IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
November 27, 2018

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Condensed Interim Consolidated Financial Statements as of September 30, 2018 and for the three-month period ended as of that date, presented comparatively

Legal information

Denomination: IRSA Inversiones y Representaciones Sociedad Anónima.

Fiscal year N°: 76, beginning on July 1st, 2018.

Legal address: 108 Bolívar St., 1st floor, Autonomous City of Buenos Aires, Argentina.

Company activity: Real estate investment and development.

Date of registration of the by-laws in the Public Registry of Commerce: June 23, 1943.

Date of registration of last amendment of the by-laws in the Public Registry of Commerce: August 7, 2017.

Expiration of the Company's by-laws: April 5, 2043.

Registration number with the Superintendence: 213,036.

Capital: 578,676,460 shares.

Common Stock subscribed, issued and paid up (in millions of Ps.): 579.

Parent Company: Cresud Sociedad Anónima, Comercial, Inmobiliaria, Financiera y Agropecuaria (Cresud S.A.C.I.F. y A.).

Legal Address: 877 Moreno St., 23rd. floor, Autonomous City of Buenos Aires, Argentina.

Main activity: Real estate, agricultural, commercial and financial activities.

Direct and indirect interest of the Parent Company on the capital stock: 366,788,251 common shares.

Percentage of votes of the Parent Company (direct and indirect interest) on the shareholders' equity: 63.74% (1).

	CAPITAL STATUS	
Type of stock	Shares authorized for Public Offering (2)	Subscribed, issued and paid up (in millions of Pesos)
Common stock with a face value of Ps. 1 per share and entitled to 1 vote each	578,676,460	579

(1) For computation purposes, treasury shares have been subtracted.
(2) Company not included in the Optional Statutory System of Public Offer of Compulsory Acquisition.

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Glossary

The following are not technical definitions, but help the reader to understand certain terms used in the wording of the notes to the Group´s Financial Statements.

Terms	Definitions
BACS	Banco de Crédito y Securitización S.A.
BCRA	Central Bank of the Argentine Republic
BHSA	Banco Hipotecario S.A.
Cellcom	Cellcom Israel Ltd.
Clal	Clal Holdings Insurance Enterprises Ltd.
CNV	Securities Exchange Commission
CODM	Chief operating decision maker
CPF	Collective Promotion Funds
Condor	Condor Hospitality Trust Inc.
Cresud	Cresud S.A.C.I.F. y A.
DIC	Discount Investment Corporation Ltd.
ECLSA	E-Commerce Latina S.A.
Efanur	Efanur S.A.
Financial Statements	Unaudited Condensed Interim Consolidated Financial Statements
Annual Financial Statements	Consolidated Financial Statements as of June 30, 2018
HASA	Hoteles Argentinos S.A.
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDB Tourism	IDB Tourism (2009) Ltd
IDBD	IDB Development Corporation Ltd.
IFISA	Inversiones Financieras del Sur S.A.
IFRS	International Financial Reporting Standards
IRSA, The Company”, “Us”, “We”	IRSA Inversiones y Representaciones Sociedad Anónima
IRSA CP	IRSA Propiedades Comerciales S.A.
Israir	Israir Airlines & Tourism Ltd.
LRSA	La Rural S.A.
Metropolitan	Metropolitan 885 Third Avenue Leasehold LLC
MPIT	Minimum presumed income tax
NCN	Non-convertible Notes
New Lipstick	New Lipstick LLC
NFSA	Nuevas Fronteras S.A.
NIS	New Israeli Shekel
PBC	Property & Building Corporation Ltd.
PBEL	PBEL Real Estate LTD
Quality	Quality Invest S.A.
Shufersal	Shufersal Ltd.
Tarshop	Tarshop S.A.
Tyrus	Tyrus S.A.

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Condensed Interim Consolidated Statements of Financial Position
as of September 30, 2018 and June 30, 2017
(All amounts in millions, except otherwise indicated)
Free translation from the original prepared in Spanish for publication in Argentina

	Note	09.30.18	06.30.18
ASSETS			
Non-current assets			
Investment properties	8	225,746	162,726
Property, plant and equipment	9	19,402	13,403
Trading properties	10, 21	3,186	6,018
Intangible assets	11	17,400	12,297
Other assets		114	189
Investments in associates and joint ventures	7	34,122	24,650
Deferred income tax assets	18	406	380
Income tax and MPIT credit		415	415
Restricted assets	12	2,520	2,044
Trade and other receivables	13	11,637	8,142
Investments in financial assets	12	2,405	1,703
Financial assets held for sale	12	12,895	7,788
Total non-current assets		330,248	239,755
Current assets			
Trading properties	10, 21	3,705	3,232
Inventories	21	880	630
Restricted assets	12	6,493	4,245
Income tax and MPIT credit		496	399
Group of assets held for sale	27	8,922	5,192
Trade and other receivables	13	21,125	14,947
Investments in financial assets	12	35,345	25,503
Financial assets held for sale	12	10,772	4,466
Derivative financial instruments	12	89	87
Cash and cash equivalents	12	70,788	37,317
Total current assets		158,615	96,018
TOTAL ASSETS		488,863	335,773
SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the parent (according to corresponding statement)		50,716	37,421
Non-controlling interest		52,274	37,120
TOTAL SHAREHOLDERS' EQUITY		102,990	74,541
LIABILITIES			
Non-current liabilities			
Borrowings	16	263,765	181,046
Deferred income tax liabilities	18	33,312	26,197
Trade and other payables	15	2,138	3,484
Income tax and MPIT liabilities		27	-
Provisions	17	5,454	3,549
Employee benefits		159	110
Derivative financial instruments	12	61	24
Salaries and social security liabilities		94	66
Total non-current liabilities		305,010	214,476

Current liabilities			
Trade and other payables	15	16,729	14,617
Borrowings	16	53,363	25,587
Provisions	17	1,536	1,053
Group of liabilities held for sale	27	6,118	3,243
Salaries and social security liabilities		2,281	1,553
Income tax and MPIT liabilities		615	522
Derivative financial instruments	12	221	181
Total current liabilities		80,863	46,756
TOTAL LIABILITIES		385,873	261,232
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		488,863	335,773

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

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Eduardo S. Elsztain
President

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Condensed Interim Consolidated Statements of Income and Other Comprehensive Income
for the three-month periods ended September 30, 2018 and 2017
(All amounts in millions, except otherwise indicated)
Free translation from the original prepared in Spanish for publication in Argentina

		Three month	
	Note	09.30.18	09.30.17
Revenues	19	10,827	7,029
Costs	20, 21	(6,519)	(3,912)
Gross profit		4,308	3,117
Net gain from fair value adjustment of investment properties	8	16,012	3,360
General and administrative expenses	20	(1,241)	(793)
Selling expenses	20	(1,484)	(987)
Other operating results, net	22	321	103
Profit from operations		17,916	4,800
Share of profit of associates and joint ventures	7	436	393
Profit before financial results and income tax		18,352	5,193
Finance income	23	1,698	273
Finance costs	23	(14,146)	(4,888)
Other financial results	23	7,058	297
Financial results, net		(5,390)	(4,318)
Profit before income tax		12,962	875
Income tax expense	18	(1,832)	(1,152)
Profit / (loss) for the period from continuing operations		11,130	(277)
(Loss) / profit for the period from discontinued operations	28	(46)	351
Profit for the period		11,084	74
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment		12,847	(179)
Share of other comprehensive income / (loss) of associates and joint ventures		4,345	(268)
Change in the fair value of hedging instruments net of income taxes		1	-
Other comprehensive income / (loss) for the period from continuing operations		17,193	(447)
Other comprehensive income / (loss) for the period from discontinued operations		674	(4)
Total other comprehensive income / (loss) for the period		17,867	(451)
Total comprehensive income / (loss) for the period		28,951	(377)
Total comprehensive income / (loss) from continuing operations		28,323	(724)
Total comprehensive income from discontinued operations		628	347
Total comprehensive income / (loss) for the period		28,951	(377)
Profit / (loss) for the period attributable to:			
Equity holders of the parent		9,401	553
Non-controlling interest		1,683	(479)
Profit / (loss) from continuing operations attributable to:			
Equity holders of the parent		9,440	422
Non-controlling interest		1,690	(699)
Total comprehensive income / (loss) attributable to:			

Equity holders of the parent	13,357	272
Non-controlling interest	15,594	(649)
Total comprehensive income / (loss) from continuing operations attributable to:		
Equity holders of the parent	12,731	165
Non-controlling interest	15,592	(889)
Profit per share attributable to equity holders of the parent:		
Basic	16.35	0.96
Diluted	16.24	0.96
Profit per share from continuing operations attributable to equity holders of the parent:		
Basic	16.42	0.73
Diluted	16.30	0.73

