

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

November 29, 2010

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 November, 2010

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant's name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

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(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F 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

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Financial Statements for the three-month period ended on September 30, 2010 and on September 30, 2009 filed by the Company with the *Bolsa de Comercio de Buenos Aires* and the *Comisión Nacional de Valores*.

IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

Free translation of the Unaudited

Consolidated Financial Statements

For the three-month periods

Beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

Company: **IRSA Inversiones y Representaciones**

Sociedad Anónima

Corporate domicile: Bolívar 108 1° Floor Autonomous City of Buenos Aires

Principal activity: Real estate investment and development

Financial Statements as of September 30, 2010

Presented in comparative form with the previous fiscal year

Stated in thousands of Pesos

Fiscal year No. 68 beginning July 1st, 2010

DATE OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE

Of the By-laws: June 23, 1943

Of last amendment: February 12, 2008

Registration number with the

Superintendence of Corporations: 213,036

Duration of the Company: Until April 5, 2043

Controlling Company: Cresud Sociedad Anónima, Comercial,

Inmobiliaria, Financiera y Agropecuaria

Corporate Domicile: Moreno 877, 23th floor, Autonomous City of Buenos Aires

Principal Activity: Agricultural, livestock and real estate investment

Shareholding: 57.49%

Information related to subsidiaries is shown in Note 1.a.

CAPITAL COMPOSITION (Note 14 a. to the Basic Financial Statements)

Type of share	Authorized for Public Offer of Shares (*)	In thousands of pesos	
		Subscribed	Paid in
Common share, 1 vote each	578,676,460	578,676	578,676

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

IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Unaudited Consolidated Balance Sheets as of September 30, 2010 and June 30, 2010**

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2010	June 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and banks (Note 4)	67,667	71,175
Investments (Note 5)	462,778	259,168
Accounts receivable, net (Note 6)	199,097	359,529
Other receivables (Note 7)	139,260	240,891
Inventories (Note 8)	293,685	259,569
Total Current Assets	1,162,487	1,190,332
NON-CURRENT ASSETS		
Accounts receivable, net (Note 6)	16,774	42,123
Other receivables (Note 7)	258,956	187,182
Inventories (Note 8)	54,299	55,088
Investments (Note 5)	1,607,863	1,480,805
Fixed assets, net (Note 9)	2,730,581	2,692,637
Intangible assets, net	43,408	54,397
Subtotal Non-Current Assets	4,711,881	4,512,232
Negative goodwill, net (Note 10)	(71,700)	(69,123)
Total Non-Current Assets	4,640,181	4,443,109
Total Assets	5,802,668	5,633,441
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable (Note 11)	181,648	315,614
Customer advances (Note 12)	216,527	210,102
Short-term debt (Note 13)	272,586	609,190
Salaries and social security payable (Note 14)	24,820	37,375
Taxes payable (Note 15)	67,827	101,111
Other liabilities (Note 16)	44,445	65,338
Total debts	807,853	1,338,730
Provisions (Note 17)	1,347	2,890
Total Current Liabilities	809,200	1,341,620

<u>NON-CURRENT LIABILITIES</u>		
Trade accounts payable (Note 11)	24,458	23,368
Customer advances (Note 12)	89,112	90,370
Long-term debt (Note 13)	1,666,451	1,031,528
Taxes payable (Note 15)	115,151	110,441
Other liabilities (Note 16)	71,643	62,021
Total debts	1,966,815	1,317,728
Provisions (Note 17)	7,949	7,940
Total Non-Current Liabilities	1,974,764	1,325,668
Total Liabilities	2,783,964	2,667,288
Minority interest	557,958	563,107
SHAREHOLDERS' EQUITY	2,460,746	2,403,046
Total Liabilities and Shareholders' Equity	5,802,668	5,633,441

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

Eduardo S. Elsztain

President

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

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

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

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

	September 30, 2010	September 30, 2009
Revenues	306,784	263,227
Costs	(103,059)	(106,216)
Gross profit	203,725	157,011
Selling expenses	(34,658)	(43,863)
Administrative expenses	(49,760)	(36,042)
Subtotal	(84,418)	(79,905)
Gain from recognition of inventories at net realizable value	13,453	10,946
Net gain from retain interest in securitized receivables	5,213	23,509
Operating income (Note 3)	137,973	111,561
Amortization of negative goodwill, net	629	413
Financial results generated by assets:		
Interest income	7,185	2,788
Foreign exchange gain	11,314	3,386
Other holding (expense) gain	(16,551)	6,083
Subtotal	1,948	12,257
Financial results generated by liabilities:		
Interest expense	(50,638)	(37,393)
Foreign exchange loss	(13,683)	(12,756)
Other financial income (expenses)	(754)	(3,629)
Subtotal	(65,075)	(53,778)
Financial results, net (Note 18a.)	(63,127)	(41,521)
Gain on equity investees	21,756	97,242
Other expenses, net (Note 18b.)	(3,366)	(4,604)
Income before taxes and minority interest	93,865	163,091

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Income tax and Minimum Presumed Income Tax (MPIT)	(12,133)	(26,119)
Minority interest	(25,539)	(5,527)
Net income for the period	56,193	131,445

Earnings per share (Note 13 to the Unaudited Basic Financial Statements)

Basic net income per share	0.097	0.227
Diluted net income per share	0.097	0.227

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

Eduardo S. Elsztain

President

IRSA Inversiones y Representaciones Sociedad Anónima
and subsidiaries

Unaudited Consolidated Statements of Cash Flows (1)

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2010	September 30, 2009
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of the beginning of the fiscal year	151,354	185,942
Cash and cash equivalents as of the end of the period	454,774	183,688
Net increase (decrease) in cash and cash equivalents	303,420	(2,254)
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	56,193	131,445
Plus income tax and MPIT	12,133	26,119
Adjustments to reconcile net income to cash flows from operating activities:		
Gain on equity investees	(21,756)	(97,242)
Amortization of negative goodwill, net	(629)	(413)
Minority Interest	25,539	5,527
Gain from recognition of inventories at net realizable value	(13,453)	(10,946)
Allowances and provisions	13,006	17,140
Depreciation and amortization	39,607	40,843
Financial results, net	44,817	(14,858)
Accrued interest	29,727	31,014
Changes in certain assets and liabilities net of non-cash transactions and effects of acquisitions:		
(Increase) Decrease in current investments	(5,856)	18,014
(Increase) Decrease in accounts receivable, leases and services receivables	(78,957)	19,388
(Increase) Decrease in other receivables	(36,045)	17,102
Increase in inventories	(21,042)	(2,379)
Increase in intangible assets, net		(612)
Increase (Decrease) in trade accounts payable	61,982	(36,112)
Decrease in taxes payable, salaries and social security payable	(37,425)	(43,916)
Increase in customer advances	5,476	20,300
(Decrease) Increase in other liabilities	(7,304)	7,981
Net cash provided by operating activities	66,013	128,395
CASH FLOWS FROM INVESTING ACTIVITIES:		
Share-holding increase in equity investees	(36,415)	(56,043)
Payments for the acquisition of equity investees	(6,053)	(78,788)
Collection from sale of real state.	2,652	
Advance payments for the acquisition of shares	(29,438)	
Acquisitions of undeveloped parcels of land	(1,613)	(1,302)
Payments of financed purchases	(3,950)	

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Acquisitions and improvements of fixed assets	(16,143)	(18,971)
Increase in intangible assets	(1,117)	
Increase (Decrease) in other investments	(33,319)	52,018
Outflow for the acquisition of shares, net	(9,969)	
Collection from sale of shares, net	67,477	
Collection of dividends	1,975	
Collection of equity investees credits	15,362	
Loans granted, net	41	(1,326)
Net cash used in investing activities	(50,510)	(104,412)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term and long term debt	5,190	9,500
Payment of short-term and long-term debt	(25,366)	(16,568)
Decrease in bank overdrafts, net	(268,089)	(8,110)
Capital contribution by minority owners in related parties	474	24,678
Proceeds from issuance of Negotiable Obligations, net of expenses	607,449	
Interest paid	(31,741)	(35,737)
Net cash provided by (used in) financing activities	287,917	(26,237)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	303,420	(2,254)

(1) Includes cash, bank and investments with a realization term not exceeding three months.
The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

Eduardo S. Elsztain

President

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

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2010	September 30, 2009
Supplemental cash flow information		
Income tax paid	4,394	4,026
Non-cash activities:		
Capitalization of financial costs in fixed assets		1,963
Increase on inventories through a decrease on fixed assets, net		8,644
Issuance of trust certificates	18,786	4,580
Increase in non current investments through a decrease in other liabilities	6,053	
Increase in non current investments through an increase in financial loans		34,243
Increase in non current investments through a decrease in other receivables	36,036	
Increase in fixed assets net through an increase in trade accounts payable	5,352	174
Increase in fixed assets net through an increase in financial loans	53,896	
Cumulative translation adjustment of investments	1,507	1,284
Transfer of undeveloped parcels of land to inventories	3,030	
Decrease in inventories through a decrease in customer advances	1,920	
Composition of cash and cash equivalents at the period end		
Cash and Banks	67,667	84,279
Current investments	462,778	321,537
Subtotal cash and banks and current investments	530,445	405,816
Less: (items not considered cash and cash equivalents)		
Retained interest in securitized receivables of Tarshop S.A. CPs	4,550	182,442
Mutual funds	59,257	39,438
TDFs		10,467
Stock shares	11,369	
Mortgage bonds issued by BHSA	480	1,173
Other investments	15	52
Allowance for impairment of CPs		(11,444)
Cash and cash equivalents	454,774	183,688

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IRSA Inversiones y Representaciones Sociedad Anónima

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Unaudited Consolidated Statements of Cash Flows (Continued)

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2010	September 30, 2009
<u>Acquisition of subsidiaries</u>		
Other receivables	(36,036)	
Investments	17,952	
Net value of assets acquired not considered cash and cash equivalents	(18,084)	
Minority interest	31,369	
Negative goodwill, net	(3,316)	
Outflow for the acquisition of shares	9,969	
<u>Sale of subsidiaries</u>		
Account receivables, net	278,805	
Other receivables	29,108	
Investments	143,646	
Fixed Assets	2,829	
Short-term and long-term debt	(91,173)	
Trade account payable	(204,255)	
Salaries and social security payable	(11,221)	
Taxes payable	(14,654)	
Other liabilities	(62)	
Net value of assets sold not considered cash and cash equivalents	133,023	
Devaluation and sale of investment	(12,119)	
Remaining investment	(32,175)	
Advances	(21,252)	
Collection from sale of shares	67,477	

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IRSA Inversiones y Representaciones Sociedad Anónima
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Notes to Unaudited Consolidated Financial Statements

For the three-month periods beginning on July 1, 2010 and 2009
and ended September 30, 2010 and 2009

In thousands of pesos

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

NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL

a. Basis of consolidation

Financial Statements have been prepared in constant currency.

The Company has consolidated its unaudited balance sheets at September 30, 2010 and as of June 30, 2010; the unaudited statements of income and cash flows for the three-month periods ended September 30, 2010 and 2009 line by line with the financial statements of its subsidiaries, following the procedure established in Technical Resolution No. 21 of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (F.A.C.P.C.E.) and approved by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires and by the National Securities Commission. All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited Consolidated Financial Statements include the assets, liabilities and results of operations of the following controlled subsidiaries:

COMPANIES	September 30,	June 30,	September 30,	June 30,
	2010	2010	2010	2010
	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
Ritelco S.A.	100.00	100.00	100.00	100.00
Palermo Invest S.A.	100.00	100.00	100.00	100.00
Inversora Bolívar S.A.	100.00	100.00	100.00	100.00
Quality Invest S.A.	100.00	100.00	100.00	100.00
E-Commerce Latina S.A.	100.00	100.00	100.00	100.00
Solares de Santa María S.A. (2)	100.00	90.00	100.00	90.00
Hoteles Argentinos S.A.	80.00	80.00	80.00	80.00
Alto Palermo S.A. (APSA)	63.35	63.35	63.35	63.35
Llao Llao Resorts S.A.	50.00	50.00	50.00	50.00
Tyrus S.A.	100.00	100.00	100.00	100.00
Nuevas Fronteras S.A.	76.34	76.34	76.34	76.34
Torodur S.A. (1)	98.00	98.00	98.00	98.00
Unicity S.A. (2)	100.00		100.00	

(1) See Note 16.6. to the unaudited Basic Financial Statement

(2) See Note 16.9. to the unaudited Basic Financial Statement

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 1: (Continued)

a. (continued)

In addition, the assets, liabilities and results of operations of the Company jointly-controlled subsidiaries (of which the Company holds a direct interest) that follow have been included in the unaudited Consolidated Financial Statements, applying the proportionate consolidation method.

