consolidated debt not exceeding the higher value between (i) US$ 222.9 million and (ii) 2.8 times the consolidated EBITDA of the four most recent consecutive economic quarters

Floating rate Secured Negotiable Obligations

In respect of our 2002 debt re-structuring we issued US$ 37.4 million Floating rate Secured Negotiable Obligations of which US$ 26.2 million were outstanding as of June 30, 2007. The Floating rate Secured Negotiable Obligations accrue LIBO interest rate, three months added 200 basic points and are amortized quarterly until maturity in November 2009. The Floating rate Secured Negotiable Obligations are guaranteed by a first grade mortgage on: (i) 13 units of our office building located in Libertador 498, (ii) 71 units in Laminar Plaza and (iii) 19 units in Dock IV. The Floating rate Secured Negotiable Obligations include the same financial commitments of maintenance as the unsecured loan contract.

Convertible Negotiable Obligations - IRSA

On November 21, 2002 we issued US$ 100.0 million Convertible Negotiable Obligations to be matured in November 2007. These bonds accrue 8% annual interest payable biannually. The conversion price is US$ 0.5450 per common share, which means that each Convertible Negotiable Obligation can be exchanged for 1.8347 common shares. In addition, each Convertible Negotiable Obligation contains adhered warrants that confer the option of acquiring 1.8347 shares in US$ 0.6541 each.

Since the date of issue up to June 30, 2007, holders of our Convertible Negotiable Obligations exercised their conversion rights in respect of a total of 81.1 million units with a face value of US$ 1 each, issuing 148.8 million common shares in a face value of Ps. 1 each. Also, as from the date of issue up to June 30, 2007, warrants issued were exercised in a total amount of US$ 56.8 million and in exchange 104.2 million shares were issued. We received funds in a total of US$ 68.1 million.

As of June 30, 2007 the amount outstanding of our Convertible Negotiable Obligations and warrants was US$ 18.9 million and US$ 43.2 million, respectively, and the amount of our shares outstanding was 464,969,156. As of June 30, 2007, our shares were negotiated at US$ 2.139 per shares. Consequently, if on June 30, 2007 the holders of Convertible Negotiable Obligations would have exercised their rights and sold the under-lying shares, they would have received for each convertible negotiable obligation US$ 3.924 approximately. Also, if on such date holders had exercised the warrants and sold their under-lying shares, they would have received other US$ 3.924 per share, paying the exercise price of US$ 1.2 per warrant. If all the holders of our Convertible Negotiable Obligations and warrants exercise their right of conversion and of exercise, the amount of our shares outstanding would increase to 578,971,665 and we would receive proceeds in cash of US$ 51.9, approximately.

Convertible Negotiable Obligations - APSA

On August 20, 2002 APSA issued US$ 50.0 million un-secured Convertible Negotiable Obligations (the Convertible Negotiable Obligations of APSA) in exchange for cash and the liquidation of determined liabilities owed to its shareholders. The Convertible Negotiable Obligations of APSA mature on July 19, 2014, according to the postponement of their maturity date resolved by the meeting of shareholders of Negotiable Obligations held on May 2, 2006. Such securities accrue interest payable biannually at a fixed annual rate of 10% and are convertible at any time at the option of the holder into common shares, face value of Ps. 0.10 per share. The conversion rate per US dollar is the lesser between 30.8642 and the result obtained by dividing the rate of exchange effective on the date of conversion by the face value of the common shares of APSA. As of June 30, 2007 as a result of the previous conversions, the amount of capital outstanding of the Convertible Negotiable Obligations of APSA amounted to US$ 47.2 million. In case the shareholders exercise their conversion rights, the common shares of APSA would increase from 782.0 million (Ps. 78.2 million) to 2,237.5 million (Ps. 223.7 million). As of June 30, 2007 we held US$ 31.7 million of Convertible Negotiable Obligations of APSA.

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Hoteles Argentinos

On March 23, 2005, Credit Suisse First Boston International acquired the debt for US$ 11.1 million of Hoteles Argentinos, which had been in non-compliance since January 2002. On April 21, 2006, Hoteles Argentinos reduced the capital amount payable to US$ 6.0 million through a pre-cancellation and the unpaid balance was re-structured so that maturity operates in March 2010 with the scheduled amortization payments as follows:

Date	Amount owed
March 15, 2008	Ps. 212,669
September 15, 2008	Ps. 225,429
March 15, 2009	Ps. 238,955
September 15, 2009	Ps. 253,292
March 15, 2010	Ps. 5,069,655

Interest is accrued on the unpaid capital of this loan under the LIBO rate to six-months plus 7.0%.