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

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Eduardo S. Elsztain
President

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
for the three-month period ended September 30, 2018
(All amounts in millions, except otherwise indicated)
Free translation from the original prepared in Spanish for publication in Argentina

	Attributable to equity holders of the parent										
	Share capital	Treasury shares	Inflation adjustment of share capital and treasury shares (1)	Share premium	Additional paid-in capital from treasury shares	Legal reserve	Special reserve Resolution CNV 609/12 (2)	Other reserves (3)	Retained earnings	Subtotal	Non-controll interest
Balance as of July 1, 2018	575	4	123	793	19	143	2,751	2,111	30,902	37,421	37,120
Adjustments previous periods (IFRS 9 and 15) (Note 2.2)	-	-	-	-	-	-	-	-	(73)	(73)	(3)
Restated balance as of July 1, 2018	575	4	123	793	19	143	2,751	2,111	30,829	37,348	37,117
Profit for the period	-	-	-	-	-	-	-	-	9,401	9,401	1,683
Other comprehensive income for the period	-	-	-	-	-	-	-	3,956	-	3,956	13,911
Total profit and other comprehensive income for the period	-	-	-	-	-	-	-	3,956	9,401	13,357	15,594
Shared-based compensation	-	-	-	-	-	-	-	-	-	-	1
Dividends distribution to non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(205)
Changes in non-controlling interest	-	-	-	-	-	-	-	11	-	11	(233)
Balance as of September 30, 2018	575	4	123	793	19	143	2,751	6,078	40,230	50,716	52,274

(1)

Includes Ps. 1 of Inflation adjustment of treasury shares. See Note 16 to the Annual Financial Statements.
(2)
Related to CNV General Resolution N° 609/12.
(3)
Group´s other reserves for the period ended September 30, 2018 are comprised as follows:

	Cost of treasury stock	Changes in non-controlling interest	Reserve for share-based payments	Reserve for future dividends	Currency translation adjustment reserve	Hedging instrument	Revaluation surplus	Special reserve	Reserve for defined contribution plans	Othe reser from subs
Balance as of July 1, 2018	(25)	(2,471)	79	494	1,960	14	45	2,081	(103)	37
Other comprehensive profit for the period	-	-	-	-	3,943	13	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	3,943	13	-	-	-	-
Share-based compensation	1	-	(1)	-	-	-	-	-	-	-
Changes in non-controlling interest	-	11	-	-	-	-	-	-	-	-
Balance as of September 30, 2018	(24)	(2,460)	78	494	5,903	27	45	2,081	(103)	37

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

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Eduardo S. Elsztain
President

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
for the three-month period ended September 30, 2017
(All amounts in millions, except otherwise indicated)
Free translation from the original prepared in Spanish for publication in Argentina

	Attributable to equity holders of the parent										
	Share capital	Treasury shares	Inflation adjustment of share capital and treasury shares (1)	Share premium	Additional paid-in capital from treasury shares	Legal reserve	Special reserve Resolution CNV 609/12 (2)	Other reserves (3)	Retained earnings	Subtotal	Non-controll interest
Balance as of July 1, 2017	575	4	123	793	17	143	2,751	2,165	19,293	25,864	21,472
Profit / (loss) for the period	-	-	-	-	-	-	-	-	553	553	(479)
Other comprehensive loss for the period	-	-	-	-	-	-	-	(281)	-	(281)	(170)
Total profit / (loss) and other comprehensive income for the period	-	-	-	-	-	-	-	(281)	553	272	(649)
Issuance of capital	-	-	-	-	-	-	-	-	-	-	2
Shared-based compensation	-	-	-	-	-	-	-	1	-	1	18
Changes in non-controlling interest	-	-	-	-	-	-	-	(30)	-	(30)	(45)
Dividends distribution to non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	1
Balance as of September 30, 2017	575	4	123	793	17	143	2,751	1,855	19,846	26,107	20,799

(1)
Includes Ps. 1 of Inflation adjustment of treasury shares. See Note 16 to the Annual Financial Statements.
(2)
Related to CNV General Resolution N° 609/12.
(3)
Group's other reserves for the period ended September 30, 2017 are comprised as follows:

	Cost of treasury stock	Changes in non-controlling interest	Reserve for share-based payments	Reserve for future dividends	Currency translation adjustment reserve	Hedging instruments	Reserve for defined contribution plans	Other reserves from subsidiaries	Total Other reserves
Balance as of July 1, 2017	(28)	186	78	494	1,394	19	(15)	37	2,165
Other comprehensive loss for the period	-	-	-	-	(239)	(4)	(38)	-	(281)
Total comprehensive loss for the period	-	-	-	-	(239)	(4)	(38)	-	(281)
Share-based compensation	-	-	1	-	-	-	-	-	1
Changes in non-controlling interest	-	(30)	-	-	-	-	-	-	(30)
Balance as of September 30, 2017	(28)	156	79	494	1,155	15	(53)	37	1,855

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

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Eduardo S. Elsztain
President

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IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Condensed Interim Consolidated Statements of Cash Flows
for the three-month periods ended September 30, 2018 and 2017
(All amounts in millions, except otherwise indicated)
Free translation from the original prepared in Spanish for publication in Argentina

	Note	09.30.18	09.30.17
Operating activities:			
Net cash generated from continuing operating activities before income tax paid	14	3,303	2,393
Income tax and MPIT paid		(60)	(155)
Net cash generated from continuing operating activities		3,243	2,238
Net cash generated from discontinued operating activities		191	400
Net cash generated from operating activities		3,434	2,638
Investing activities:			
Increase of interest in associates and joint ventures		(61)	(30)
Acquisition, improvements and advance payments for the development of investment properties		(1,172)	(621)
Cash incorporated by deconsolidation of subsidiary		33	-
Proceeds from sales of investment properties		7	26
Acquisitions and improvements of property, plant and equipment		(491)	(718)
Advanced payments		-	(106)
Acquisitions of intangible assets		(433)	(114)
Net increase of restricted deposits		(181)	(223)
Dividends collected from associates and joint ventures		90	76
Proceeds from sales of interest held in associates and joint ventures		389	-
Proceeds from loans granted		57	-
Acquisitions of investments in financial assets		(4,984)	(6,675)
Proceeds from disposal of investments in financial assets		7,640	3,477
Interest received from financial assets		183	54
Dividends received		125	22
Loans granted to related parties		(5)	(229)
Loans granted		-	(88)
Net cash generated from / (used in) continuing investing activities		1,197	(5,149)
Net cash used in discontinued investing activities		(119)	(379)
Net cash generated from / (used in) in investing activities		1,078	(5,528)
Financing activities:			
Borrowings and issuance of non-convertible notes		14,383	4,803
Payment of borrowings and non-convertible notes		(2,830)	(1,326)
Obtention of short term loans, net		671	375
Interests paid		(1,590)	(1,572)
Issuance of capital in subsidiaries		-	276
Repurchase of non-convertible notes		(496)	-
Capital contributions from non-controlling interest in subsidiaries		-	129
Acquisition of non-controlling interest in subsidiaries		(227)	(45)
Proceeds from sales of non-controlling interest in subsidiaries		7	18
Loans received from associates and joint ventures, net		53	-
Payment of borrowings to related parties		(3)	-
Dividends paid to non-controlling interest in subsidiaries		(220)	(131)
Proceeds from derivative financial instruments, net		233	22
Net cash generated from continuing financing activities		9,981	2,549

Net cash used in discontinued financing activities		99	1,463
Net cash generated from financing activities		10,080	4,012
Net increase in cash and cash equivalents from continuing activities		14,421	(362)
Net increase in cash and cash equivalents from discontinued activities		171	1,484
Net increase in cash and cash equivalents		14,592	1,122
Cash and cash equivalents at beginning of period	13	37,317	24,854
Cash and cash equivalents reclassified to held for sale		(184)	4
Foreign exchange gain on cash and changes in fair value of cash equivalents		19,063	52
Cash and cash equivalents at end of period	13	70,788	26,032

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

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Eduardo Elsztain
President

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
(Amounts in millions, except otherwise indicated)
Free translation from the original prepared in Spanish for publication in Argentina

1.
The Group's business and general information

These Financial Statements have been approved for issuance by the Board of Directors, on November 7, 2018.

IRSA was founded in 1943, and it is engaged in a diversified range of real estate activities in Argentina since 1991. IRSA and its subsidiaries are collectively referred to hereinafter as "the Group". Cresud is our direct parent company and IFIS Limited is our ultimate parent company.