COMPANIES	September 30,	June 30,	September 30,	June 30,
	2010	2010	2010	2010
	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
Cyrsa S.A. (CYRSA) (1)	50.00	50.00	50.00	50.00
Canteras Natal Crespo S.A. (2)	50.00	50.00	50.00	50.00

(1) The Company holds joint control with Cyrela Brazil Realty S.A. Empreendimentos y Participações (see Note 22 A.1.)

(2) The Company holds joint control of this company with Euromayor S.A.

They also include assets, liabilities and net income of the companies controlled indirectly through other subsidiaries.

b. Comparative Information

Balances items as of June 30, 2010 shown in these unaudited financial statements for comparative purposes arise from audited annual financial statements for the year then ended.

Balances for the three-month period ended September 30, 2010 of income and cash flows statements are shown for comparative purposes with the same period of the previous fiscal year.

The financial statements as of June 30, 2010 and September 30, 2009 originally issued have been subject to certain reclassifications required in order to present these figures comparatively with those stated as of September 30, 2010.

c. Additional information about Tarshop S.A.'s sale

On September 13, 2010, APSA sold 80% of Tarshop S.A. Consequently, the Unaudited Consolidated Financial Statements as of September 30, 2010 are not comparable with those issued as of June 30, 2010 or September 30, 2009. The Unaudited Consolidated Balance Sheet as of September 30, 2010, does not include Tarshop S.A.'s assets and liabilities, which the Unaudited Statement of Income and the Unaudited Statement of Cash Flows as of September 30, 2010 include income and cash flows, respectively, for the two-month period in which APSA still controlled it.

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

In thousands of pesos

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NOTE 1: (Continued)

c. (continued)

The following table shows a summary of the effect that would have had Tarshop S.A. s de-consolidation on the Balance Sheet as of June 30, 2010 and the Unaudited Statement of Income and Unaudited Statement of Cash Flows as of September 30, 2009.

	June 30, 2010	Elimination of Tarshop S.A. as of June 30, 2010	June 30, 2010 without Tarshop S.A.
Balance Sheet			
Current Assets	1,190,332	(269,148)	921,184
Non-current Assets	4,443,109	28,881	4,471,990
Total Assets	5,633,441	(240,267)	5,393,174
Current Liabilities	(1,341,620)	242,969	(1,098,651)
Non-Current liabilities	(1,325,668)	(2,702)	(1,328,370)
Total Liabilities	(2,667,288)	240,267	(2,427,021)
Minority interest	(563,107)		(563,107)
Shareholders equity	(2,403,046)		(2,403,046)
	September 30, 2009	Elimination of Tarshop S.A. as of September 30, 2009	September 30, 2009 without Tarshop S.A.
Statements of income			
Revenues	263,227	(43,475)	219,752
Costs	(106,216)	28,858	(77,358)
Gross profit	157,011	(14,617)	142,394
Operating income (Note 3)	111,561	(4,550)	107,011
Gain on equity investees	97,242	1,776	99,018
Net income for the period	131,445		131,445

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Statements of Cash Flow	September 30, 2009	Elimination of Tarshop S.A. as of September 30, 2009	September 30, 2009 without Tarshop S.A.
Cash Flow:			
- Provided by operating activities	92,658	(20,123)	72,535
- Used in investing activities	(104,412)	(22,765)	(127,177)
- Provided by financing activities	9,500	42,187	51,687

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the subsidiaries mentioned in Note 1 a., have been prepared on a consistent basis with those applied by the Company. The Note 1 to the Unaudited Basic Financial Statements details the most significant accounting policies. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that note.

In addition to the description in the Unaudited Basic Financial Statements:

a. Revenue recognition

Revenues from admission rights, leases and services

Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent, which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross retail revenues (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross revenues).

Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Minimum rental income is recognized on the accrued criteria.

Certain lease agreements contain provisions, which provide for rents based on a percentage of revenues or based on a percentage of revenues volume above a specified threshold. APSA determines the compliance with specific targets and calculates the additional rent on a monthly basis as provided for in the contracts. Thus, these contingent rents are not recognized until the required thresholds are exceeded.

Generally, APSA s lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six-months, upon not less than 60 days written notice, subject to penalties which vary from one to one and a half months rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

Additionally, APSA charges its tenants a monthly administration fee related to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. The administration fee is prorated among the tenants according to their leases, which varies from shopping center to shopping center. Administration fees are recognized monthly when earned.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 2: (Continued)

a. (Continued)

In addition to rent, tenants are generally charged admission rights, a non-refundable admission fee that tenants may be required to pay upon entering into a lease or upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements.

Lease agent operations

Fibesa S.A., company in which Alto Palermo S.A. has shares of 99.99996%, acts as the leasing agent for APSA bringing together the Company and potential lessees for the retail space available in certain of the APSA's shopping centers. Fibesa S.A.'s revenues are derived primarily from collected commissions calculated as a percentage of the final rental income value and admission rights. Revenues are recognized at the time that the transaction is successfully concluded.

Consumer Financing operations

Revenues derived from credit card transactions consist of commissions and financing income, charges to clients for life and disability insurance and for statements of account, among other. Commissions are recognized at the time the merchants' transactions are processed, while the rest financing income is recognized when accrued. Income generated from granting consumer loans mainly includes financial interests, which are recognized by the accrual method during the period/year irrespective of whether collection has or has not been made.

Hotel operations

The Company recognizes revenues from its rooms, catering and restaurant facilities as accrued on the close of each business day.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 2: (Continued)

b. Investments

Current Investments

As of June 30, 2010 current investments included retained interests in securitized receivables pursuant to the securitization programs of Tarshop S.A. and Metroshop S.A. with a realization term not exceeding twelve months, which have been accounted for under the equity method, net of the allowances for impairment, if applicable. In addition, included bonds, mutual funds and mortgage bonds carried at market value at the end of the year.

As of the closing date of these unaudited financial statements current investments includes certificates of participation under the securitization program for accounts receivable for credit card transactions of Metroshop S.A. (a company proportionally controlled by APSA) falling due on or before 12 months, which have been accounted for under the equity method.

Equity investees and other non-current investments

As of June 30, 2010 included retained interests in securitized receivables of Tarshop S.A., which have been accounted for under the equity method, net of the corresponding allowances for impairment, if applicable. In addition, the interests held in entities over which the Company does not exert control, joint control or significant influence have been measured for accounting purposes at cost plus any declared dividends.

Given the sale of 80% of Tarshop S.A.'s shares described in Note 22 B.3.ii), as of the date of issuance of these financial statements, APSA maintains a 20% investment in Tarshop S.A. which has been recognized by application of the equity method on account of the economic group being able to exercise significant influence on its decisions and of the economic group's intention to maintain it as a long-term investment.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 2: (Continued)

c. Intangible assets, net

Intangible assets are carried at restated cost less accumulated amortization and corresponding allowances for impairment in value, if applicable. Included in the Intangible Assets caption are the following:

Concession

Intangible assets include Arcos del Gourmet S.A.'s concession right, which is amortized over the life of the concession agreement (see Note 22 B.1.).

Trademarks

Trademarks include the expenses and fees related to their registration.

Pre-operating and organization expenses

These expenses are amortized by the straight-line method in 3 years, beginning as from the date of opening.

The value of these assets does not exceed their estimated recoverable value at period/year end, respectively.

Non-compete agreement

Those expenses are amortized by the straight-line method in 28 months, beginning from December 1st, 2009.

In the framework of the agreement executed with Banco Hipotecario S.A. for the sale of Tarshop S.A.'s shares, APSA has signed a non-compete agreement in favor of BHSA and has thus considered this intangible asset to be non-recoverable (See Note 22 B.3.ii).

d. Negative goodwill, net

Amortizations were calculated through the straight line method on the basis of an estimated useful life considering the weighted average of the remaining useful life of the assets acquired.

The residual value of goodwill arising from the acquisition of net assets and shares in companies has been shown in the Negative goodwill, net caption. Amortizations were classified in the Amortization of the Negative Goodwill, net caption of the statement of income. Goodwill related to the acquisition of interest in subsidiaries is included in non-current investments.

Values thus obtained do not exceed the respective estimated recoverable values at period/year end.

IRSA Inversiones y Representaciones Sociedad Anónima

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NOTE 2: (Continued)

e. Liabilities in kind related to barter transactions

Liabilities in kind corresponding to obligations to deliver units to be built are valued considering the value of the assets received or the cost of construction of the units to deliver plus necessary additional costs to transfer the assets to the creditor, the largest. Liabilities in kind have been shown in the Trade account payables .

NOTE 3: NET INCOME BY BUSINESS SEGMENT

The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting. Accordingly, the Company has six reportable segments. These segments are Development and Sale of properties, Office and other Non-Shopping center Rental Properties, Shopping centers, Hotel Operations, Consumer financing, and Financial operations and others.

A general description of each segment follows:

Development and Sale of properties

This segment includes the operating results of the Company's construction and/or sale of property business.

Office and other Non-Shopping center Rental Properties

This segment includes the operating results of lease and service revenues of office space and other building properties from tenants.

Shopping centers

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

Hotel operations

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

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NOTE 3: (Continued)

Consumer financing

This segment includes the origination of loans and credit card receivables and related securitization programs carried through Tarshop S.A. and Metroshop S.A.(See note 22 B.3.ii).

Financial operations and others

This segment primarily includes results related to securities-related transactions and other non-core activities of the Company. This segment also includes gain/loss in equity investments of the Company related to the banking industry.

The Company measures its reportable segments based on operating result. Inter-segment transactions, if any, are accounted for at current market prices. The Company evaluates performance of its segments and allocates resources to them based on operating result. The Company is not dependent on any single customer.

The accounting policies of the segments are the same as those described in Note 1 to the Unaudited Basic Financial Statements and in Note 2 to the Unaudited Consolidated Financial Statements.

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NOTE 3: (Continued)

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

As of September 30, 2010

	Development and Sale of Properties	Office and Other Non-Shopping Center Rental Properties (a)	Shopping Centers	Hotel Operations	Consumer Financing (1)	Financial Operations and Others	Total
Revenues	10,979	40,598	148,802	48,565	57,840		306,784
Costs	(5,951)	(7,193)	(40,309)	(30,191)	(19,415)		(103,059)
Gross profit	5,028	33,405	108,493	18,374	38,425		203,725
Gain from recognition of inventories at net realizable value	13,453						13,453
Selling expenses	(696)	(971)	(8,575)	(5,128)	(19,288)		(34,658)
Administrative expenses	(9,672)	(9,952)	(15,183)	(9,673)	(5,280)		(49,760)
Net loss from retained interest in securitized receivables					5,213		5,213
Operating income	8,113	22,482	84,735	3,573	19,070		137,973
Depreciation and amortization (b)	75	6,171	29,111	3,690	560		39,607
Acquisition of fixed assets, net and intangible assets, net	14	356	14,760	2,040	90		17,260
Non-current investments in equity investments	27,103			211,557	33,492	872,588	1,144,740
Operating assets	623,959	995,480	1,938,837	207,840	24,935	211,557	4,002,608
Non-operating assets	87,826	124,573	115,768	37,179	4,578	1,430,136	1,800,060
Total assets	711,785	1,120,053	2,054,605	245,019	29,513	1,641,693	5,802,668

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Operating liabilities	38,181	266,575	236,026	37,353	26,258		604,393
Non-operating liabilities	388,917	351,421	1,043,220	203,076	2,265	190,672	2,179,571
Total liabilities	427,098	617,996	1,279,246	240,429	28,523	190,672	2,783,964

- (a) Includes offices, commercial and residential premises.
- (b) Included in operating income.
- (1) See Note 1.c.

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

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NOTE 3: (Continued)

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

As of September 30, 2009

	Development and Sale of Properties	Office and Other Non-Shopping Center Rental Properties (a)	Shopping Centers	Hotel Operations	Consumer Financing (1)	Financial Operations and Others	Total
Revenues	36,339	40,671	113,750	29,233	43,234		263,227
Costs	(11,531)	(7,531)	(36,838)	(22,575)	(27,741)		(106,216)
Gross profit	24,808	33,140	76,912	6,658	15,493		157,011
Selling expenses	(1,938)	(2,706)	(7,860)	(3,402)	(27,957)		(43,863)
Administrative expenses	(6,413)	(8,149)	(9,100)	(7,215)	(5,165)		(36,042)
Gain from recognition of inventories at net realizable value	10,946						10,946
Net loss from retained interest in securitized receivables					23,509		23,509
Operating income (loss)	27,403	22,285	59,952	(3,959)	5,880		111,561
Depreciation and amortization (b)	174	6,182	27,643	4,368	1,768		40,135
Acquisition of fixed assets, net and intangible assets, net	11	1,172	16,648	773	979		19,583
Non-current investments in equity investments (c)	27,238			204,553		815,068	1,046,859
Operating assets (c)	582,204	991,750	1,780,777	210,675	277,486	204,553	4,047,445
Non-operating assets (c)	75,444	97,002	153,540	37,576	49,785	1,172,649	1,585,996

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Total assets (c)	657,648	1,088,752	1,934,317	248,251	327,271	1,377,202	5,633,441
Operating liabilities (c)	36,863	173,187	355,185	38,451	174,254		777,940
Non-operating liabilities (c)	331,373	301,564	802,927	178,211	122,714	152,559	1,889,348
Total liabilities (c)	368,236	474,751	1,158,112	216,662	296,968	152,559	2,667,288

- (a) Includes offices, commercial and residential premises.
- (b) Included in operating income.
- (c) Information as of June 30, 2010.
- (1) See note 1.c.