In addition, we entered into a swap contract of non-compliance credit with Credit Suisse International that, among other stipulations, guarantees the payment of the debt of Hoteles Argentinos and establishes that in case of an assumption of non-compliance we will acquire the loan. Together with the reform of the loan contract of Hoteles Argeninos, we modified the swap of non-compliance with Credit Suisse International. Consequently, we would only assume 80.0% of the debt of Hoteles Argentinos in case of non-compliance. The remaining 20.0% was assumed by Starwood Hotels and Resorts Worldwide Inc. (Starwood), an indirect minority shareholder of Hoteles Argentinos, which was also formalized through a swap of non-compliance credit. In order to guarantee the non-compliance of our obligations by virtue of the contract with Credit Suisse International, we made a deposit in guarantee of US$ 1.2 million.

The loan contract of Hoteles Argentinos establishes that Hoteles Argentinos cannot declare or pay dividends or make distributions of its shares, redeem, amortize, annul or acquire in any other form own shares o make distributions of assets, shares, warrants, rights, options, obligations or securities in favor of its shareholders, unless in an amount not higher to the less between: (x) the exceeding cash flow of Hoteles Argentinos for the previous year; or (y) its consolidated retained earnings and consolidated income and in this case only if, after giving pro-forma effect to such measure, there would not be a non-compliance or assumption of non-compliance as a consequence of same.

Issue of fixed rate Negotiable Obligations

In the context of the Global Program for Issuing Negotiable Obligations approved on October 31, 2006 by the Meeting of Shareholders, on February 2, 2007 we issued Class 1 Negotiable Obligations in an amount of US$ 150 million at an annual rate of 8.5% payable biannually and mature on February 2, 2017.

Class 1 for up to US$ 150 million was classified by Fitch Argentina Calificadora de Riesgo S.A. with classification A-(arg) at local level and B at international level. In addition, the risk classifier Standard & Poor´s granted the series an international classification of B+ and national classification raA+.

The fundamentals of these classifications are based on the strong competitive position of the Company, consolidating as a leader in the Argentine real estate market. On the other hand, the Company has moderate consolidated indebtedness levels in comparison with its strong base of assets that are shown in the quality and excellent localization of its properties´ portfolio. Finally, both classifiers consider that the funds resulting from the issue of the Negotiable Obligations will be applied to financing investment opportunities that will provide significant profits to the Company due to the positive evolution evidenced by the different business in which the Company participates, and in the favorable prospects for the real estate

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APSA Issuance of fixed rate Negotiable Obligations

On May 11, 2007, Alto Palermo S.A. issued two new series of notes in the total amount of US$ 170 million. Series I corresponds to the issuance of US$ 120 million becoming due on May 11, 2017, which accrue interest at a fixed rate of 7.875% payable semi-annually on May 11 and November 11 of each year as from November 11, 2007. Principal of this Serie will be fully settled at maturity. Series II corresponds to the issuance of Ps.154 million (equivalent to US$ 50 million). Principal will be settled in seven, equal and consecutive semi-annual installments as from June 11, 2009, which accrue interest at 11% per annum, maturing on June 11, and December 11 of each year as from December 11, 2007.

These issuances correspond to Classes 1 and 2 within the Global Program for Issuing Notes, having a face value of up to US$ 200,000,000 (the Program) authorized by the National Securities Commission Resolution No. 15614 dated April 19, 2007.

Agreements not included in the balance sheet

Currently there is no agreement not included in the balance sheet or any significant operations with non-consolidated entities that are not shown in our consolidated financial statements. All our participations and/or relationships with subsidiaries or jointly held companies are recorded in our consolidated balance sheets.

Transference of shares of Banco Hipotecario S.A.

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$ 1,54 million (equivalent to market value of US$ 4.57 per share). In the same date, the Company sold 2,305,122 shares of Banco Hipotecario S.A. to Buenos Aires Trade and Finance Center S.A. (at that moment a 100% subsidiary of IRSA) in the price of US$ 4.57 per share (market value), being the total amount of the transaction US$ 10.54 million (equivalent to Ps. 30.28 million).

The change of the nominal value of the Banco Hipotecario S.A. share from pesos 10 to pesos 1 became effective on February 15, 2007.

On June 15, 2007 the Company sold 26,410,150 shares of Banco Hipotecario S.A. to Inversora Bolivar S.A. in the price of Ps. 3.09 per share (market value) the amount of the transaction being Ps. 81.61 million

Inversora Bolivar should cancel the transaction in four-year term with an interest rate of 11% yearly.