The Group has established two Operations Centers, Argentina and Israel, to manage its global business, mainly through the following companies:
(*) See note 4.G. to the Annual Financial Statements for more information about the changes within the Operations Center in Israel.

2.
Summary of significant accounting policies

2.1.
Basis of preparation

The CNV, in Title IV "Periodic Information Regime" - Chapter III "Rules relating to the presentation and valuation of financial statements" - Article 1, of its standards, has established the application of the Technical Resolution No. 26 (RT 26) of the FACPCE and its amendments, which adopt IFRS, issued by the IASB, for certain companies included in the public offering regime of Law No. 26,831, either because of its stock or its non-convertible notes, or that have requested authorization to be included in the aforementioned regime.

Also, in Article 3 of the aforementioned CNV regulations, it is established that "The companies subject to the Commission's control cannot apply the method of restating financial statements in a homogeneous currency."

For the preparation of these financial statements, the Group has made use of the option provided by IAS 34, and has prepared them in a condensed form. Therefore, these financial statements do not include all the information required in a complete set of annual financial statements and, consequently, it is recommended that they be read together with the annual financial statements as of June 30, 2018.

In view of what has been mentioned in the preceding paragraphs, Group's management has prepared these financial statements in accordance with the accounting principles established by the CNV, which are based on the application of IFRS, in particular of IAS 34, with the only exception to the application of IAS 29 (which determines the mandatory restatement of financial statements), excluded by the CNV from its accounting framework.

Additionally, the information required by the CNV indicated in article 1, Chapter III, Title IV of General Resolution N° 622/13 has been included. Such information is included in a note to these financial statements.

IAS 29 "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity whose functional currency is one of a hyperinflationary economy be expressed in terms of the current unit of measurement at the closing date of the reporting period, regardless of whether they are based on the historical cost method or the current cost method. To do so, in general terms, the inflation produced from the date of acquisition or from the revaluation date, as applicable, must be calculated for non-monetary items. This requirement also includes the comparative information of the financial statements.

In order to conclude on whether an economy is categorized as high inflation in the terms of IAS 29, the standard details a series of factors to be considered, including the existence of an accumulated inflation rate in three years that approximates to or exceeds 100%. Accumulated inflation in Argentina in three years is over 100%. It is for this reason that, in accordance with IAS 29, Argentina has a high inflation economy starting July 1, 2018. In turn, on July 24, 2018, the FACPCE, issued a communication confirming the aforementioned. However, it must be taken into account that, at the time of issuance of these financial statements, National Executive Decree 664/03 is in force, which does not allow the presentation of restated financial statements before the CNV. Therefore, given this decree, and the regulatory framework of the CNV, the Group's management has not applied IAS 29 in the preparation of these financial statements.

In an inflationary period, any entity that maintains an excess of monetary assets over monetary liabilities, will lose purchasing power, and any entity that maintains an excess of monetary liabilities over monetary assets, will gain purchasing power, provided that such items are not subject to an adjustment mechanism.

Briefly, the restatement method of IAS 29 establishes that monetary assets and liabilities must not be restated since they are already expressed in the current unit of measurement at the end of the reporting period. Assets and liabilities subject to adjustments based on specific agreements must be adjusted in accordance with such agreements. The non-monetary items measured at their current values at the end of the reporting period, such as the net realization value or others, do not need to be restated. The remaining non-monetary assets and liabilities must be restated by a general price index. The loss or gain from the net monetary position will be included in the net result of the reporting year / period, revealing this information in a separate line item.

2.2.
Significant accounting policies

The accounting policies applied in the presentation of these Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements, as described in Note 2 to those Financial Statements except for what it’s mentioned in Note 2.1 to the present Financial Statements.

As described in Note 2.2 to the Annual Financial Statements, the Group adopted IFRS 15 “Revenues from contracts with customers” and IFRS 9 “Financial instruments” in the present fiscal year using the cumulative effect approach, so that the cumulative impact of the adoption was recognized in the retained earnings at the beginning of the period, and the comparative figures have not been modified due to this adoption.

The main changes are the following:

IFRS 15: Revenues from contracts with customers

The standard introduces a new five-step model for recognizing revenue from contracts with customers:

1. Identifying the contract with the customer.
2. Identifying separate performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to separate performance obligations.
5. Recognizing revenue when the performance obligations are satisfied.

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IFRS 9: Financial instruments

The new standard includes a new model of "expected credit loss" for receivables or other assets not measured at fair value. The new model presents a dual measurement approach for impairment: if the credit risk of a financial asset has not increased significantly since its initial recognition, an allowance for impairment will be recorded in the amount of expected credit losses resulting from the possible non- compliance events within a certain period. If the credit risk has increased significantly, in most cases the allowance will increase and the amount of the expected losses should be recorded.

In accordance with the new standard, in cases where a change in terms or exchange of financial liabilities is immaterial and does not lead, at the time of analysis, to the reduction of the previous liability and recognition of the new liability, the new cash flows must be discounted at the original effective interest rate, recording the impact of the difference between the present value of the financial liability that has the new terms and the present value of the original financial liability in net income.

The effect on the income statement for the three-month period ended September 30, 2018 for the first implementation of IFRS 15 is as follows:

	Three month 09.30.2018		
	According to previous standards	Implementation of IFRS 15	Current statement of income
Revenues	10,390	437	10,827
Costs	(6,165)	(354)	(6,519)
Gross profit	4,225	83	4,308
Net gain from fair value adjustment of investment properties	16,012	-	16,012
General and administrative expenses	(1,241)	-	(1,241)
Selling expenses	(1,688)	204	(1,484)
Other operating results, net	321	-	321
Profit from operations	17,629	287	17,916
Share of profit of associates and joint ventures	416	20	436
Profit before financial results and income tax	18,045	307	18,352
Finance income	1,698	-	1,698
Finance costs	(14,153)	7	(14,146)
Other financial results	7,058	-	7,058
Financial results, net	(5,397)	7	(5,390)
Income before income tax	12,648	314	12,962
Income tax expense	(1,769)	(63)	(1,832)
Income for the period from continuing operations	10,879	251	11,130
Loss for the period from discontinued operations	(46)	-	(46)
Profit for the period	10,833	251	11,084

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The effect on the retained earnings as of July 1, 2018 for the first implementation of IFRS 9 and 15 is as follows:

	07.01.2018 Implementation of IFRS 15	Implementation of IFRS 9	Total
ASSETS			
Non- Current Assets			
Trading properties	(3,339)	-	(3,339)
Investments in associates and joint ventures	94	(85)	9
Deferred income tax assets	(95)	-	(95)
Trade and other receivables	497	(63)	434
Total Non-Current Assets	(2,843)	(148)	(2,991)
Current Assets			
Trading properties	(734)	-	(734)
Trade and other receivables	292	39	331
Total Current Assets	(442)	39	(403)
TOTAL ASSETS	(3,285)	(109)	(3,394)
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to equity holders of the parent			
Retained earnings	80	(153)	(73)
Total capital and reserves attributable to equity holders of the parent	80	(153)	(73)
Non-controlling interest	126	(129)	(3)
TOTAL SHAREHOLDERS' EQUITY	206	(282)	(76)
LIABILITIES			
Non-Current Liabilities			
Trade and other payables	(1,561)	-	(1,561)
Borrowings	-	197	197
Deferred income tax liabilities	(60)	(79)	(139)
Total Non-Current Liabilities	(1,621)	118	(1,503)
Current Liabilities			
Trade and other payables	(1,870)	-	(1,870)
Borrowings	-	55	55
Total Current Liabilities	(1,870)	55	(1,815)
TOTAL LIABILITIES	(3,491)	173	(3,318)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	(3,285)	(109)	(3,394)

2.3.
Comparability of information

Balance items as of June 30, 2018 and September 30, 2017 presented in these Unaudited Condensed Interim Consolidated Financial Statements for comparative purposes arise from the financial statements as of and for such periods. Certain items from prior periods have been reclassified for consistency purposes regarding the loss of control in Shufersal. See note 4.G. to the Annual Financial Statements.

2.4.
Use of estimates

The preparation of Financial Statements at a certain date requires Management to make estimations and evaluations affecting the amount of assets and liabilities recorded and contingent assets and liabilities disclosed at such date, as well as income and expenses recorded during the period. Actual results might differ from the estimates and evaluations made at the date of preparation of these financial statements. In the preparation of these financial statements, the significant judgments made by Management in applying the Group's accounting policies and the main sources of uncertainty were the same as the ones applied by the Group in the preparation of the Annual Financial Statements described in Note 3 to those Financial Statements.