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NOTE 4: CASH AND BANKS

The breakdown for this item is as follows:

	September 30, 2010	June 30, 2010
Cash on hand	2,170	4,883
Bank accounts	64,243	60,500
Checks to be deposited	1,254	5,792
	67,667	71,175

NOTE 5: INVESTMENTS

The breakdown for this item is as follows:

	September 30, 2010	June 30, 2010
<u>Current</u>		
Mutual funds	446,364	134,167
Stock shares	11,369	4,075
Retained interest in securitized receivables	4,550	124,671
Mortgage bonds issued by BHSA	480	784
Other investments	15	48
TDFs		2,846
Allowance for impairment of CPs		(7,423)
Total Current	462,778	259,168
<u>Non-current</u>		
Banco Hipotecario S.A. (1)	866,494	809,072
Hersha Hospitality Trust (Note 22 A.2.)	211,557	204,553
Tarshop S.A.	33,492	
Manibil S.A. (Note 19.2. to the Unaudited Basic Financial Statements)	27,103	27,238
Advance payments for the acquisition of shares (Note 16.4. and 16.7 to the Unaudited Basic Financial Statements and note 22 B.1.)	53,361	23,735
Retained interest in securitized receivables		18,458

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Banco de Crédito y Securitización S.A.	6,094	5,996
Other investments	145	144
Allowance for impairment of CPs		(1,165)
Subtotal	1,198,246	1,088,031

IRSA Inversiones y Representaciones Sociedad Anónima

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NOTE 5: (Continued)

	September 30, 2010	June 30, 2010
<u>Undeveloped parcels of land:</u>		
Santa María del Plata	158,536	140,584
Puerto Retiro (2)	54,535	54,600
Beruti plot of land (Note 22 B.6.)	52,984	52,934
Caballito plot of land	36,938	36,745
Patio Olmos (Note 22 B.4.)	32,949	32,949
Zetol plot of land (Note 22 A.5.)	14,469	14,348
Air space Coto (Note 22 B.7.)	13,188	13,188
Torres Rosario plot of land	11,166	11,166
Vista al Muelle plot of land (Note 22 A.5.)	9,900	8,292
Canteras Natal Crespo	5,719	5,705
Pilar	3,408	3,408
Torres Jardín IV		3,030
Other undeveloped parcels of land	15,825	15,825
Subtotal	409,617	392,774
Total non-current	1,607,863	1,480,805

- (1) As of September 30 and June, 2010, includes Ps. 21,203 and Ps. 25,884, as goodwill and negative goodwill and higher and lesser values, respectively. As of September 30 and June 30, 2010 represents 446,653,517 and 420,455,953 shares with a quoted value at closing equivalent was to Ps. 1.88 and Ps.1.44 per share, respectively.
- (2) See Note 21.A.(i).

NOTE 6: ACCOUNTS RECEIVABLE, NET

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Leases and services and from the sale of properties receivables	74,995	16,774	76,578	17,150
Checks to be deposited	64,178		60,695	
Consumer financing receivables	44,975		245,538	25,824

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Hotel receivables	13,469	11,186	
Related parties (Note 19)	8,693	8,033	
Receivables with collection agents	2,351	4,532	
Pass-through expenses receivables	21,231	19,917	
Debtors under legal procedures	43,432	42,117	
Notes receivables	4,054	4,207	399
Credits cards receivables	402	877	
Less:			
Allowance for leases, services and from sale of properties receivables	(51,719)	(51,099)	
Allowance for consumer financing receivables	(26,242)	(62,335)	(1,250)
Allowance for hotel receivables	(722)	(717)	
	199,097	16,774	359,529
			42,123

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

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NOTE 7: OTHER RECEIVABLES

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Related parties (Note 19)	40,478	14,102	45,404	15,010
Metropolitan 885 Third Ave. LLC, put option (Note 22 A.3.)		49,322	48,461	
Prepaid expenses and services	36,569	2,094	36,969	2,609
Receivable from the sale of shares (1)			35,772	
Value Added Tax (VAT)	37,234	58,101	30,929	64,386
Gross revenue tax	9,161	1,506	8,151	935
Escrow Fidelity National Title (Note 22 A.3.)		59,400		
Guarantee deposits re. securitization programs (Note 21 B.(ii)i)	692		5,427	
Consumer financing receivables			4,880	
MPIT	473	56,332	1,056	62,791
Income tax, net	85	1,551	2,680	
Loans granted, net	1,158	96	859	195
Deferred Income Tax		28,402		55,876
Mortgage receivable		2,208		2,208
Others	13,410	1,116	20,303	1,197
Less:				
Allowance for doubtful mortgage receivable		(2,208)		(2,208)
Present value other receivables		(13,066)		(15,817)
	139,260	258,956	240,891	187,182

(1) See Note 16.9. to the Unaudited Basic Financial Statements.

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NOTE 8: INVENTORIES

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Horizons (Note 22 A.1)	242,965		208,644	
Credit from barter transaction of Caballito (Koad) (1)	26,724	6,890	25,808	6,654
Rosario plot of land (5)	6,449		8,728	
Credit from barter transaction of Caballito (Cyrsa) (Note 19)(2)		18,970		18,970
El Encuentro (3)	4,587	4,218	4,938	5,318
Torres Rosario (Note 22 B.5.)	3,379	7,644	3,379	7,644
Torres Jardín IV	3,030			
Pereiraola (4)		8,200		8,200
Inventories (hotel operations)	3,210		3,141	
Abril	1,605		1,763	
Caballito plot of land		6,830		6,794
Other inventories	1,736	1,547	3,168	1,508
	293,685	54,299	259,569	55,088

- (1) See Note 5 (2) to the Unaudited Basic Financial Statements.
- (2) See Note 5 (1) to the Unaudited Basic Financial Statements.
- (3) See Note 5 (3) to the Unaudited Basic Financial Statements.
- (4) See Note 16.5. to the Unaudited Basic Financial Statements.
- (5) See Note 22 B.14. (ii).

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

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NOTE 9: FIXED ASSETS, NET

The breakdown for this item is as follows:

	September 30, 2010	June 30, 2010
Hotels		
Llao-Llao	77,964	79,176
Intercontinental	54,291	54,599
Libertador	40,898	40,673
Bariloche plots of land	21,900	21,900
Subtotal Hotels	195,053	196,348
Office buildings		
Edificio República	218,602	219,777
Torre BankBoston	154,521	155,196
Boucharard 551	149,988	150,570
Intercontinental Plaza	81,404	82,408
Dot Building (work in progress)	67,741	66,247
Boucharard 710	65,006	65,261
Dique IV	64,056	64,620
Maipú 1300	37,941	38,287
Costeros Dique IV	18,964	19,111
Libertador 498	14,515	14,657
Suipacha 652	10,823	10,936
Avda. De Mayo 595	4,430	4,489
Dock del Plata	859	864
Madero 1020	213	218
Rivadavia 2768	211	217
Sarmiento 517	195	197
Subtotal Office buildings	889,469	893,055
Other fixed assets		
Catalinas Norte plot of land	100,863	100,804
Santa María del Plata	12,496	12,496
Constitución 1159	5,427	5,427
Museo Renault	4,761	4,785
Thames	3,896	3,897
Casona Abril	2,677	2,728

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Constitución 1111	886	897
Alto Palermo Park	546	546
Others	4,725	4,605
Subtotal Other fixed assets	136,277	136,185
Shopping Center		
Dot Baires	516,778	517,108
Abasto	161,187	163,556
Alto Palermo	129,661	134,984
Patio Bullrich	87,661	89,638
Soleil Factory	82,456	
Mendoza Plaza	79,458	80,552
Alto Rosario	76,776	77,401
Alto Avellaneda	69,932	73,454
Paseo Alcorta	69,601	70,663
Córdoba Shopping Villa Cabrera (Note 24 B.1.)	67,990	68,958
Alto NOA	21,084	21,570
Financial advance for fixed assets purchase (Note 22 B.2.)	14,492	31,783
Neuquén Project (Note 24 B.2.)	13,560	12,389
Buenos Aires Design	8,188	8,811
Other fixed assets	92,704	97,771
Other properties	18,254	18,411
Subtotal Shopping Center	1,509,782	1,467,049
Total	2,730,581	2,692,637

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NOTE 10: NEGATIVE GOODWILL, NET

The breakdown for this item is as follows:

	September 30, 2010	June 30, 2010
Goodwill:		
Alto Palermo S.A.	18,889	19,245
Torre BankBoston	5,638	5,690
Museo Renault	3,073	3,113
Conil S.A.	506	506
Fibesa S.A.		342
Subtotal goodwill	28,106	28,896
Negative goodwill:		
Alto Palermo S.A.	(42,580)	(43,330)
Palermo Invest S.A.	(39,797)	(40,316)
Empalme S.A.I.C.F.A. y G.	(8,291)	(8,450)
Mendoza Plaza Shopping S.A.	(5,579)	(5,661)
Unicity S.A.	(3,316)	
Emprendimiento Recoleta S.A.	(243)	(262)
Subtotal negative goodwill	(99,806)	(98,019)
Total negative goodwill, net	(71,700)	(69,123)

NOTE 11: TRADE ACCOUNTS PAYABLE

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Suppliers	47,529	10,022	169,473	11,210
Accruals	65,850		71,856	
Liabilities in kind Horizons (See Note 22 A.1.)	49,438		46,451	
Related parties (Note 19)	16,366	14,436	25,651	12,158

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Other	2,465		2,183	
	181,648	24,458	315,614	23,368

NOTE 12: CUSTOMER ADVANCES

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Customers advances	138,402		135,030	
Admission rights	52,434	59,199	51,194	59,469
Lease advances (1)	25,691	29,913	23,878	30,901
	216,527	89,112	210,102	90,370

- (1)(a) Includes balances due to NAI INTERNATIONAL II, INC, under the agreement of financing and occupancy signed by Empalme S.A.I.C.F.A. y G. (see Note 24 B.1.).
- (b) As of September 30 and June 30, 2010 includes advances of Ps. 8,882 and Ps. 9,501, respectively, from Wall - Mart Argentina S.R.L. in the context of a rent contract entered into with Panamerican Mall S.A. (APSA's Subsidiary), for a 30 years term.

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NOTE 13: SHORT-TERM AND LONG TERM DEBT

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Bank overdrafts	45,784		314,120	
Bank loans (1)	89,788	53,157	133,813	52,767
Short term notes (Note 24 B.7.)			23,019	
Non Convertible Notes APSA 2011 U\$S 6 M (7)	26,068		25,813	
Non Convertible Notes APSA 2011 \$ 55 M (7))	44,358		44,165	
Non Convertible Notes APSA 2012 \$ 154 M (6)	28,171	26,464	26,695	26,455
Convertible Notes APSA 2014 U\$S 50 M (5)	1,227	61,339	2,719	60,890
Non convertible Notes APSA 2017 U\$S 120 M (4) (Note 19)	8,816	296,553	2,917	294,286
Non convertible Notes 2017 (3) (Note 19)	7,540	589,263	20,009	584,694
Non convertible Notes 2020 (3)	12,572	574,925		
Seller financing (2)	8,262	64,750	15,920	12,436
	272,586	1,666,451	609,190	1,031,528

(1) Balances as of September 30, 2010 includes:

- (a) Ps. 30,642 as a current balance and Ps. 53,157 as a non-current balance related to debt for purchase República building.(see note 8 (1) a) to the Unaudited Basic Financial Statements)
- (b) Ps. 40,046 correspond to Banco Nación s mortgage loan (see note 8 (1) b) to the Unaudited Basic Financial Statements).
- (c) Ps. 18,969 correspond to Hoteles Argentinos S.A. s mortgage loan. (Note 21 A.(ii)).
- (d) Ps. 131 related to loans granted by different financial institutions.

(2) The balance as of September 30, 2010 includes mainly:

- (a) Ps. 9,315 to the debt from acquisition of Zetol S.A. (See Note 22 A.5.)
- (b) Ps. 9,144 related to the debt for purchase of Arcos del Gourmet S.A.(See note 22 B.1.)
- (c) Ps. 54,533 related to the debt for purchase of Goodwill of Soleil Factory.

(3) See Note 17 to the Unaudited Basic Financial Statement.