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

As of June 30, 2007, total shareholding amounts to 176,410,150 shares.

Signing of shared service center contract with CRESUD SACIF and APSA

Considering that the Company, Cresud S.AC.I.F. y A. (Cresud) and APSA have operative areas with certain similar characteristics, the Board understands that it is convenient to implement alternative allowing to reduce certain fixed costs incurred in their activities so as to diminish their incidence on the operative results, benefiting and optimizing their individual efficiencies in the areas that conform the operative administration.

To such purpose, a pilot test was tested for a partial operative integration in the Human Resources, Finances, Institutional Relations, Administration, Systems, Insurances, Purchases, Contracts and Operations areas, among other that have shown the feasibility of implementing the above-mentioned project bearing specifically in mind that such project does not fit in the provisions of section 73 of the current Decree 677/01. Consequently, a third independent party (Deloitte Argentina) was requested to carry out a review on the definition of guidelines for liquidation and bases of distribution for its implementation. Recently, the Internal Audit and Management of Corporate Service have joined the project.

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Therefore, a Base Contract was subscribed for the Interchange of Corporative Services referred to the above-mentioned areas that relate jobs performed by one of more of the companies. Such jobs are firstly payable by means of a compensation due to a rendering of services of any of the areas, secondly in case of a difference between the value of the services rendered, in money, among the companies involved.

This Base Contract for the interchange of Corporative Services has an initial term of 24 months, to be automatically renewed for equal term unless rescinded by any of the parties by written note.

We would mention that notwithstanding such operation APSA, Cresud and the Company maintain full independence in their strategic and commercial decisions, being the distribution of costs and benefits made on basis of operative efficiency and equity, without pursuing individual economic benefits for their companies.

The implementation of this project does not difficult the proper identification of the pertinent economic transactions or services nor it harms the efficiency of the internal control system or the internal and external audit jobs of each company, or the possibility to show the transactions related to the Contract in line with Technical Resolution 21 of the Argentine Federation of Professional Councils in Economic Sciences.
Mr. Alejandro Gustavo Elsztain will be in charge of the general co-ordination of the project and Mr. Cedric Bridger will the have the individual responsible for the project.

Systems´ Migration Project

During the fiscal year 2007, we developed a systems´ migration project in order to integrate the different existing inter-phases and processes of the Company´s different areas. Such improvement provided a more flexible, efficient and agile organization to respond any business requirements, as well as higher competitiveness. Such integration strategy allowed automating, standardizing and formalizing all processes in order to align the Company with SEC´s requirements, particularly as regards the Sarbanes-Oxley legislation.

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MANAGEMENT AND ADMINISTRATION

Board of Directors

We are managed by a board of directors. Our by-laws lay down that the Board will be made up of a minimum of eight and a maximum of fourteen full directors and equal or less number of alternate directors. Directors are chosen by the vote of the majority of our shareholders in ordinary shareholders meeting for a three years-term and they can be chosen indefinitely.

Actually the board of directors is composed of thirteen directors and four alternate directors.

Alternate directors will be summon to exercise their functions in case of absence, vacancy or death of a full director up to a new director were designated.

The table sets below shows information about our directors and alternate directors:

Name	Date of birth	Occupation in IRSA	Date of current appointment	Term expiration	Current position held since
Eduardo S. Elsztain	01/26/1960	Chairman	2006	2009	1991
Saúl Zang	12/30/1945	Vice-Chairman 1°	2006	2009	1994
Alejandro G. Elsztain	03/31/1966	Vice-Chairman 2°	2004	2007	2001
Oscar P. Bergotto	06/19/1943	Full Director	2006	2009	1994
Fernando A. Elsztain	01/04/1961	Full Director	2005	2008	1999
Ricardo Esteves	05/25/1949	Full Director	2005	2008	2005
Cedric D. Bridger	11/09/1935	Full Director	2006	2009	2003
Marcos Fischman	04/09/1960	Full Director	2006	2009	2003
Fernando Barenboim	09/02/1960	Full Director	2004	2007	2004
Fernando Rubín	06/20/1966	Full Director	2004	2007	2004
Gary S. Gladstein	07/07/1944	Full Director	2004	2007	2004
Mario Blejer	06/11/1948	Full Director	2005	2008	2005
Mauricio Wior	10/23/1956	Full Director	2006	2009	2006
Salvador D. Bergel	04/17/1932	Alternate Director	2005	2008	1996
Juan C. Quintana Terán					