3.
Seasonal effects on operations

Operations Center in Argentina

The operations of the Group's shopping malls are subject to seasonal effects, which affect the level of sales recorded by lessees. During summer time in Argentina (January and February), the lessees of shopping malls experience the lowest sales levels in comparison with the winter holidays (July) and Christmas and year-end holidays celebrated in December, when they tend to record peaks of sales. Apparel stores generally change their collections during the spring and the fall, which impacts positively on shopping malls sales. Sale discounts at the end of each season also affect the business. As a consequence, for shopping mall operations, a higher level of business activity is expected in the period ranging between July and December, compared to the period between January and June.

Operations Center in Israel

The results of operations of telecommunications and tourism are usually affected by seasonality in summer months in Israel and by the Jewish New Year, given a higher consumption due to internal and external tourism.

4.
Acquisitions and disposals

Significant acquisitions and disposals for the three-month period ended September 30, 2018 are detailed below. Significant acquisitions and disposals for the fiscal year ended June 30, 2018, are detailed in Note 4 to the Annual Financial Statements.

Operations Center in Israel

Possible sale of a subsidiary of IDB Tourism

On August 14, 2018, the Board of Directors of IDB Tourism approved its engagement in a memorandum of understanding for the sale of 50% of the issued share capital of a company which manages the incoming tourism operation which is held by Israir for a total consideration of NIS 26 million (approximately Ps. 295 as of the date of issuance of these financial statements). The closing of the transaction is expected by November 30, 2018. This transaction does not change the intentions of selling the whole investment in IDBT, which the management of the company expects to complete before June 2019.

Partial sale of Clal

On August 30, 2018 continuing with the instructions given by the Commissioner of Capital Markets, Insurance and Savings of Israel, IDBD has sold 5% of its stake in Clal through a swap transaction in the same conditions that applied to the swap transactions performed in the preceding months of May and August 2017, January and May 2018 described in Note 4 to the Annual Consolidated Financial Statements. The consideration was set at an amount of approximately NIS 173 million (equivalent to approximately Ps. 1,766 as of the transaction date). After the completion of the transaction, IDBD's interest in Clal was reduced to 29.8% of its share capital.

Agreement to sell plot of land in USA

In August 2018, a subsidiary of IDBG signed an agreement to sell a plot of land next to the Tivoli project in Las Vegas for a consideration of US$ 18 (approximately Ps. 739 as of the date of issuance of these financial statements).

Interest increase in DIC

On July 5, 2018 Tyrus acquired 2,062,000 of DIC's shares in the market for a total amount of NIS 20 (equivalent to Ps. 227 as of that date), which represent 1.35% of the Company's outstanding shares at such date. As a result of this transaction, the Group's equity interest has increased from 76.57% to 77.92%. This transaction was accounted for as an equity transaction generating an increase in the net equity attributable to the controlling shareholders by Ps. 11.

5.
Financial risk management and fair value estimates

These Financial Statements do not include all the information and disclosures on financial risk management; therefore, they should be read along with Note 5 to the Annual Financial Statements. There have been no changes in risk management or risk management policies applied by the Group since year-end.

Since June 30, 2018 and up to the date of issuance of these Financial Statements, there have been no significant changes in business or economic circumstances affecting the fair value of the Group's assets or liabilities (either measured at fair value or amortized cost). Furthermore, there have been no transfers between the different hierarchies used to assess the fair value of the Group’s financial instruments.

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6.
Segment information

As explained in Note 6 to the Annual Financial Statements, the Group reports its financial performance separately in two Operations Centers. Since fiscal year 2018 the CODM reviews certain corporate expenses associated with each operation center in an aggregate manner and separately from each of the segments. Such expenses have been disclosed in the "Corporate" segment of each operation center. Additionally, since fiscal year 2018, the CODM also reviews the office business as a single segment and the entertainment business in an aggregate and separate manner from offices, including that concept in the "Others" segment. Also, as described in Note 4.G. to the Annual Financial Statements, the Group lost control of Shufersal as of June 30, 2018 and has reclassified its results to discontinued operations. Segment information for the period ended September 30, 2017 has been recast for the purposes of comparability with the present period.

Below is a summary of the Group’s business units and a reconciliation between the operating income according to segment information and the operating income of the statement of income and other comprehensive income of the Group for the periods ended September 30, 2018 and 2017:

	September 30, 2018						
	Operations Center in Argentina	Operations Center in Israel	Total	Joint ventures (1)	Expensesand collectivepromotion funds	Elimination of inter-segment transactions and non-reportable assets / liabilities (2)	Total as per statement of income / statement of financial position
Revenues	1,647	8,728	10,375	(12)	467	(3)	10,827
Costs	(327)	(5,718)	(6,045)	7	(481)	-	(6,519)
Gross profit / (loss)	1,320	3,010	4,330	(5)	(14)	(3)	4,308
Net gain / (loss) from fair value adjustment of investment properties	16,717	(7)	16,710	(698)	-	-	16,012
General and administrative expenses	(280)	(967)	(1,247)	2	-	4	(1,241)
Selling expenses	(174)	(1,311)	(1,485)	1	-	-	(1,484)
Other operating results, net	(18)	336	318	4	-	(1)	321
Profit / (loss) from operations	17,565	1,061	18,626	(696)	(14)	-	17,916
Share of profit / (loss) of associates and joint ventures	128	(218)	(90)	526	-	-	436
Segment profit / (loss)	17,693	843	18,536	(170)	(14)	-	18,352
Reportable assets	83,149	386,351	469,500	(512)	-	19,875	488,863

Reportable liabilities	-	(326,598)	(326,598)	-	-	(59,275)	(385,873)
Net reportable assets	83,149	59,753	142,902	(512)	-	(39,400)	102,990

September 30, 2017

	Operations Center in Argentina	Operations Center in Israel	Total	Joint ventures (1)	Expensesand collectivepromotion funds	Elimination of inter-segment transactions and non-reportable assets / liabilities (2)	Total as per statement of income / statement of financial position
Revenues	1,220	5,412	6,632	(11)	411	(3)	7,029
Costs	(249)	(3,251)	(3,500)	4	(417)	1	(3,912)
Gross profit / (loss)	971	2,161	3,132	(7)	(6)	(2)	3,117
Net gain from fair value adjustment of investment properties	2,521	878	3,399	(39)	-	-	3,360
General and administrative expenses	(191)	(617)	(808)	12	-	3	(793)
Selling expenses	(92)	(896)	(988)	1	-	-	(987)
Other operating results, net	(27)	115	88	16	-	(1)	103
Profit / (loss) from operations	3,182	1,641	4,823	(17)	(6)	-	4,800
Share of profit / (loss) of associates and joint ventures	487	(106)	381	12	-	-	393
Segment profit / (loss)	3,669	1,535	5,204	(5)	(6)	-	5,193
Reportable assets	48,196	180,774	228,970	(265)	-	10,649	239,354
Reportable liabilities	-	(159,846)	(159,846)	-	-	(24,060)	(183,906)
Net reportable assets	48,196	20,928	69,124	(265)	-	(13,411)	55,448

(1) Represents the equity value of joint ventures that were proportionately consolidated for the segment information.
(2) Includes deferred income tax assets, income tax and MPIT credits, trade and other receivables, investment in financial assets, cash and cash equivalents and intangible assets except for rights to receive future units under barter agreements, net of investments in associates with negative equity which are included in provisions in the amount of Ps. 3,621 as of September 30, 2018.

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Below is a summarized analysis of the business unit of the Group's Operations Center in Argentina for the periods ended September 30, 2018 and 2017:

	September 30, 2018							
	Operations Center in Argentina							
	Shopping Malls	Offices	Sales and developments	Hotels	International	Corporate	Others	Total
Revenues	1,039	212	25	352	-	-	19	1,647
Costs	(96)	(12)	(13)	(185)	-	-	(21)	(327)
Gross profit / (loss)	943	200	12	167	-	-	(2)	1,320
Net gain from fair value adjustment of investment properties	3,694	8,486	4,318	-	-	-	219	16,717
General and administrative expenses	(115)	(28)	(22)	(54)	(11)	(40)	(10)	(280)
Selling expenses	(96)	(12)	(20)	(43)	-	-	(3)	(174)
Other operating results, net	(28)	(4)	(8)	14	2	-	6	(18)
Profit / (loss) from operations	4,398	8,642	4,280	84	(9)	(40)	210	17,565
Share of profit of associates and joint ventures	-	-	15	-	(70)	-	183	128
Segment profit / (loss)	4,398	8,642	4,295	84	(79)	(40)	393	17,693
Investment properties and trading properties	44,273	21,707	15,396	-	73	-	841	82,290
Investment in associates and joint ventures	-	-	178	-	(2,597)	-	2,693	274
Other operating assets	95	42	46	175	127	-	100	585
Operating assets	44,368	21,749	15,620	175	(2,397)	-	3,634	83,149

For the three-month period ended September 30, 2018, the net gain from the fair value adjustment of investment property amounted to Ps. 16,717, and it was generated by:

1. Shopping Malls Segment

The net result of shopping malls was Ps. 3,694 during the current period, mainly as a result of the update of the macroeconomic inputs with respect to those used as of June 30, 2018, with the effects of each input being detailed below:

a) an increase of 26 basis points in the discount rate, representing a decrease of Ps. 1,164 in the value of shopping Malls;

b) an increase in the projected cash flows generated by the update of the projected inflation rates, representing an increase of Ps. 2,401 in the value of the shopping malls;

c) a net increase of Ps. 1,767, generated by the update of the future exchange rates used for the dollar conversion of the projected cash flows (Ps. 11,027 - loss) and for the conversion of the present value of the projected cash flows at the effective exchange rate for the period end (Ps. 12,794 - gain).