(4) See Note 23 A.2. Disclosed net of the Notes held by the Company for Ps. 161,794 and of issuance debt costs to be accrued for Ps. 2,185. See Note 22.3 to the Unaudited Basic Financial Statements.

(5) Corresponds to the outstanding balance of Convertible Notes into shares (CNB) issued originally by APSA for an outstanding amount of US\$ 50,000, as detailed in Note 23 A.1., net of the CNB underwritten by the Company for Ps.128,197.

(6) See Note 23 A.2. Disclosed net of the Notes held by the Company for Ps. 27,465 and issuance debt costs to be accrued debt for Ps. 80.

(7) See note 23 A.2.

NOTE 14: SALARIES AND SOCIAL SECURITY PAYABLE

The breakdown for this item is as follows:

	September 30, 2010	June 30, 2010
Provision for vacation and bonuses	13,058	27,038
Social Security payable	9,042	8,830
Salaries payable	351	1,004
Others	2,369	503
	24,820	37,375

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NOTE 15: TAXES PAYABLE

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2009	
	Current	Non-Current	Current	Non-Current
Income tax provision, net	36,354	16,374	38,213	
Tax amnesty plan for income tax		20,858		19,145
VAT	8,068		17,308	
Tax payment facilities plan for VAT			13,235	
MPIT, net	5,886	6,502	10,512	12
Gross revenue tax payable	5,522		3,636	
Tax retentions to third parties	4,288		10,177	
Provision for tax on shareholders personal assets	3,694		4,055	
Tax payment facilities plan for income tax	1,609		1,559	
Tax amnesty plan for gross revenue tax	1,279	1,628	485	1,320
Tax amnesty plan for ABL	142		815	2,372
Deferred Income Tax		69,789		87,592
Others	985		1,116	
Total	67,827	115,151	101,111	110,441

NOTE 16: OTHER LIABILITIES

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Accrual for Directors fees (1) (Note 19)	25,149	4,105	24,412	
Advance sale of Tarshop S.A. shares (Notes 19 and 22 B.3.(ii))			21,070	
Guarantee deposits	6,440	2,679	5,243	4,100
Debt to the former minority shareholders of Tarshop S.A. (Note 22 B.13.)	3,556	2,531	3,529	3,322
Payables to National Parks Administration (Note 20)	2,608		2,589	
Bellow market leases (3)	378		1,308	
Contributed leasehold improvements (Note 24 B.3.)	451	9,396	462	9,502
Related parties (Note 19)	58	8	50	8
Loans with shareholders of related parties		20,564		19,989

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Hersha option payable (2)		18,814		16,693
Commitment to provide (Note 22 A.3.)		5,940		5,897
Directors' guarantee deposits (Note 19)		12		12
Present value of other liabilities		(97)		(102)
Others	5,805	7,691	6,675	2,600
Total	44,445	71,643	65,338	62,021

- (1) Disclosed net of advances to directors fees for Ps. 30,025 and Ps. 23,387 as of September 30 and June 30, 2010, respectively.
- (2) Debt with minority shareholders REIG.
- (3) See Note 1.5.1. to the Unaudited Basic Financial Statements.

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

In thousands of pesos

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NOTE 17: PROVISIONS

The breakdown for this item is as follows:

	September 30, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Allowance for contingences	1,347	7,949	2,890	7,940
Total	1,347	7,949	2,890	7,940

NOTE 18 a: FINANCIAL RESULTS, NET

The breakdown for this item is as follows:

	September 30, 2010	September 30, 2009
Financial results generated by assets:		
Interest income	4,532	4,448
Interest on discounting assets	2,653	(1,660)
Subtotal interest income	7,185	2,788
Foreign exchange gain	11,314	3,386
Gain on financial operations	(16,551)	6,083
Subtotal other holding gain	(16,551)	6,083
Total financial results generated by assets	1,948	12,257
Financial results generated by liabilities:		
Interest expense	(50,723)	(37,309)
Interest on discounting liabilities	85	(84)
Subtotal interest expense	(50,638)	(37,393)
Foreign exchange loss	(13,683)	(12,756)

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Loss on derivative financial instruments		(1,558)
Others	(754)	(2,071)
Subtotal other financial expenses	(754)	(3,629)
Total financial results generated by liabilities	(65,075)	(53,778)
Total financial results, net	(63,127)	(41,521)

NOTE 18 b: OTHER EXPENSES, NET

The breakdown for this item is as follows:

	September 30, 2010	September 30, 2009
Other income:		
Recovery of allowances	9	73
Recovery of contingencies		28
Others	282	29
Subtotal other income	291	130
Other expenses:		
Donations	(1,539)	(1,532)
Tax on Shareholders' personal assets	(1,236)	(1,407)
Provision for contingencies	(388)	
Unrecoverable VAT	(445)	(130)
Others	(49)	(1,665)
Subtotal other expenses	(3,657)	(4,734)
Total Other expenses, net	(3,366)	(4,604)

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NOTE 19: COMPANIES UNDER LAW No. 19,550 SECTION 33 AND OTHER RELATED PARTIES

- a. Balances as of September 30, 2010 compared to the balances as of June 30, 2010 held with related companies, persons and shareholders are as follows:

Related parties	Account receivables current	Other receivables-current	Other receivables non-current	Inventories receivables Caballito plot of land barter	Trade accounts payable current	Trade accounts payable non-current	Short-term debt	Long-term debt	Other liabilities current	Other liabilities non-current	Totals
Baicom Networks S.A. (4)		7	387								394
Banco Hipotecario S.A. (2)	217										217
Cactus Argentina S.A. (2)	20				(3)						17
Canteras Natal Crespo S.A. (4)	332	35									367
Consorcio Libertador (3)		69			(157)				(4)		(92)
Consorcio Dock del Plata (3)	693	161			(113)				(3)		738
Consorcio Torre Boston (3)	1,533	710			(1,158)						1,085
Consultores Assets Management S.A. (3)	924	19			(7)						936
Cresud S.A.C.I.F. y A. (5)	1,923	33,640			(12,957)		(2,466)	(94,744)			(74,604)
Cyrsa S.A. (4)	1,660			18,970	(983)						19,647
Directors (3)	2	169			(36)				(25,149)	(4,125)	(29,139)
Elsztain Managing Partners Ltd (3)									(35)		(35)
Estudio Zang, Bergel y Viñes (3)		29			(785)						(756)

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Fundación IRSA (3)	43	1										44
Futuros y Opciones.com S.A. (2)	7			(6)								1
Hersha Hospitality Trust (2)		2,102										2,102
Irsa Developments LP (2)								(8)				(8)
Irsa Real Estate Strategies LP (2)								(8)				(8)
Military S.A. (2)		9										9
Metroshop S.A. (4)		350			(14,436)							(14,086)
Museo de los Niños (3)	929			(5)								924
Parque Arauco S.A. (1)						(1,225)	(31,271)					(32,496)
Personnel loans (3)	100	2,471		(150)								2,421
Puerto Retiro S.A. (4)	60	31		(6)								85
Tarshop S.A. (2)	250	675	13,715									14,640
Totals as of September 30, 2010	8,693	40,478	14,102	18,970	(16,366)	(14,436)	(3,691)	(126,015)	(25,207)	(4,125)		(107,597)

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

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NOTE 19: (Continued)

a. (Continued)

Related parties	Account receivables current	Other receivables and prepaid expenses - current	Other receivables and prepaid expenses non current	Inventories Caballito Plot of land barter	Trade accounts payable current	Trade accounts payable non current	Short-term debt	Long-term debt	Other liabilities current	Other liabilities non current	Totals
Baicom Networks S.A. (4)		1	323								324
Banco Hipotecario S.A. (2)	354				(159)				(21,070)		(20,875)
Cactus Argentina S.A. (2)	18				(3)						15
Canteras Natal Crespo S.A. (4)	318	50									368
Consorcio Dock del Plata (3)	883	2			(10)				(3)		872
Consorcio Libertador (3)		20			(66)				(4)		(50)
Consorcio Torre Boston (3)	595	205									800
Consultores Assets Management S.A. (3)	817	29			(7)						839
Cresud S.A.C.I.F. y A. (5)	2,111	40,450			(23,667)		(4,831)	(91,829)			(77,766)
Cyrsa S.A. (4)	1,658	8		18,970	(983)						19,653
Directors (3)	2	169			(36)				(24,412)	(20)	(24,297)
Elsztain Managing Partners Ltd (3)									(27)		(27)
Estudio Zang, Bergel y Viñes (3)		22			(576)						(554)

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Fundación IRSA (3)	41	5										46
Futuros y Opciones.com S.A. (2)	7				(6)							1
Hersha Hospitality Trust (2)		2,087										2,087
Irsa Developments LP (2)								(8)				(8)
Irsa Real Estate Strategies LP (2)								(8)				(8)
Metroshop S.A. (4)			14,687			(12,158)						2,529
Museo de los Niños (3)	1,111				(5)							1,106
Parque Arauco S.A. (1)							(2,716)	(60,822)				(63,538)
Personnel loans (3)	59	2,325			(128)							2,256
Puerto Retiro S.A. (4)	59	31			(5)							85
Totals as of June 30, 2010	8,033	45,404	15,010	18,970	(25,651)	(12,158)	(7,547)	(152,651)	(45,532)	(20)		(156,142)

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

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NOTE 19: (Continued)

- b. The Statement of Income balances for the three-month periods ended September 30, 2010 and 2009, held with related companies, persons and shareholders are as follows:

Related parties	Sale and fees for services	Leases	Interest and exchange differences	Fees	Share services payroll	Donations	Tax on Shareholders personal assets	Totals
Shareholders (5)							(83)	(83)
Canteras Natal Crespo S.A. (4)	12							12
Consortio Libertador (3)	31	3						34
Consortio Dock del Plata S.A. (3)	39							39
Consortio Torre Boston (3)	80							80
Cresud S.A.C.I.F. y A. (5)		169	(2,719)		(13,364)			(15,914)
Cyrsa S.A. (4)		2						2
Directors (3)				(11,576)				(11,576)
Estudio Zang, Bergel y Viñes (3)				(2,453)				(2,453)
Fundación IRSA (3)						(496)		(496)
Tarshop S.A. (2)	58	686	80					824
Parque Arauco S.A. (6)			(1,978)					(1,978)
Personnel loans (3)			34					34
Totals as of September 30, 2010	220	860	(4,583)	(14,029)	(13,364)	(496)	(83)	(31,475)

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

In thousands of pesos

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NOTE 19: (Continued)

b. (Continued)

	Sale and fees for services	Leases gain	Interest and exchange differences	Fees	Donations	Tax on Shareholders personal assets	Totals
Related parties							
Shareholders (5)						(116)	(116)
Canteras Natal Crespo S.A (4)	12		25				37
Consorcio Dock del Plata S.A. (3)	158						158
Consorcio Libertador (3)	6	3					9
Cresud S.A.C.I.F. y A. (5)	238	462	(617)				83
Cyrsa S.A. (4)		39					39
Directors (3)			(2)	(3,041)			(3,043)
Estudio Zang, Bergel y Viñes (3)				(689)			(689)
Fundación IRSA (3)					(645)		(645)
Parque Arauco S.A. (1)			(2,215)				(2,215)
Totals as of September 30, 2009	414	504	(2,809)	(3,730)	(645)	(116)	(6,382)

- (1) Shareholders of Alto Palermo S.A.
- (2) Subsidiary (direct or indirect).
- (3) Related party.
- (4) Joint control.
- (5) Shareholders.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

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NOTE 20: NATIONAL PARKS ADMINISTRATION DISPUTE

- Provision for unexpired claims against Llao Llao Holding S.A.

The Company Llao Llao Holding S.A. (LLH) (in liquidation process following the merger with and into the Company), predecessor of Llao Llao Resorts S.A. (LLR) as operator of the Llao Llao Hotel, was sued in 1997 by the National Parks Administration seeking collection of the unpaid balance of the additional sale price, in Argentine External Debt Bond (EDB) amounting to US\$ 2.9 million. A ruling of the court of original jurisdiction sustained the claim. That ruling was appealed, and the Court of Appeals confirmed the judgment of the court of original jurisdiction, demanding payment from the company of US\$ 3.8 million, plus interest accrued through payment, penalties and attorney's fees. In March 2004, LLH paid Ps. 9,156 in cash and EDB.

The plaintiff requested the court of original jurisdiction to initiate an incidental procedure for execution of sentence by performing a settlement through the Ministry of Economy, the procedure having being questioned by LLR. In view of the fact that the information provided was not sufficient to evaluate the amount settled by the Ministry of Economy, it was requested that the execution be suspended until there is a sentence on the complaint recourse filed with the National Supreme Court for the denial of the extraordinary recourse soliciting that the debt be converted to pesos.

On July 2008 the Court of Appeal notified LLR that by means of a resolution dated June 18, 2008 it had confirmed the settlement approved by the court of original jurisdiction.