2. “Offices", "Sales and developments" and "Others" segments

The net result of the properties included in the present segments was Ps. 9,494, mainly generated by the depreciation of 43% of the Argentine peso and by the upkeep of the reference values in dollars of the square meters of the market comparable. Additionally, during the current period, a gain of Ps. 3,529 was recognized as a result of the fair value measurement of the Dot Zetta development given the fact that it has reached a development stage in which its fair value is reliably measurable.

	September 30, 2017							
	Operations Center in Argentina							
	Shopping Malls	Offices	Sales and developments	Hotels	International	Corporate	Others	Total
Revenues	850	121	34	214	-	-	1	1,220
Costs	(85)	(6)	(10)	(147)	-	-	(1)	(249)
Gross profit	765	115	24	67	-	-	-	971
Net gain from fair value adjustment of investment properties	2,044	270	197	-	-	-	10	2,521
General and administrative expenses	(66)	(20)	(19)	(39)	(15)	(28)	(4)	(191)
Selling expenses	(49)	(10)	(5)	(28)	-	-	-	(92)
Other operating results, net	(9)	(2)	(18)	(2)	(3)	-	7	(27)
Profit / (loss) from operations	2,685	353	179	(2)	(18)	(28)	13	3,182
Share of profit of associates and joint ventures	-	12	2	-	113	-	360	487
Segment profit / (loss)	2,685	365	181	(2)	95	(28)	373	3,669
Investment properties and trading properties	30,912	7,774	5,552	-	-	-	257	44,495
Investment in associates and joint ventures	-	-	141	-	705	-	2,426	3,272
Other operating assets	84	51	44	170	54	-	26	429
Operating assets	30,996	7,825	5,737	170	759	-	2,709	48,196

For the three-month period ended September 30, 2017, the net gain from the fair value adjustment of investment property amounted to Ps. 2,521, and it was generated by:

1. Shopping Malls Segment

The net result of the shopping malls was Ps. 2,044 during the current period, mainly as a result of the update of the macroeconomic inputs with respect to those used as of June 30, 2017, with the effects of each input being detailed below:

a) a decrease of 25 basis points in the discount rate, representing an increase of Ps. 1,154 in the value of shopping Malls;

b) a decrease in the projected cash flows generated by the update of the projected inflation rates, representing a decrease of Ps. 1,305 in the value of the shopping malls;

c) a net increase of Ps. 2,190, generated by the update of the future exchange rates used for the dollar conversion of the projected cash flows (Ps. 984 - gain) and for the conversion of the present value of the projected cash flows at the effective exchange rate for the period end (Ps. 1,206 - gain).

2. “Offices", "Sales and developments" and "Others" segments

The net result of the properties included in the present segments was Ps. 477, mainly generated by the depreciation of 4% of the Argentine peso.

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Below is a summarized analysis of the business unit of the Group's Operations Center in Israel for the periods ended September 30, 2018 and 2017:

	September 30, 2018						
	Operations Center in Israel						
	Real Estate	Supermarkets	Telecommunications	Insurance	Corporate	Others	Total
Revenues	2,332	-	6,205	-	-	191	8,728
Costs	(1,041)	-	(4,558)	-	-	(119)	(5,718)
Gross profit	1,291	-	1,647	-	-	72	3,010
Net loss from fair value adjustment of investment properties	(7)	-	-	-	-	-	(7)
General and administrative expenses	(119)	-	(553)	-	(117)	(178)	(967)
Selling expenses	(40)	-	(1,225)	-	-	(46)	(1,311)
Other operating results, net	-	-	-	-	-	336	336
Profit / (loss) from operations	1,125	-	(131)	-	(117)	184	1,061
Share of loss of associates and joint ventures	(119)	-	-	-	-	(99)	(218)
Segment profit / (loss)	1,006	-	(131)	-	(117)	85	843
Operating assets	203,487	19,739	74,904	23,666	41,838	22,717	386,351
Operating liabilities	(160,228)	-	(58,230)	-	(99,330)	(8,810)	(326,598)
Operating assets (liabilities), net	43,259	19,739	16,674	23,666	(57,492)	13,907	59,753

	September 30, 2017						
	Operations Center in Israel						
	Real Estate	Supermarkets	Telecommunications	Insurance	Corporate	Others	Total
Revenues	997	-	4,226	-	-	189	5,412
Costs	(250)	-	(2,991)	-	-	(10)	(3,251)
Gross profit	747	-	1,235	-	-	179	2,161
Net gain from fair value adjustment of investment properties	878	-	-	-	-	-	878
General and administrative expenses	(83)	-	(382)	-	(59)	(93)	(617)
Selling expenses	(26)	-	(826)	-	-	(44)	(896)
Other operating results, net	22	-	145	-	-	(52)	115
Profit / (loss) from operations	1,538	-	172	-	(59)	(10)	1,641
Share of (loss) / profit of associates and joint ventures	(211)	-	-	-	-	105	(106)
Segment profit / (loss)	1,327	-	172	-	(59)	95	1,535

Operating assets	83,752	37,486	32,601	8,652	11,228	7,055	180,774
Operating liabilities	(66,424)	(26,196)	(25,996)	-	(35,869)	(5,361)	(159,846)
Operating assets (liabilities), net	17,328	11,290	6,605	8,652	(24,641)	1,694	20,928

7.
Investments in associates and joint ventures

Changes in the Group's investments in associates and joint ventures for the three-month period ended September 30, 2018 and for the year ended June 30, 2018 were as follows:

	September 30, 2018	June 30, 2018
Beginning of the period / year	22,198	7,813
Adjustment previous periods (IFRS 9 and 15)	9	-
Increase in equity interest in associates and joint ventures	53	343
Issuance of capital and contributions	8	156
Capital reduction	-	(284)
Decrease of interest in associate	-	(339)
Share of profit / (loss)	436	(701)
Transfer to borrowings to associates	-	(190)
Currency translation adjustment	7,887	3,056
Incorporation of deconsolidated subsidiary, net	-	12,763
Dividends (i)	(90)	(319)
Distribution for associate liquidation	-	(72)
Reclassification to held for sale	-	(44)
Others	-	16
End of the period / year (ii)	30,501	22,198

(i)
See Note 24.
(ii)
As of September 30, 2018 and June 30, 2017 includes Ps. (3,621) and Ps. (2,452) respectively, reflecting interests in companies with negative equity, which were disclosed in "Provisions" (see Note 17).

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Name of the entity	% ownership interest		Value of Group's interest in equity		Group's interest in comprehensive income / (loss)	
	September 30, 2018	June 30, 2018	September 30, 2018	June 30, 2018	September 30, 2018	September 30, 2017
Associates						
New Lipstick (1)	49.90%	49.90%	(3,621)	(2,452)	(1,168)	111
BHSA	29.91%	29.91%	2,343	2,250	160	371
Condor	18.90%	18.90%	1,000	696	322	30
PBEL	45.40%	45.40%	1,555	1,049	506	(60)
Shufersal	33.57%	33.56%	19,739	12,763	6,018	-
Other associates	N/A	N/A	2,228	2,610	476	(57)
Joint ventures						
Quality	50.00%	50.00%	1,519	1,062	449	17
La Rural SA	50.00%	50.00%	116	94	22	11
Mehadrin	45.41%	45.41%	2,963	2,272	730	(67)
Other joint ventures	N/A	N/A	2,659	1,854	808	6
Total associates and joint ventures			30,501	22,198	8,323	362

(1)
Metropolitan, a subsidiary of New Lipstick, has renegotiated its non-recourse debt with IRSA, which amounted to US$ 113.1, and obtained a debt reduction of US$ 20 by the lending bank, an extension to April 30, 2020 and an interest rate reduction from LIBOR + 4 b.p. to 2 b.p. upon payment of US$ 40 in cash (US$ 20 in September 2017 and US$ 20 in October 2017), of which IRSA has contributed with US$ 20. Following the renegotiation, Metropolitan's debt amounts to US$ 53.1. Additionally, Metropolitan has agreed to exercise on or before February 1, 2019 the purchase option on part of the land where the property is built and, to deposit the sum of money corresponding to 1% of the purchase price. Furthermore, Metropolitan has agreed to cause IRSA and other shareholders to furnish the bank, on or before February 1, 2020, with a payment guarantee with financial ratios acceptable to the Bank for the outstanding balance of the purchase price, or a letter of credit in relation to the loan balance then outstanding.

Below is additional information about the Group's investments in associates and joint ventures:

Name of the entity	Place of business / Country of incorporation	Main activity	Common shares 1 vote	Latest financial statements issued		
				Share capital (nominal value)	Profit / (loss) for the period	Shareholders' equity
Associates						
New Lipstick	U.S.	Real estate	N/A	N/A	(*) (8)	(*) (186)
BHSA	Argentina	Financial	448,689,072	(***) 1,500	(***) 2,238	(***) 8,719
Condor	U.S.	Hotel	2,245,100	N/A	(*) 6	(*) 105
PBEL	India	Real estate	450	(**) 1	(**) (4)	(**) (491)
Shufersal	Israel	Retail	79,282,087	(**) 242	(**) 85	(**) 1,827
Other associates				N/A	N/A	N/A
Joint ventures						
Quality	Argentina	Real estate	120,827,022	242	898	3,031
La Rural SA	Argentina	Organization of events	714,498	1	49	195

Mehadrin	Israel	Agriculture	1,509,889	(**) 3	(**) (39)	(**) 542
Other joint ventures			-	N/A	N/A	N/A

(*)
Amounts in millions of US Dollars under USGAAP. Condor's year-end falls on December 31, so the Group estimates their interest with a three-month lag, including material adjustments, if any.
(**)
Amounts in millions of NIS.
(***)
Information as of June 30, 2018 according to BCRA's standards. For the purpose of the valuation of the investment in the Company, preliminary figures as of September 30, 2018 with the necessary IFRS adjustments have been considered.

Puerto Retiro (joint venture):

At present, this 8.3 hectare plot of land, which is located in one of the most privileged areas of the city, near Catalinas, Puerto Madero and Retiro and is the only privately owned waterfront property facing directly to Río de la Plata, is affected by a zoning regulation defined as U.P. which prevents the property from being used for any purposes other than strictly port activities.

The Company was involved in a judicial bankruptcy action brought by the National Government, to which this Board of Directors is totally alien. Management and legal counsel of the Company believe that there are sufficient legal and technical arguments to consider that the petition for extension of the bankruptcy case will be dismissed by the court. However, in view of the current status of the action, its result cannot be predicted.

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Moreover, Tandanor filed a civil action against Puerto Retiro S.A. and the other defendants in the criminal case for violation of Section 174 (5) based on Section 173 (7) of the Criminal Code of Argentina. Such action seeks -on the basis of the nullity of the decree that approved the bidding process involving the Dársena Norte property- the restitution of the property and a reimbursement in favor of Tandanor for all such amounts it has allegedly lost as a result of a suspected fraudulent transaction involving the sale of the property. Puerto Retiro has presented the allegation on the merit of the evidence, highlighting that the current shareholders of Puerto Retiro did not participate in any of the suspected acts in the criminal case since they acquired the shares for consideration and in good faith several years after the facts told in the process. Likewise, it was emphasized that the company Puerto Retiro is foreign to the bidding / privatization carried out for the sale of Tandanor shares. The dictation of the sentence is expected.

On September 7, 2018, the Oral Federal Criminal Court No. 5 rendered a decision. According to the sentence read by the president of the Court, Puerto Retiro won the preliminary objection of limitation filed in the civil action. However, in the criminal case, where Puerto Retiro is not a party, it was ordered, among other issues, the confiscation ("decomiso") of the property owned by Puerto Retiro known as Planta I. The grounds of the Court`s judgement will be read on November 11, 2018. From that moment, all the parties will be able to file the appeals. Although there are solid arguments to try to refute the disposed seizure, this can be affirmed with a greater degree of certainty after the publications of the fundamentals of the ruling, at this time only the resolute part of this ruling is known.

In the criminal action, the claimant reported the violation by Puerto Retiro of the injunction ordered by the criminal court consisting in an order to stay ("prohibición de innovar") and not to contract with respect to the property disputed in the civil action. As a result of such report, the Oral Federal Court (Tribunal Oral Federal) No. 5 started interlocutory proceedings, and on June 8, 2017, it ordered and carried out the closing of the property that was subject to lease agreements with Los Cipreses S.A. and Flight Express S.A. with the aim of enforcing the referred order. As a result, the proceedings were forwarded to the Criminal Court for it to appoint the court that will investigate the alleged commission of the crime of contempt.

Our legal counsel considers that there is a chance of success of the defense of Puerto Retiro, always taking into account that this is a complex issue subject to more than one interpretation by legal scholars and case law.

8. Investment properties

Changes in the Group's investment properties for the three-month period ended September 30, 2018 and for the year ended June 30, 2018 were as follows:

	Period ended September 30, 2018				Year ended June 30, 2018
	Rental properties	Undeveloped parcels of land	Properties under development	Total	Total
Fair value at the beginning of the period / year	141,241	12,608	8,877	162,726	99,953
Additions	246	218	497	961	3,289
Capitalized finance costs	-	-	23	23	82
Capitalized leasing costs	2	-	-	2	18
Amortization of capitalized leasing costs (i)	(2)	-	-	(2)	(5)
Transfers	464	(105)	(359)	-	-
Transfers to / from property, plant and equipment	(9)	-	-	(9)	1,700

Transfers to / from trading properties	-	(53)	59	6	353
Transfers to assets held for sale	-	-	-	-	(521)
Assets incorporated by business combination	-	-	-	-	107
Deconsolidation					
Disposals	(5)	-	-	(5)	(571)
Currency translation adjustment	41,791	1,755	2,486	46,032	40,041
Net gain from fair value adjustment	8,086	3,798	4,128	16,012	22,769
Fair value at the end of the period / year	191,814	18,221	15,711	225,746	162,726

(i)
Amortization charges of capitalized leasing costs were included in “Costs” in the Statements of Income (Note 20).

The following amounts have been recognized in the Statements of Income:

	09.30.18	09.30.17
Rental and services income	3,350	2,454
Direct operating expenses	(914)	(654)
Development expenditures	(740)	(35)
Net realized gain from fair value adjustment of investment properties	-	24
Net unrealized gain from fair value adjustment of investment properties	16,012	3,380

Valuation techniques are described in Note 9 to the Annual Financial Statements. There were no changes to such techniques. The Company has reassessed the assumptions at the end of the period, incorporating the effect of the variation in the exchange rate in other assets denominated in US Dollars.

9.
Property, plant and equipment

Changes in the Group's property, plant and equipment for the three-month period ended September 30, 2018 and for the year ended June 30, 2018 were as follows:

	Period ended September 30, 2018					Year ended June 30, 2018
	Buildings and facilities	Machinery and equipment	Communication networks	Others	Total	Total
Costs	1,809	489	14,975	4,093	21,366	32,316
Accumulated depreciation	(696)	(175)	(5,357)	(1,735)	(7,963)	(5,203)
Net book amount at the beginning of the period / year	1,113	314	9,618	2,358	13,403	27,113
Additions	35	5	422	307	769	3,984
Disposals	(2)	-	(13)	-	(15)	(95)
Deconsolidation	-	-	-	-	-	(29,001)
Impairment / recovery	-	-	-	-	-	(69)
Assets incorporated by business combinations	-	-	-	-	-	217
Currency translation adjustment	405	118	4,218	1,125	5,866	16,332
Transfers from / to investment properties	-	9	-	-	9	(1,568)
Depreciation charges (i)	(31)	(6)	(408)	(185)	(630)	(3,510)
Balances at the end of the period / year	1,520	440	13,837	3,605	19,402	13,403
Costs	2,422	639	22,248	6,399	31,708	21,366
Accumulated depreciation	(902)	(199)	(8,411)	(2,794)	(12,306)	(7,963)
Net book amount at the end of the period / year	1,520	440	13,837	3,605	19,402	13,403

(i)
As of September 30, 2018, depreciation charges of property, plant and equipment were recognized as follows: Ps. 570 in "Costs", Ps. 47 in "General and administrative expenses" and Ps. 13 in "Selling expenses", respectively in the Statement of Income (Note 20).