On March 17, 2009, the National Supreme Court admitted the incidental procedure and decided to suspend the enforcement of the judgment in so far as the extraordinary appeal lodged by LLR is not resolved.

On February 23, 2010, the Supreme Court of Justice dismissed the action, which rendered the judgment final and compelled LLR to pay the amount calculated by the State. On April 2010, LLR paid Ps. 13,122 in cash and bonds.

After LLR's filing was duly notified to the plaintiff, the latter in turn stated that the amounts deposited were in line with the settlement that, having taken place on June 30, 2007, was eventually approved in the framework of these proceedings on December 5, 2007. As a result, the Argentine Agency of National Parks argued that the interest accrued until actual payment were to be adjusted by application of the Argentine Central Bank's borrowing interest rate. As estimated by the Argentine Agency of National Parks, the outstanding balance, to be deposited by LLR would amount to US\$ 659.

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NOTE 20: (Continued)

On June 10, 2010, LLR was notified of the newly-performed settlement: LLR filed an objection against it in due time and manner. On June 17, 2010, the court ordered that the plaintiff was to be served notice of the objection.

On August 6, 2010, the plaintiff filed a response to the most recent service of process. On September 10, 2010, the trial court judge resolved that the amount deposited by Llao Llao Resorts S.A. is not sufficient to cover the amount of the payment order. An appeal against this resolution was filed on behalf of Llao Llao Resorts S.A. alleging that there has been a material error incurred by the trial court.

In addition, on September 22, 2010, the judge calculated that the fees payable to the auctioneer who took part in the proceedings amount to Ps. 1.8 million. As soon as Llao Llao Resorts S.A. is officially notified of the fees as calculated by the court, it is going to lodge an appeal against them for considering them excessively high.

Based on the information provided by the legal advisors litigating these proceedings, LLR has booked Ps. 2,608 under Other current liabilities Payables to National Parks Administration, that is, the amount in Pesos equivalent to the interest claimed by the plaintiff.

NOTE 21: RESTRICTED ASSETS

A. IRSA Inversiones y Representaciones Sociedad Anónima

(i) Puerto Retiro S.A.

On April 18, 2000, Puerto Retiro S.A (indirect subsidiary of IRSA) was notified of a filing made by the National Government, through the Ministry of Defense, to extend the petition in bankruptcy of Inversora Dársena Norte S.A. (Indarsa) to Puerto Retiro S.A. Concurrently with the complaint, at the request of plaintiff, the bankruptcy court granted an order restraining the ability of Puerto Retiro S.A. to sell or dispose in any manner the acquired real estate property from Tandanor S.A. in June 1993.

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

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

The evidence steps of the legal procedures have been completed. Puerto Retiro S.A. appealed the precautionary measure, being the same confirmed by the Court on December 14, 2000. The parties have submitted their claims in due time. The

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

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NOTE 21: (Continued)

file was passed for the judge to issue a pronouncement, this being a decree adjourning the summoning of decisions to pronouncement in the understanding that there exists pre-judgment in respect of the penal cause filed against ex-officers of the Ministry of Defense and ex-directors of the Company. Consequently, the matter will not be solved until there is final judgment in penal jurisdiction.

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

(ii) Loan of Hoteles Argentinos S.A.

In March 2005, Credit Suisse First Boston (CSFB) acquired a loan for US\$ 11.1 million of Hoteles Argentinos S.A. (HASA), which had been in non-compliance since January 2002. In April 2006 HASA reduced the capital amount payable to US\$ 6.0 million. The balance accrued a 6 months LIBOR interest rate plus 7.0% being the last of US\$ 5.07 million due in March, 2010.

Jointly, a credit default swap was subscribed by the Company for 80% of the restructured debt value in order to protect CSFB in case of non-compliance with HASA s obligations. As compensation, the Company received a coupon on a periodical basis. Additionally, the Company has deposited as guarantee the amount of US\$ 1.2 million.

With the last installment of the loan received having been repaid on March 15, 2010, CSFB reimbursed the deposit to the Company. In connection with this matter, HASA borrowed a new loan from Standard Bank Argentina, for a total amount of Ps. 19,000, which will accrue interest at a fixed nominal 16.25% interest rate per annum, payable on a quarterly basis and with principal becoming due on March 15, 2011.

As a guarantee for this transaction, the Company entered into a put option agreement with Standard Bank whereby the Bank receives the right to sell to the Company, which in turn agrees to purchase, 80% of the credit rights arising from the loan in the event of HASA defaulted the loan.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

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NOTE 21: (Continued)

(iii) The company and subsidiaries have mortgages over the following properties:

Properties	Book value as of September 30, 2010
Edificio República	218,602
Caballito plot of land	36,938
Bariloche plot of land	21,900
Zetol plot of land	14,469
Suipacha 652	10,823
Vista al Muelle plot of land	9,900
Caballito plot of land	6,830

(iv) The Company maintains a pledge over CYRSA s shares.

(v) To guarantee the compliance with all the covenants assumed by Liveck S.A., and the minority shareholder of Zetol S.A. and Vista al Muelle S.A., pursuant to the stock purchase agreement for Vista al Muelle S.A. s shares executed on June 11, 2009 and the Addendums to such agreement as well as payment of any possible damages and associated expenses, the parties have reciprocally tendered a security interest consisting in a possessory pledge over the shares of Vista al Muelle S.A. and Zetol S.A.

B. Alto Palermo S.A. (APSA)

(i) The fixed assets account includes the multiplex cinema building in the Córdoba Shopping Villa Cabrera, which is encumbered by an antichresis to secure the financial payable carried by Empalme S.A.I.C.F.A. y G. (merged into Shopping Alto Palermo S.A. as from January 1st, 2009) with NAI INTERNATIONAL II Inc. (See Note 24 B.1.).

(ii) Guarantee deposits re.securitization program account included, in other current or non-current receivables, net, the contingency and expenses funds of financial trust as credit protection for investors that as of June 30, 2010 amounted to Ps. 4,749. They were restricted availability credits until settlement in accordance with the respective prospectus.

(iii) As of June 30, 2010, in other current receivables, APSA has deposits that are restricted due to different court attachments.

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- (iv) As regards the case Alto Palermo S.A. with Dirección General Impositiva in re: Appeal , Case file No. 25.030-I, currently heard by Room A, Office of the 3rd Nomination, the property located at Av. Olegario Andrade 367, Caballito, Buenos Aires City has been encumbered, and its value as of September 30, 2010 amounts to Ps. 36,938 (disclosed in the Non-current investments- Undeveloped plots of land).

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NOTE 21: (Continued)

(v) Other current investments account included as of June 30, 2010, BONTE 2006 bonds for Ps. 34, which are deposited as rental guarantee.

(vi) As of June 30, 2010, Tarshop S.A. has granted a guarantee over Certificates of Participation related to Fideicomisos Financieros Tarjeta Shopping (CP) according to the following detail:

- To Standard Bank Argentina S.A. CP related to Fideicomisos Financieros Tarjeta Shopping Series XLI, XLIV, XLVII, LVII and LIX (loan for Ps. 15,371).
- To Banco Itaú Buen Ayre S.A. CP related to Fideicomisos Financieros Tarjeta Shopping Series XXXIX and XL, (loan for Ps. 3,724).
- To Banco Supervielle S.A. CP related to Fideicomisos Financieros Tarjeta Shopping Series XXXII, XXXVIII and L, (loan for Ps. 7).
- To Banco Hipotecario S.A. CP related to Fideicomisos Financieros Tarjeta Shopping Series XLVII, XLIX and LVI, (loan for Ps. 20,149).

(vii) As regards the case styled Case File N° 88.390/03 with María del Socorro Pedano; for Tres Ce S.A. o Alto Palermo S.A. (APSA) , the building located at Av. Virrey Toledo 702, Salta, has been encumbered for an amount of Ps. 180 (disclosed in Fixed assets, net).

(viii) Guarantee Tarshop S.A.: On May 13, 2009, the Board of Directors of APSA resolved to approve that APSA stands as surety before Banco Itaú for the payment of emerging obligations for Tarshop S.A. as regards the organization of a new financial trust with such bank for up to a maximum amount equivalent to 10% of the face value of VDF s (trust debt securities) subscribed by Banco Itaú. The total maximum amount of this surety stands at Ps. 5,000 and extends through the actual settlement of VDF s. Likewise, it was resolved that the APSA assumes the obligation to act as Substitute Manager in the eventual case that Tarshop S.A. were removed from its function as Manager under the trust agreement.

On September 30, 2010, the last payment of the VDF s issued by the Financial Trust was made. At present, such financial trust is in the process of liquidation.

- (ix) As regards the barter commitment described in Note 22.B.7, the delivery and title deed of Air Space Coto is compromised.

- (x) As of June 30, 2010 included cash as guarantee for leases granted by Tarshop S.A., related to the stores where its branches operate, which were included in other receivables for an amount of Ps. 217.

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NOTE 21: (Continued)

- (xi) Under the agreement executed with Banco Hipotecario S.A. for the sale of Tarshop S.A.'s shares, APSA granted to Banco Hipotecario S.A. a two-year security agreement over the Company's Class III Notes, issued on November 13, 2009, for a face value of Ps. 5.0 million, which will work as guarantee upon any price adjustment that may result in favor of Banco Hipotecario S.A. as provided by the purchase agreement.

NOTE 22: ACQUISITION, CONSTITUTION AND RESTRUCTURING OF BUSINESS AND PROPERTY

A. IRSA Inversiones y Representaciones Sociedad Anónima

1. Creation of CYRSA-Horizons Project.

In January 2007, the Company acquired two adjacent plots of land located in Vicente López, Province of Buenos Aires (one of them, through the purchase of Rummaala S.A., which was the owner of that plot of land and currently is merged with CYRSA S.A.). The purchase price was US\$ 36.2 million of which US\$ 30.3 million will be cancelled by handing over certain units of the building to be constructed. As security for this obligation a pledge was constituted over the shares of Rummaala S.A. and a mortgage was constituted over the Company's building Suipacha 652.

In April 2007, the Company constituted CYRSA S.A. (CYRSA) and in August 2007, CYRELA was incorporated with the ownership of 50% of CYRSA capital stock. The Company contributed the plots of land and the related liability in kind for a net value of Ps. 21,495 and CYRELA contributed Ps. 21,495 in cash.

Then, a major real estate development known as Horizons was launched on the two plots of land mentioned.

From May 2008, CYRSA continued the marketing process of the building units to be constructed on the plot referred to above. Certain clients had made advances by means of signing preliminary sales contracts, reaching to the date 100% of the units to be marketed, which are disclosed in Customer advances.

The sale price set forth in these preliminary sales contracts consist of a fixed and determined portion and another portion to be determined in line with the future construction expenses.

The buyer can choose from the following purchase plans:

- The balance is cancelled in installments and is fully paid at the time of transfer and signature of deeds.

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NOTE 22: (Continued)

A. (Continued)

1. (Continued)

- Partial cancellation will be on installments payable up to the time of transfer / signatures of deeds, the remaining balance to be financed during 90 months' term with units having mortgaged guarantees.

Through preliminary sales agreements, CYRSA has committed to transfer the functional units before February 2011 to the latest.

As of September 30, 2010, the percentage of completion of the Horizons project was 86.98% considering the cost incurred in relation to the total estimated project costs.

2. Acquisition of Hersha Hospitality Trust (Hersha)

On August 4, 2009, the Company, through Real Estate Investment Group L.P. (REIG) acquired 5,700,000 million shares representing approximately 10.4% of Hersha's common stock and a call option that matures on August 4, 2014 to purchase an additional 5,700,000 million shares at an exercise price of US\$ 3.00 per share. Under the agreement, if starting on August 4, 2011 the quoted market price of Hersha's share were to exceed US\$ 5.00 per share during 20 consecutive trading sessions, Hersha may settle the call option by issuing and delivering a variable amount of shares to be determined in accordance with certain market values.

The total purchase price paid was US\$ 14.3 million. As part of the agreement, the Company's Chairman and CEO, Mr. Eduardo S. Elsztain, has been appointed to Hersha's Board of Trustees.

In January 2010 and March 2010, REIG purchased 8,653,917 additional shares of Hersha's common stock, for an aggregate purchase price of US\$ 30.8 million (4,769,917 shares at US\$ 3.00 and 3,864,000 at US\$ 4.25 per share, respectively).

As of September 30, 2010 the Company's interest in Hersha amounts to 10.85%. If the call option was exercised and the Company's interest was not diluted due to newly issued shares, the Company's interest in Hersha would be 14.34%. The Company accounts for its investment in Hersha at cost while the call option has been accounted for its fair value.(see note 26.1).