10.
Trading properties

Changes in the Group's trading properties for the three-month period ended September 30, 2018 and for the year ended June 30, 2018 were as follows:

	Period ended September, 2018	Year ended June 30, 2018

	Completed properties	Properties under development	Undeveloped sites	Total	Total
Beginning of the period / year	2,609	5,026	1,615	9,250	5,781
Adjustment previous periods (IFRS 15)	(757)	(3,316)	-	(4,073)	-
Additions	-	517	7	524	1,870
Currency translation adjustment	278	1,216	465	1,959	3,649
Transfers	-	244	(244)	-	-
Transfers from intangible assets	-	-	-	-	9
Transfers to investment properties	-	(6)	-	(6)	(353)
Capitalized finance costs	-	5	-	5	11
Disposals	(731)	(37)	-	(768)	(1,717)
End of the period / year	1,399	3,649	1,843	6,891	9,250
Non-current				3,186	6,018
Current				3,705	3,232
Total				6,891	9,250

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11.
Intangible assets

Changes in the Group's intangible assets for the three-month period ended September 30, 2018 and for the year ended June 30, 2018 were as follows:

	Period ended September 30, 2018							Year ended June 30, 2018
	Goodwill	Trademarks	Licenses	Customer relations	Information systems and software	Contracts and others	Total	Total
Costs	3,086	3,274	1,657	6,933	3,281	2,695	20,926	16,317
Accumulated amortization	-	(197)	(481)	(4,632)	(1,627)	(1,692)	(8,629)	(3,930)
Net book amount at the beginning of the period / year	3,086	3,077	1,176	2,301	1,654	1,003	12,297	12,387
Additions	-	-	-	-	176	218	394	647
Disposals	-	-	-	-	(7)	-	(7)	-
Deconsolidation	-	-	-	-	-	-	-	(7,108)
Transfers to trading properties	-	-	-	-	-	-	-	(9)
Assets incorporated by business combination	-	-	-	-	-	-	-	1,009
Currency translation adjustment	1,320	1,340	501	878	700	489	5,228	7,370
Amortization charges (i)	-	(13)	(20)	(198)	(142)	(139)	(512)	(1,999)
Balances at the end of the period / year	4,406	4,404	1,657	2,981	2,381	1,571	17,400	12,297
Costs	4,406	4,711	2,383	9,985	4,949	4,239	30,673	20,926
Accumulated amortization	-	(307)	(726)	(7,004)	(2,568)	(2,668)	(13,273)	(8,629)
Net book amount at the end of the period / year	4,406	4,404	1,657	2,981	2,381	1,571	17,400	12,297

(i) As of September 30, 2018, amortization charges were recognized in the amount of Ps. 150 in "Costs", Ps. 138 in "General and administrative expenses" and Ps. 224 in "Selling expenses", in the Statement of Income (Note 20).

12.
Financial instruments by category

The present note shows the financial assets and financial liabilities by category of financial instrument and a reconciliation to the corresponding line in the Consolidated Statements of Financial Position, as appropriate. Financial assets and liabilities measured at fair value are assigned based on their different levels in the fair value hierarchy. For further information related to fair value hierarchy see Note 14 to the Annual Financial Statements. Financial assets and financial liabilities as of September 30, 2018 are as follows:

	Financial assets at amortized cost	Financial assets at fair value through profit or loss			Subtotal financial assets	Non-financial assets	Total
		Level 1	Level 2	Level 3			
September 30, 2018							
Assets as per Statement of Financial Position							
Trade and other receivables (excluding the allowance for doubtful accounts and other receivables)	27,038	-	-	-	27,038	7,485	34,523
Investments in financial assets:							
- Public companies' securities	-	-	-	197	197	-	197
- Private companies' securities	-	-	-	1,658	1,658	-	1,658
- Deposits	2,838	-	-	-	2,838	-	2,838
- Bonds	6	-	715	-	721	-	721
- Convertible Notes	-	-	-	1,093	1,093	-	1,093
- Investments in financial assets with quotation	-	31,243	-	-	31,243	-	31,243
Derivative financial instruments:							
- Foreign-currency future contracts	-	-	78	-	78	-	78
- Others	-	-	11	-	11	-	11
Restricted assets (i)	9,013	-	-	-	9,013	-	9,013
Financial assets held for sale:							
- Clal	-	23,667	-	-	23,667	-	23,667
Cash and cash equivalents:							
- Cash at bank and on hand	9,932	-	-	-	9,932	-	9,932
- Short-term investments	56,516	4,340	-	-	60,856	-	60,856
Total assets	105,343	59,250	804	2,948	168,345	7,485	175,830

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	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss			Subtotal financial liabilities	Non-financial liabilities	Total
		Level 1	Level 2	Level 3			
September 30, 2018							
Liabilities as per Statement of Financial Position							
Trade and other payables	14,019	-	-	-	14,019	4,848	18,867
Borrowings (excluding finance leases)	317,108	-	-	-	317,108	-	317,108
Derivative financial instruments:							
- Foreign-currency future contracts	-	-	11	-	11	-	11
- Swaps	-	-	67	-	67	-	67
- Others	-	11	-	34	45	-	45
- Forwards	-	-	159	-	159	-	159
Total liabilities	331,127	11	237	34	331,409	4,848	336,257

Financial assets and financial liabilities as of June 30, 2018 were as follows:

	Financial assets at amortized cost	Financial assets at fair value through profit or loss			Subtotal financial assets	Non-financial assets	Total
		Level 1	Level 2	Level 3			
June 30, 2018							
Assets as per Statements of Financial Position							
Trade and other receivables (excluding the allowance for doubtful accounts and other receivables)	18,648	-	-	-	18,648	5,246	23,894
Investments in financial assets:							
- Public companies' securities	-	-	-	135	135	-	135
- Private companies' securities	-	-	-	1,168	1,168	-	1,168
- Deposits	1,397	-	-	-	1,397	-	1,397
- Bonds	10	-	505	-	515	-	515
- Convertible Notes	-	-	-	793	793	-	793
- Investments in financial assets with quotation	-	23,198	-	-	23,198	-	23,198
Derivative financial instruments:							
- Foreign-currency future contracts	-	-	71	-	71	-	71
- Swaps	-	-	16	-	16	-	16
Restricted assets (i)	6,289	-	-	-	6,289	-	6,289
Financial assets held for sale:							
- Clal	-	12,254	-	-	12,254	-	12,254

Cash and cash equivalents:							
- Cash at bank and on hand	6,452	-	-	-	6,452	-	6,452
- Short term investments	28,334	2,531	-	-	30,865	-	30,865
Total assets	61,130	37,983	592	2,096	101,801	5,246	107,047

	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss			Subtotal financial liabilities	Non-financial liabilities	Total
		Level 1	Level 2	Level 3			
June 30, 2018							
Liabilities as per Statement of Financial Position							
Trade and other payables	10,265	-	-	-	10,265	7,836	18,101
Borrowings (excluding finance leases)	206,617	-	-	-	206,617	-	206,617
Derivative financial instruments:							
- Foreign-currency future contracts	-	-	8	-	8	-	8
- Swaps	-	-	47	-	47	-	47
- Others	-	8	-	24	32	-	32
- Forwards	-	-	118	-	118	-	118
Total liabilities	216,882	8	173	24	217,087	7,836	224,923

(i) Corresponds to deposits in guarantee and escrows.

The fair value of financial assets and liabilities at their amortized cost does not differ significantly from their book value, except for borrowings (Note 16). The fair value of payables approximates their respective carrying amounts because, due to their short-term nature, the effect of discounting is not considered significant. Fair values are based on discounted cash flows (Level 3).

The valuation models used by the Group for the measurement of Level 2 and Level 3 instruments are no different from those used as of June 30, 2018.

As of September 30, 2018, there have been no changes to the economic or business circumstances affecting the fair value of the financial assets and liabilities of the Group.

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The Group uses a range of valuation models for the measurement of Level 2 and Level 3 instruments, details of which may be obtained from the following table. When no quoted prices are available in an active market, fair values (particularly with derivatives) are based on recognized valuation methods.