Hersha is a Real Estate Investment Trust (REIT) listed in the New York Stock Exchange (NYSE) under the HT symbol that holds majority interests in 77 hotels throughout the United States of America totaling approximately 9,951 rooms. These hotels are rated as select service and upscale hotels and they are mainly located in the Northeast coast of

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NOTE 22: (Continued)

A. (Continued)

2. (Continued)

the US, including New York, New Jersey, Boston, Washington D.C. and Philadelphia, whilst a few are located in northern California and some others in Arizona. These properties are operated under franchises that are leaders and enjoy widespread recognition in their markets, such as Marriot International, Intercontinental Hotel Group, Starwood Hotels, Hilton Hotels Corporation, Global Hyatt Corporation and Choice Hotels International.

3. Acquisition of Metropolitan

In July 2008, the Company (through its subsidiaries) acquired a 30% interest in Metropolitan 885 Third Ave. LLC (Metropolitan), a Delaware-based limited liability company, which main asset is a rental office building in New York City known as the Lipstick Building and debt related to that asset. The transaction included the acquisition of (i) a put right exercisable until July 2011 to sell a 50% of the interest acquired at the same value paid plus interest at 4.5% per annum and (ii) a right of first offer to acquire a 60% portion of the 5% interest of the shareholding. The total price paid was US\$ 22.6 million.

During 2009 and in the context of the financial crisis and shrinkage of the real estate market in New York, Metropolitan incurred significant losses, which resulted in negative equity mainly due to an impairment recognized in connection with the building. Since the Company's share in Metropolitan's losses exceeded its equity interest; the Company recognized a zero value on its investment although a liability of US\$ 1.5 million was booked under other liabilities, representing the Company's maximum commitment to fund Metropolitan's operations.

In addition, the put right has been adjusted to its value of US\$ 12.5 million as of September 30, 2010 in non-current other receivables.

To facilitate discussions in the framework of a debt renegotiation between Metropolitan 885 Third Ave. LLC once the Royal Bank of Canada, on August 4, 2010, the Company, through a subsidiary, entered into an Escrow Agreement with Fidelity National Title, Insurance Company, and transferred US\$ 15 million as a non-mandatory, good-faith deposit for the sole purpose of allowing discussions between the parties to move forward. The Company has reserved the right to extend the term of the agreement for an indefinite period at its sole criterion.

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A. (Continued)

4. Acquisition of shares in Banco Hipotecario

During the fiscal year ended June 30, 2009, the Company (through its subsidiaries) acquired, in the market from Dolphin Fund PLC and from Inversiones Financieras del Sur S.A., the equivalent of 143,627,987 shares of Banco Hipotecario S.A. (BHSA) directly from market in exchange for Ps. 107.6 million of which Ps. 78.8 million was paid in July, 2009. The transaction was recognized by the acquisition method (See Note 1.5.I. to the Unaudited Basic Financial Statements) generating a gain of Ps. 133.0 million. As a result of these acquisitions, as of June 30, 2009 the Company had a 21.34% interest in BHSA's capital stock (excluding treasury shares).

During the year ended June 30, 2010 the Company (through its Subsidiaries) acquired the equivalent of 100,417,816 shares of BHSA for an amount of Ps. 118.7 million of which Ps. 112.6 million were paid as of June 30, 2010 and the balance was paid during the present period. The transaction was recorded by application of the acquisition method (See Note 1.5.I. to the Unaudited Basic Financial Statements) generating a gain in the year of Ps. 70.4 million. As result of this transaction, as of June 30, 2010 the Company's ownership interest in BHSA was 28.03% (without considering treasury shares).

During this period the company exercised its preemptive rights and took part in the offer mentioned in note 24.A.1 acquiring 26,197,564 class D shares totaling Ps. 36.2 million.

After the above mentioned purchases, as of September 30, 2010, the Company's ownership interest in BHSA increased from 28.03% to 29.78% of BHSA's capital stock (without considering treasury shares).

5. Acquisition of companies in the Oriental Republic of Uruguay

During the fiscal year ended on June 30, 2009, the Company (through Tyrus) acquired by a minimum payment a 100% ownership interest in Liveck S.A. (Liveck), a company organized under the laws of the Oriental Republic of Uruguay. Later the Company sold 50% of its stake in Liveck to Cyrela Brazil Realty S.A. for a price of US\$ 1.3 million.

In June 2009, Liveck acquired a 90% interest over the shares of the companies Zetol S.A. (Zetol) and Vista al Muelle S.A. (Vista al Muelle), both property owners in Uruguay's Canelones Department. The remaining 10% ownership interest in the capital stock of both companies is held by Banzey S.A. (Banzey).

The Company and its shareholders intend to develop an urban project that will consist in the construction of apartment buildings to be subsequently sold. The project has already been conferred the Urban Feasibility status by Canelones Mayor's Office and its Legislative Council.

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A. (Continued)

5. (Continued)

The total price of the purchase of all the shares in Zetol had been fixed at US\$ 7.0 million, of which US\$ 2.0 million have already been paid, the outstanding balance is to be paid in 5 installments of US\$ 1.0 million each plus an annual 3.5% compensatory interest rate calculated on the total outstanding amount and tied to the consummation of the release to the market of the real estate projects or within a maximum term of 93 months counted as from the date of acquisition of the Company. The sellers of the shares of Zetol may choose to receive, in lieu of the amounts outstanding in cash (principal plus interest), the ownership rights to the units to be built in the real estate owned by Zetol representative of 12% of the total marketable square meters built.

The price for the purchase and sale of all the shares in Vista al Muelle amounted to US\$ 0.83 million, and accrued an annual 8% compensatory interest rate on the outstanding amounts. As of September 10, 2010, was completely paid.

To guarantee compliance with the duties agreed by Liveck in the above transactions, Ritelco S.A. has tendered a surety bond guaranteeing payment of 45% of the outstanding balance, interest thereon and the option rights of the sellers.

In the framework of the agreement for the purchase and sale of Zetol and Vista al Muelle and their respective addenda, Liveck has agreed to buy the shares held by Banzey (or Ernesto Kimelman or a company owned by Ernesto Kimelman as the case may be), of Vista al Muelle and Zetol and the latter have agreed to sell them, in exchange for the amount of US Dollars or Uruguayan Pesos, as the case may be, that Ernesto Kimelman or Banzey or a company owned by Ernesto Kimelman (as applicable), would have actually contributed to Zetol and Vista al Muelle, until the execution of said purchase and sale.

The parties have agreed that the obligations mentioned above are dependent upon, and shall be rendered ineffectual if the parties entered into a shareholder agreement no later than September 1, 2010. If no such shareholder agreement is signed, this sale shall be executed and delivered on December 13, 2010.

In December 2009, Vista al Muelle acquired other properties totaling US\$ 1.9 million in exchange for a US\$ 0.3 million down payment, with the balance to be cancelled through the delivery of home units and/or stores to be built and equivalent to 12% out of 65.54% of the sum of the prices of all of the units covered by the Launching Price List for Sector B (the parties have already signed a plat of subdivision to this end).

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NOTE 22: (Continued)

A. (Continued)

5. (Continued)

In February 2010, it acquired additional real estate for a total of US\$ 1.0 million in exchange for a down payment of US\$ 0.15 million with the balance to be paid in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 31, 2014 and accruing an annual 3% interest rate on the outstanding balance, payable quarterly and on arrears as from December 31, 2009.

6. Tender Offer for the acquisition of Telecom Argentina

In the course of the fiscal year 2010, and through Torodur S.A., the Company took part, together with other bidders, in a tender offer procedure for the acquisition of the 50% stake held by Telecom Italia SpA. and Telecom Italia International N.V. (Grupo Telecom Italia) in Sofora Telecomunicaciones S.A. (Sofora) and of a purchase option for the remaining 50% stake held by Sofora, a company that indirectly holds the majority shareholding in Telecom Argentina. To that end, on June 4, 2010, the Company submitted a binding offer and a letter of credit for US\$ 50.0 million for the benefit of Grupo Telecom Italia.

To guarantee performance of the reimbursement obligations under the above-mentioned letter of credit, a pledge was raised over the Company's shares in Hersha and approximately US\$ 43.5 million in negotiable obligations issued by Alto Palermo and acquired by the Company.

In late July 2010, Grupo Telecom Italia decided not to continue with the process to sell Telecom Argentina and concluded it. Therefore, the pledges raised to secure performance under the letter of credit as described above were lifted.

B. Alto Palermo S.A.

1. Acquisition of Arcos del Gourmet S.A.'s shares

On November 27, 2009, APSA acquired 7,916,488 shares of common stock with a face value of Ps. 1 each, entitled to 1 vote per share, representing 80% of the capital stock of Arcos del Gourmet S.A. The price was established at fixed amount of US\$ 5.14 million plus a variable amount equal to the 20% of the investment required in order to develop the project, up to a maximum of US\$ 6.9 million. The remaining unpaid balance as of the date of these unaudited financial statements is made up as follows: (i) one USD 1 million installment, falling due on November 27, 2011 disclosed in Long-term debt and (ii) 100% of the variable amount which will be paid off upon the possible increase of the capital required to develop the project.

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B. (Continued)

1. (Continued)

A Consultative Opinion request was filed by APSA with the Argentine Competition Defense Commission, still pending resolution, seeking to issue an opinion on the obligation or lack thereof to notify the sale.

On February 17, 2010, Arcos del Gourmet S.A. held a shareholders meeting that approved a capital increase of US\$ 2.7 million, equivalent to Ps. 10.4 million. Consequently, 3,515,545 registered nonendorsable shares of common stock will be issued, with a face value of Ps. 1 and entitled to one vote per share, with a subscription price of Ps. 2.9622 per share, of which Ps. 1 is the face value and Ps. 1.9622 is additional paid-in capital, of which APSA is entitled to 80% thereof.

On May 7, 2010, two share subscription agreements were executed establishing that the capital increase will be paid in as follows:

(i) capitalizing of loans for Ps. 5.6 million, (ii) capitalizing receivables from APSA for Ps. 0.9 million, (iii) capitalizing irrevocable contributions for Ps. 2.5 million and (v) the amount of Ps. 1.4 million will be paid up in cash within three working days as from executing the agreements.

On June 25, 2010, APSA (purchaser) and Eduardo Giana, Pablo Bossi, Patricio Tobal and Abuam S.A. (sellers) subscribed an agreement for the option to purchase shares of Arcos del Gourmet S.A., for the total number of shares owned by them, which represent as least 17.54% of capital stock and votes of Arcos del Gourmet S.A. The term to exercise the option expires on April 30, 2011. The option was subject to the condition that the grantor of the Use Concession Agreement calls a bidding process whose purpose will be the sale of the real estate properties involved, assumption under which Arcos del Gourmet S.A. holds the preemptive right. The price of the shares owned by the sellers was established at US\$ 1.4 million. The option price is US\$ 0.4 million, out of which Ps. 0.3 million has been paid while there remains an installment that falls due on October 30, 2010. In the event APSA exercised the option, its price will be considered towards the share price.

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B. (Continued)

2. Acquisition of a commercial center goodwill

On December 28, 2007, APSA signed an Agreement for Partial Transfer of Goodwill with INCSA for acquiring one of the parts of the goodwill established by a commercial center where Soleil Factory currently develops activities. The total price of the operation is US\$ 20.7 million of which US\$ 7.1 million were paid at the time the preliminary purchase contract was entered into.

Once the definitive signature of the goodwill transference took place on July 1, 2010, the remaining amount of US\$ 13.6 million will accrues 5% annual interest plus VAT. The interest will be repaid in 7 annual and consecutive installments, maturing the first installment on July 1, 2011. Principal will be settled upon paying the last interest installment or upon granting the title deed, whichever later.

On July 1st, 2010, APSA and INCSA executed the definitive instrument for the partial transfer of the goodwill and memorandum of closure by which INCSA transferred the goodwill of the commercial center known as Soleil Factory ; becoming operational on such date. The goodwill mainly includes a building, real properties, agreements, titles to the brand names and rights to build certain number of square meters. Possession thereof was handed over upon execution. Considering the goodwill value structure, APSA has booked in as fixed assets until the process to allocate the price paid for the assets and liabilities acquired is completed. Guidelines provide that INCSA does not transfer APSA its receivables or its payables originated before executing the agreement. Within 30 working days as from registering the co-ownership and administration regulations with the Argentine Real Property Registry, INCSA will grant APSA the title deed. It should be noted that the goodwill and the building related to the hypermarket transaction located on the same premises are excluded from the transaction.

The transaction was filed with the Argentine Competition Defense Commission that, thus far, has not ruled.

Furthermore, APSA has signed an offering letter for acquiring, building and running a commercial center in a real estate owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. The price of this transaction is US\$ 1.3 million, of which US\$ 0.05 million were paid on January 2, 2008. Such disbursement was recorded suppliers advances. This transaction was subject to certain conditions precedent, among which APSA should acquire from INCSA the goodwill constituted by the commercial center operating in Soleil Factory.

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B. (Continued)

2. (Continued)

Having complied with such condition on July 1 st, 2010, APSA shall start the works. i) 12 months after complying with such conditions, or ii) on May 2, 2011, whichever earlier. However, before starting with the works, INCSA should have: i) granted the title deeds to APSA's future units to APSA, and ii) transferred to APSA the rights to the registered architectural project and the effective permits and authorizations to be carried out in APSA's future units

3. Tarshop S.A.

i) Capital increase and capital contributions to Tarshop S.A.

On October 30, 2009 Tarshop SA capitalized capital contributions made by APSA increasing the Company's interest in Tarshop S.A. to 98.5878%

During January 2010, the Company acquired the remaining minority interest in Tarshop for US\$ 0.54 million, reaching the 100% of the shareholding.

ii) Sale of the equity interest in Tarshop S.A.

On December 22, 2009, APSA reported the approval by its Board of Director the sale, assignment and transfer on behalf of Banco Hipotecario S.A. the amount of 107,037,152 registered nonendorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per share, representing 80% of the Tarshop S.A. shares.

In this line of thought, on December 29, 2009, contractual documents related to the transaction were executed, which was subject to the approval by the Argentine Central Bank granted on August 30, 2010. Consequently, on September 13, 2010, the respective memorandum of closure was executed. The total price paid for the purchase of shares stood at US\$ 26.8 million. Under this transaction, APSA granted Banco Hipotecario S.A. a two-year security agreement over the APSA Class III Notes, issued on November 13, 2009, for a face value of Ps. 5 million, which will work as guarantee upon any price adjustment that may result in favor of Banco Hipotecario S.A. as provided by the purchase agreement.

In compliance with the conditions defined in the agreement in question, the Company committed itself to not competing for 5 years in the credit card and/or consumer loan business in which Tarshop S.A. has a presence.

Additionally, under this transaction, receivables and payables between the Company and Tarshop S.A. have been compensated.

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B. (Continued)

4. Acquisition of the building known as ex-escuela Gobernador Vicente de Olmos (City of Córdoba)

On November 20, 2006, Alto Palermo S.A. (APSA) acquired the building known as Edificio Ex Escuela Gobernador Vicente de Olmos, located in the city of Córdoba through a public bidding in the amount of Ps. 32,522.

The building is under a concession agreement effective for 40 years, falling due in February 2032, which grants the concession holder the commercial exploitation of the property. Such agreement provides for paying a staggered fee in favor of the concession principal which shall be increased by Ps. 2.5 every 47 months. As of the issuance date of these unaudited financial statements, the concession is at the 223 month, with a current monthly fee of Ps. 12.6 while the next increase is scheduled for the 234 month.

On September 25, 2007, the transfer deed for the building was signed with the Government of the Province of Córdoba and the transference of the respective concession contract. APSA has recorded this transaction as non-current investments.

5. Barter transaction agreements

On October 11, 2007, APSA subscribed with Condominios del Alto S.A. a barter contract in connection with an own plot of land, Plot 2G, located in the City of Rosario, Province of Santa Fe.

As partial consideration for such barter, Condominios del Alto S.A. agreed to transfer the full property, possession and dominium in favor of APSA of the following future real estate: (i) fifteen (15) Functional Housing Units (apartments), with an own constructed surface of 1,504.45 square meters, which represent and will further represent jointly 14.85% of the own covered square meters of housing units (apartments) of the real estate that Condominios del Alto S.A. will build in Plot G, and (ii) fifteen (15) parking spaces, which represent and will further represent jointly 15% of the own covered square meters of parking spaces in the same building.

On March 17, 2010, APSA and Condominios del Alto S.A. subscribed a supplementary deed specifically determining the units committed for bartering that will be transferred to APSA and the ownership title to 15 parking spaces.

The parties have determined the value of each undertaking in the amount of US\$ 1.1 million.

As a complementary consideration in favor of APSA, Condominios del Alto S.A. paid US\$ 0.015 and established certain guarantees in favor of APSA.

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B. (Continued)

5. (Continued)

APSA also granted Condominios de Alto S.A. an acquisition option through barter of plot 2 H. On November 27, 2008, the title deed for the plot of land 2 H was executed for US\$ 2.3 million, a value that the parties have determined for each of their considerations.

As partial consideration for the above-mentioned barter, Condominios del Alto S.A. agreed to transfer the full property, possession and ownership in favor of APSA of the following future real estate: (i) forty two (42) Functional Housing Units (apartments), which represent and will further represent jointly 22% of the own covered square meters of housing (apartments) of the building that Condominios del Alto S.A. will construct in Plot H; and (ii) forty seven (47) parking spaces, which represent and will further represent jointly 22% of the own covered square meters of parking spaces in the same building.

6. Beruti plot of land

On June 24, 2008, APSA acquired the plot of land located at Beruti 3351/3359, between Bulnes street and Coronel Díaz Avenue in Buenos Aires City.

The transaction was executed for a total price of US\$ 17.8 million, which has been fully cancelled. Such plot of land is disclosed in Non-current investments Undeveloped parcels of land.

On October 13, 2010, TGLT S.A. and APSA subscribed an agreement of purchase with a condition precedent by which APSA sells a plot of land located on Beruti 3351/59. The transaction was agreed upon at US\$ 18.8 million. TGLT plans to construct a department building with residential and commercial parking. In consideration, TGLT S.A. commits to transferring APSA: (i) a number to be determined of departments representing altogether 17.33% of proprietary square meters that may be sellable in departments in the building to be constructed; (ii) a number to be determined of complementary/functional parking units representing altogether 15.82% of square meters in parking in the same building; (iii) all units earmarked for commercial parking and the amount of US\$ 10.7 million payable upon granting the title deed.

On October 29, 2010, TGLT S.A. completed the initial public offering of its shares on the Buenos Aires Stock Exchange, thus complying with the condition to which the operation was subject.

On November 5, 2010, TGLT S.A. advanced payment of US\$ 10.7 million by means of a transfer to a Company's account, while it remains to be executed the title deed to the plot of land mentioned above, which should be carried out within 30 days as from complying with the condition mentioned in the preceding paragraph.

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7. Barter with Cyrsa S.A.

On September 24, 1997 APSA and COTO Centro Integral de Comercialización S.A. (COTO) granted a title deed by which APSA, which then operated under the name of Sociedad Anónima Mercado de Abasto Proveedor (SAMAP), acquired the rights to receive the parking spaces and the rights to increase the height of the building located between the Agüero, Lavalle, Guardia Vieja and Gallo streets, in the Abasto neighborhood.

On July 31, 2008, a conditioned barter commitment was executed by which APSA would transfer Cyrsa 112 parking spaces and the rights to increase the height of the property to build two tower buildings on the previously mentioned property, upon compliance with certain conditions.

In consideration, Cyrsa would give APSA an amount to be determined in the future of units in the building that would be built equivalent to 25% of square meters, which as a whole will be total not less than the amount of 4,053.50 proprietary square meters to be built. Likewise, if any, Cyrsa would deliver Alto Palermo S.A. (APSA) a number of storage units equivalent to 25% of all storage units in the future building.

Additionally, and in the case of the conditions which the transaction is subject to are considered to have been met, Cyrsa would pay APSA the amount of US\$ 0.1 million and would carry out the works at the parking spaces that APSA would receive from COTO.

In order for the barter to be effective, certain essential provisions should be complied with by COTO.

Possession of the mentioned assets will be simultaneously granted upon executing the title deed, which will be carried out within 30 running days as from the date on which APSA notifies Cyrsa the compliance of the conditions precedent.

The total amount of the transaction between CYRSA and APSA total US\$ 5.9 million.

8. Paraná plot of land.

On June 30, 2009, APSA subscribed a Letter of Intent by which it stated its intention to acquire a plot of land of about 10,022 square meters located in Paraná, Province of Entre Ríos, to be used to build, develop and exploit a shopping center or mall.

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B. (Continued)

8. (Continued)

On August 12, 2010, the agreement of purchase was executed. The purchase price stood at US\$ 0.5 million to be paid as follows:

- i) US\$ 0.05 million was settled as prepayment on July 14, 2009,
- ii) US\$ 0.1 million was settled upon executing such agreement, and
- iii) US\$ 0.35 million will be paid upon executing the title deed.

The title deed, at the same time of surrendering ownership, will be executed within 60 days running as from: i) the date on which the Company obtain the municipal clearance, or ii) the date on which the seller obtain the lot subdivision, whichever later.

APSA will be the only party in charge of carrying out administrative formalities before the Municipality and/or other agency to obtain the municipal clearance for using the shopping mall. It will bear all costs and expenses related to obtaining the municipal clearance.

9. Merger between Shopping Alto Palermo S.A., Mendoza Plaza Shopping S.A. and Empalme S.A.I.C.F.A. y G. Shopping Alto Palermo S.A.'s Extraordinary and Unanimous Shareholders Meeting held on February 16, 2009, resolved the merger of such company with Mendoza Plaza Shopping S.A. and Empalme S.A.I.C.F.A. y G.

As of July 1st, 2009 SAPSA was merged into APSA.

10. Merger between APSA and Shopping Alto Palermo S.A.
On November 27, 2009, it was held APSA's shareholders meeting that approved, among others, the corporate reorganization consisting in APSA's merger with Shopping Alto Palermo S.A. as from July 1st, 2009, APSA being the absorbing or merging company and Shopping Alto Palermo S.A. the absorbed and merged company, with the ensuing dissolution without liquidation of Shopping Alto Palermo S.A.

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Subsequently, on January 21, 2010, the Definitive Merger Agreement has been notarized into a public deed and filed with the enforcement agencies in due course.

11. Purchase of Fibesa S.A.'s shares

On August 3, 2009, a share transfer agreement was executed by which APSA sold to Shopping Alto Palermo S.A. 49,999 Fibesa S.A.'s shares, with a face value of Ps. 0.00000001 each and entitled to 5 votes per share, representing 4.9999% of the company's capital stock.

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B. (Continued)

11. (Continued)

On August 3, 2009, a share transfer agreement was executed by which Ritelco S.A. sold to Shopping Alto Palermo S.A. one Fibesa S.A.'s share, with a face value of Ps. 0.00000001 each and entitled to 5 votes per share, representing 0.0001% of the company's capital stock.

Due to the previously mentioned agreements, APSA own 95% of the company's capital stock and Shopping Alto Palermo S.A. owned the remaining 5%. Afterwards, due to the merger between APSA and Shopping Alto Palermo S.A., as mentioned in subsection 10 of this note, APSA is the owner of 99.99996% of the company's shares.

12. Purchase of Conil S.A.'s shares

On October 21, 2009, it was executed the share purchase agreement by which APSA and Fibesa S.A. acquired 95% and 5% of the 50% of Conil S.A.'s shares, respectively. The agreed price amounted to US\$ 0.29 million which were completely cancelled at previous year end.

As a result of the previously mentioned agreement, Alto Palermo S.A. becomes the owner of 97.5% of such company's shares, while Fibesa S.A. becomes the owner of the remaining 2.5%.

13. Agreement with the former minority shareholder of Tarshop S.A.

In January 2010, APSA entered into a non-compete agreement with Mr. León Halac, the minority shareholder of Tarshop pursuant to which Mr. Halac may not conduct in or be related to any business associated with credit card companies other than those currently operating in the business regions where Tarshop operates for a 28 month-period. Additionally, under the agreement, Mr. Halac may not participate in developing any shopping mall of more than 20,000 square meters in the City of Buenos Aires. APSA agreed on a price of US\$ 2.2 million, of which US\$ 0.8 million was payable at execution date and the remaining US\$ 1.4 million payable in 28 consecutive monthly installments through the termination date of the agreement on April 30, 2013.

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B. (Continued)

14. Sale of properties

i) Guaymallén plot of land

On March 26, 2010, APSA executed an agreement of purchase without possession by which APSA sold a building located in the district of Guaymallén, Province of Mendoza. The total agreed-upon price stood at US\$ 0.3 million, out of which US\$ 0.2 million was collected as prepayment while the remaining balance was settled together with the execution of the title deed on June 24, 2010.

ii) Rosario plot of land

- On April 14, 2010, APSA received an irrevocable offer subject to compliance with a condition precedent (passing the amendment to Ordinance 8080), by which it sells the lot designated as 2 A of the building located in the District of Rosario, City of Rosario, Province of Santa Fe, facing the streets Thedy, Junín and Caseros Avenue. The transaction price was fixed at US\$ 4.2 million, out of which US\$ 1.05 million was collected. The remaining balance of the price will be settled upon executing the title deed.