Description	Pricing model / method	Parameters	Fair value hierarchy	Range
Interest rate swaps	Cash flows - Theoretical price	Interest rate future contracts and cash flows	Level 2	-
Preferred shares of Condor	Binomial tree – Theoretical price I	Underlying asset price (Market price); share price volatility (historical) and market interest rate (Libor rate curve).	Level 3	Underlying asset price 10 to 11 Share price volatility 58% to 78% Market interest-rate 2.9% to 3.5%
Promissory note	Discounted cash flows - Theoretical price	Underlying asset price (Market price); share price volatility (historical) and market interest rate (Libor rate curve).	Level 3	Underlying asset price 10 to 11 Share price volatility 58% to 78% Market interest-rate 2.9% to 3.5%
TGLT Non-Convertible Notes	Black-Scholes – Theoretical price	Underlying asset price (Market price); share price volatility (historical) and market interest rate (Libor rate curve).	Level 3	Underlying asset price 10 to 13 Share price volatility 55% to 75% Market interest rate 8% to 9%
Call option of Arcos	Discounted cash flows	Projected revenues and discounting rate.	Level 3	-
Investments in financial assets - Other private companies' securities	Cash flow / NAV - Theoretical price	Projected revenue discounted at the discount rate / The value is calculated in accordance with shares in the equity funds on the basis of their Financial Statements, based on fair value or investments assessments.	Level 3	1 - 3.5
Investments in financial assets - Others	Discounted cash flow - Theoretical price	Projected revenue discounted at the discount rate / The value is calculated in accordance with shares in the equity funds on the basis of their Financial Statements,	Level 3	1 - 3.5

		based on fair value or investment assessments.		
Derivative financial instruments – Forwards	Theoretical price	Underlying asset price and volatility	Level 2 and 3	-

The following table presents the changes in Level 3 instruments as of September 30, 2018 and June 30, 2018:

	Investments in financial assets - Public companies' Securities	Derivative financial instruments - Others	Investments in financial assets - Private companies' Securities	Investments in financial assets - Convertible Notes	Total as of September 30, 2018	Total as of June 30, 2018
Balances at beginning of the period / year	135	(24)	1,168	793	2,072	1,036
Additions and acquisitions	-	-	7	-	7	560
Transfer to level 1	-	-	-	-	-	(100)
Currency translation adjustment	59	(10)	523	93	665	553
Deconsolidation	-	-	-	-	-	(126)
Write off	-	-	-	-	-	(67)
Gain / (loss) for the period / year (i)	3	-	(40)	207	170	216
Balances at the end of the period / year	197	(34)	1,658	1,093	2,914	2,072

(i) Included within "Financial results, net" in the Statements of Income.

Clal

As mentioned in Note 13 to the Annual Financial Statements, IDBD is subject to a judicial process on the sale of its equity interest in Clal. Following completion of the transactions mentioned in note 4 to these financial statements, IDBD's interest in Clal was reduced to 29.8% of its share capital.

13.
Trade and other receivables

Group's trade and other receivables as of September 30, 2018 and June 30, 2018 are as follows:

	Total as of September 30, 2018	Total as of June 30, 2018
Sale, leases and services receivables	23,183	15,728
Less: Allowance for doubtful accounts	(1,761)	(805)
Total trade receivables	21,422	14,923
Prepaid expenses	5,492	3,734
Borrowings, deposits and other debit balances	3,149	2,289
Advances to suppliers	944	733
Tax receivables	494	355
Others	1,261	1,055
Total other receivables	11,340	8,166
Total trade and other receivables	32,762	23,089
Non-current	11,637	8,142
Current	21,125	14,947
Total	32,762	23,089

Movements on the Group's allowance for doubtful accounts were as follows:

	September 30, 2018	June 30, 2018
Beginning of the period / year	805	312
Adjustments previous periods (IFRS 9)	117	-
Additions	176	315
Recoveries	(23)	(28)
Currency translation adjustment	706	622
Deconsolidation	-	(142)
Receivables written off during the period/year as uncollectable	(20)	(274)
End of the period / year	1,761	805

The creation and release of the allowance for doubtful accounts have been included in "Selling expenses" in the Statement of Income (Note 20).

14.
Cash flow information

Following is a detailed description of cash flows generated by the Group's operations for the three-month periods ended September 30, 2018 and 2017:

	Note	September 30, 2018	September 30, 2017
Profit for the period		11,084	74
(Loss) / profit for the period from discontinued operations		46	(351)
Adjustments for:			
Income tax	18	1,832	1,152
Amortization and depreciation	20	1,144	863
Loss from disposal of property, plant and equipment		-	22
Net gain from fair value adjustment of investment properties		(16,012)	(3,360)

Share-based compensation		7	15
Impairment of other assets		92	-
Net gain from disposal of intangible assets		(7)	-
Gain from disposal of subsidiary		(408)	(136)
Gain from disposal of trading properties		(10)	-
Other financial results, net		6,119	4,727
Provisions and allowances		323	(10)
Share of profit of associates and joint ventures	7	(436)	(394)
Changes in operating assets and liabilities:			
Decrease in inventories		6	28
Decrease in trading properties		121	99
Increase in restricted assets		(99)	-
Increase in trade and other receivables		(507)	(178)
Increase in trade and other payables		115	80
Decrease in salaries and social security liabilities		(92)	(76)
Decrease in provisions		(15)	(162)
Net cash generated by continuing operating activities before income tax paid		3,303	2,393
Net cash generated by discontinued operating activities before income tax paid		191	400
Net cash generated by operating activities before income tax paid		3,494	2,793

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The following table presents a detail of significant non-cash transactions occurred in the three-month periods ended September 30, 2018 and 2017:

	September 30, 2018	September 30, 2017
Increase in investment properties through an increase in borrowings	23	-
Increase in investment properties through an increase in trade and other payables	-	66
Increase in trading properties through an increase in borrowings	5	-
Increase in trading properties through a decrease in trade and other receivables	42	-
Increase in investment properties through a decrease in trading properties	6	-
Increase in property, plant and equipment through an increase in trade and other payables	507	-
Increase in intangible assets through an increase in trade and other payables	237	-

15.
Trade and other payables

Group's trade and other payables as of September 30, 2018 and June 30, 2018 were as follows:

	Total as of September 30, 2018	Total as of June 30, 2018
Trade payables	10,451	9,688
Sales, rental and services payments received in advance	2,968	3,572
Construction obligations	1,385	1,475
Accrued invoices	899	948
Deferred income	51	37
Total trade payables	15,754	15,720
Dividends payable to non-controlling shareholders	136	123
Tax payables	297	325
Construction obligations	602	521
Other payables	2,078	1,412
Total other payables	3,113	2,381
Total trade and other payables	18,867	18,101
Non-current	2,138	3,484
Current	16,729	14,617
Total	18,867	18,101

16.
Borrowings

The breakdown of the Group's borrowings as of September 30, 2018 and June 30, 2018 was as follows:

	Total as of September 30, 2018 (ii)	Total as of June 30, 2018 (ii)	Fair value as of September 30, 2018	Fair value as of June 30, 2018
NCN	264,692	171,142	256,081	183,338
Bank loans	46,694	31,244	44,919	31,837
Bank overdrafts	1,409	671	1,409	671
	4,333	3,576	4,959	4,761

Other borrowings (i)				
Total borrowings	317,128	206,633	307,368	220,607
Non-current	263,765	181,046		
Current	53,363	25,587		
	317,128	206,633		

(i) Includes finance leases in the amount of Ps. 20 and Ps. 16 as of September 30 and June 30, 2018, respectively.
(ii) Includes Ps. 281,127 and Ps. 180,814 as of September 30 and June 30, 2018, respectively, corresponding to the Operations Center in Israel.

The following table describes the Group's issuance of debt during the present period:

Entity	Class	Issuance / expansion date	Amount in original currency	Maturity date	Interest rate	Principal payment	Interest payment	
Cellcom	SERIES K	Jul-18	NIS 220	7/5/2026	3.55% e.a.	Annual payments since 2021	annually	(1)
PBC	SERIES I	Jul-18	NIS 507	6/29/2029	3.95% e.a.	At expiration	quarterly	(1)
Gav - Yam	SERIES A	Jul-18	NIS 320	10/31/2023	3.55% e.a.	Annual payments since 2021	biannually	
Gav - Yam	SERIES H	Sep-18	NIS 596	6/30/2034	2.55% e.a.	At expiration	annually	(1)

(1)
Corresponds to an expansion of the series.

On August 9, 2018 the Board of Directors of IDBD resolved to perform a partial prepayment of series M debentures of IDBD which took place on August 28, 2018. The partial prepayment amounted to NIS 146 million (approximately Ps 1,491 as of the date of issuance of these financial statements) which represents a 14.02% of the remaining amount of series M debentures.

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17.
Provisions

The table below shows the movements in the Group's provisions categorized by type:

	Period ended September 30, 2018						Year ended June 30, 2018
	Legal claims (i)	Investments in associates and joint ventures (ii)	Site dismantling and remediation	Onerous contracts	Other provisions	Total	Total
Beginning of period / year	1,028	2,452	163	1	958	4,602	1,833
Additions	105	89	-	-	46	240	2,694
Incorporated by business combination	-	-	-				