- On May 3, 2010, APSA subscribed an irrevocable offer to sell the lot designated as 2 E of the building located in the District of Rosario, City of Rosario, Province of Santa Fe, facing the street Rotonda Ingeniero G. Venesia and Caseros Avenue. On September 29, 2010, the title deed was executed. The transaction price stood at US\$ 1.4 million, payable as follows: US\$ 0.35 million on May 3, 2010; US\$ 0.35 million upon executing the title deed and US\$ 0.73 million on May 30, 2011, plus interest at 14% to be accrued as from the date the title deed is executed. To secure the outstanding price amount, the building has been mortgaged. The lots subject to these transactions have been recorded to the inventory account.

15. Acquisition of Metroshop S.A. s shares

On May 21, 2010, APSA and Tarshop S.A. executed an agreement to formalize the transfer of shares by which Tarshop S.A. has sold to APSA 18,400,000 registered nonendorsable shares of common stock with a face value of Ps. 1 each and entitled to 1 vote per Class A share representing 50% of Metroshop S.A. s capital stock. The transaction price was set at Ps. 0.001 for the total shares.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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

NOTE 23: CONVERTIBLE AND NON CONVERTIBLE NOTES PROGRAM

A. Alto Palermo S.A.

1. Issuance of convertible notes.

On July 19, 2002, APSA issued Series I of Convertible Notes (ONC) for up to US\$ 50 million with a face value of Ps. 0.1 each. That Series was fully subscribed and paid-up.

This issuance was resolved at the Ordinary and Extraordinary Meeting of Shareholders held on December 4, 2001, approved by the National Securities Commission Resolution No. 14,196 dated March 15, 2002 and authorized to list for trading on the Buenos Aires Stock Exchange on July 8, 2002.

The main issue terms and conditions of the Convertible Notes are as follows:

- Issue currency: US dollars.
- Due date: July 19, 2014.
- Interest: at a fixed nominal rate of 10% per annum. Interest is payable semi-annually.
- Payment currency: US dollars or its equivalent in pesos.
- Conversion right: the notes can be converted at any time at the option of each holder into ordinary shares at a conversion price equivalent to the higher of the result from dividing the nominal value of the Company's shares (Ps. 0.1) by the exchange rate and US\$ 0.0324, which means that each Note is potentially exchangeable for 30,864 shares of Ps. 0.1 par value each.
- Right to collect dividends: the shares underlying the conversion of the notes will be entitled to the same right to collect any dividends to be declared after the conversion as the shares outstanding at the time of the conversion.

As of September 30, 2010, the holders of Convertible Notes in APSA ordinary shares have exercised their right to convert them for a total of US\$ 2.8 million, leading to the issuing of ordinary shares of Ps. 0.1 face value each. As of September 30, 2010 Convertible Notes amounted to US\$ 47.2 million.

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On October 7, 2010, holders of notes convertible into APSA's shares exercised their conversion rights issuing 477,544,197 shares of common stock with a face value of Ps. 0.1 each and retiring notes for a face value of US\$ 15.5 million. As from the conversion, the number of Company's shares is 1,259,608,411.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 23: (Continued)

A. (Continued)

2. Issuance of notes

On May 11, 2007, APSA issued two new series of Notes for a total amount of US\$ 170 million. Series I relates to the issuance of US\$ 120 million maturing on May 11, 2017, which accrue interest at a fixed interest rate of 7.875% paid semiannually on May 11 and November 11 of each year as from November 11, 2007. Series II relates to the issuance of Ps. 154,020 (equivalent to US\$ 50 million). Principal will be settled in seven, equal and consecutive semiannual installments as from June 11, 2009, and accrues interest at 11% per annum, maturing on June 11 and December 11 of each year as from December 11, 2007. As of September 30, 2010 total Series I and Series II Notes repurchased by APSA amount to US\$ 5.0 million and US\$ 4.8 million, respectively. Such notes have been valued at face value and are disclosed netting the current and non-current capital and interest owed.

As of September 30, 2010 the Company holds Series I Notes for Fv. US\$ 39.6 million and Series II Notes for Fv. Ps 33.2 million (see note 22.3 to the Unaudited Basic Financial Statements). Likewise, Cresud S.A.C.I.F. y A. holds Series I Notes for Fv. US\$ 5.0 million.

These issuances are constituted within the Global Issuance Program of Notes, for a face value of up to US\$ 200 million authorized by the National Securities Commission (CNV) by means of Resolution No. 15,614 dated April 19, 2007

The Ordinary and Extraordinary Meeting of Shareholders held on October 29, 2009 approved the increase in the amount of the Global Issuance Program of Notes in place up to US\$ 200 million. It also approved the creation of the Global Program for the issuance of securities representing short-term debt (VCP) in the form of simple notes not convertible into shares, denominated in pesos, US dollars or any other currency with unsecured, special, floating and/or any other guarantee, including third party guarantee, either subordinated or not, for a maximum outstanding amount at any time that may not exceed the equivalent in Ps. of US\$ 50 million.

Under such Global Issuance Program of Notes, on November 10, 2009, the placement of the Second Series of Notes for a total value of Ps. 80.7 million was completed in two series.

Series III relates to the issuance of Ps. 55.8 million maturing on May 12, 2011, which accrue interest at variable Badlar rate plus a 3% margin payable on a quarterly basis.

Series IV relates to the issuance of Ps. 24.9 million (equivalent to US\$ 6.6 million) maturing on May 12, 2011, which accrue interest at a fixed 6.75% rate applied to the principal in US dollars, payable on a quarterly basis.

As of September 30, 2010 Emprendimiento Recoleta S.A. holds Series III Notes for Fv. Ps. 12 million.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 24: SIGNIFICANT EVENTS

A. IRSA Inversiones y Representaciones Sociedad Anónima

1. Investment in Banco Hipotecario

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

The National Government, through Decree 905, provided for the issuance of National Government Compensating Bonds, to compensate financial entities for the adverse equity effects generated due to the conversion into pesos, under various exchange ratios, of the credits and obligations denominated in foreign currency as established by Law No. 25,561, Decree 214 and addenda, and entitled the BCRA to determine the pertinent rules.

After a series of presentations Banco Hipotecario S.A. submitted the final presentation and in September 2002 and October 2005, the Argentine Central Bank credited US\$ 344,050 and US\$ 16,761 in BODEN 2012, respectively, for compensation.

In the period beginning in September 2005 and ended in January 2006, subscriptions were made for BODEN 2012 hedging bonds equivalent to US\$ 773,533. A supplementary subscription of hedging bonds and detached coupons took place on June 26, 2009, subscribing an original par value of US\$ 59,294 in exchange for a payment in cash of Ps. 211,947 as subscription price. In addition, US\$ 40,207 were received as matured coupons.

Exposure to the non-financial public sector

As of September 30, 2010, Banco Hipotecario S.A. has assets with the non-financial public sector for Ps. 1,561,157 booked in its financial statements.

The exposure of Banco Hipotecario S.A. to the Public Sector originated in compensations granted by the National Government as a result of year 2002 crisis, principally related to the asymmetric pesification of assets and liabilities. Through Communication A 4546 of July 9, 2006, regarding the assistance to the Public Sector, it was established that as from July 1, 2007, such limit was 35% (average measured) of total Assets of the last day of the previous month.

As of September 30, 2010 and 2009 the assistance to the Public Sector reaches 13.0% and 21.4%, from total Assets, respectively.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 24: (Continued)

A. (Continued)

1. (Continued)

Banco Hipotecario's Treasury Shares

In the course of the 2009 fiscal year and with the Total Return Swap dated January 29, 2004 having expired, Banco Hipotecario received treasury shares Clase D totaling 71.1 million.

On April 30, 2010, the Extraordinary General Shareholders Meeting of Banco Hipotecario resolved to delegate upon the Board of Directors the decision to pay with the treasury shares in portfolio the StAR coupons resulting from the debt restructuring as advisable based on the contractually agreed valuation methods and their actual market value after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors of Banco Hipotecario offered to sell 36 million of its treasury Class D shares to its existing shareholders.

On July 26, 2010, in the framework of the offering, the Bank sold approximately 26.9 million of its treasury Class D shares. On August 3, 2010, the Bank applied the proceeds from the offering and the remaining Class D shares to the cancellation of the StAR coupons maturing on that date.

The Company's Banco Hipotecario treasury shares still in its portfolio amount to 37.4 million and entail an increase in the Company's ownership interest. As considered for valuation purposes, they have risen from 29.78% to 30.54%.

2. Compensation plan for executive management

The Company has developed during the period ended June 30, 2007 the design of a capitalization program for the executive personnel by means of contributions that will be made by employees and by the Company.

That plan is aimed at certain employees that the Company chooses with the intention to maintain them, increasing its total compensation through an extraordinary reward provided certain circumstances are met.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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

NOTE 24: (Continued)

A. (Continued)

2. (Continued)

Participation and contributions to the plan are voluntary. Once the beneficiary has accepted, two types of contributions may be made. One monthly contribution, based on the salary and one extraordinary contribution based on the annual bonus. The suggested contribution is up to 2.5% of the salary and up to 15% of the bonus. On the other hand, the Company's contribution will be 200% of monthly contributions and 300% of employees' extraordinary contributions.

Proceeds from the contributions made by participants are transferred to an independent financial vehicle, especially organized and located in Argentina as Investment Fund approved by the National Securities Commission (CNV). Such funds are freely redeemable at the participant's request.

Proceeds from the contributions made by the Company are transferred to another financial vehicle independent of and separate from the previous one. In the future, participants will have access to 100% of the plan benefits (i.e. including the Company's contributions made in favor of the financial vehicle created ad hoc) under the following circumstances:

Regular retirement under applicable labor regulations

Full or permanent disability or incapacity

Demise

In the event of resignation or dismissal without just cause, the participant will obtain the amount resulting from the Company's contributions only if they have participated in the plan for a minimum five-year term subject to certain conditions.

During the three-months periods ended as of September 30, 2010 and 2009, security charges of the Company amount to Ps. 2,229 and Ps. 2,046, respectively.

B. Alto Palermo S.A.

1. Financing and occupation agreement with NAI INTERNATIONAL II, INC.

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On August 12, 1996 Empalme S.A.I.C.F.A. y G. (merged into Shopping Alto Palermo S.A. as from January 1 st, 2009, see Note 22 B.9.) executed an agreement with NAI INTERNATIONAL II, INC. (subsequently transferred to NAI INTERNATIONAL II, INC. Sucursal Argentina) by means of which the latter granted a loan for an original principal of up to US\$ 8.2 million for the construction of a multiplex cinema and part of the parking lot located in the premises of Córdoba Shopping, which are disclosed in fixed assets, net.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 24: (Continued)

B. (Continued)

1. (Continued)

As stated in the occupation agreement related to the loan agreement, the amounts due are set off against payments generated by the occupation held by NAI INTERNATIONAL II, INC. of the building and the area known as cinema. The agreement provides that if after October, 2027, there still is an unpaid balance of the loan plus respective interest thereon, the agreement will be extended for a final term established as the shorter of the term required to fully repay the unpaid loan amount, or ten years.

If the last term has elapsed and there still is an unpaid balance, APSA will be released from any and all obligation to pay the outstanding debt.

On July 1st, 2002 an amendment to the agreement was established, whose most important resolutions are as follows:

The outstanding debt was de-dollarized (Ps. 1 = US\$ 1).

An antichresis right was created and it was established that all obligations assumed by Empalme S.A.I.C.F.A. y G. under the agreement by which the normal use and operation of the cinema center is warranted to NAI INTERNATIONAL II, INC., including those obligations involving restrictions on the use or title to property by Empalme S.A.I.C.F.A. y G. or third parties, shall be comprised in the previously mentioned real right.

Principal owed as of September 30, 2010 and unpaid interest accrued through that date, due to the original loan agreement and respective amendments are disclosed under Customers advances - Lease advances together with other advances not included in this agreement.

2. Neuquén Project

The main asset of Shopping Neuquén S.A., controlled by APSA, is a plot of land of 50,000 square meters approximately, in which a mixed use center would be built. The project includes the building of a shopping center, cinemas, a hypermarket, apartments, private hospital and other compatible purposes.

On December 13, 2006, Shopping Neuquén S.A. entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén by which, mainly, the terms to carry out the commercial and residential venture were rescheduled and authorized Shopping Neuquén S.A. to transfer to third parties the title to the plots of land into which the property is divided, provided that it is not that one on which the shopping center will be built.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 24: (Continued)

B. (Continued)

2. (Continued)

On June 12, 2009, Shopping Neuquén S.A. and the Municipality of Neuquén executed a new agreement by which Shopping Neuquén S.A. committed itself to presenting a new road project and to making those amendments that may be necessary to the general project. On October 19, 2009, the respective amendments to the previously mentioned projects were filed. Subsequently, the Municipality of Neuquén made some remarks to them, which were duly replied. On January 18, 2010, the Municipality of Neuquén requested changes to the plans filed, granting a 30-day term to be filed. Finally Shopping Neuquén S.A. was notified about the registration of the architectural project, so on April 8, 2010 the term of 90 running days to commence the committed works has started.

Shopping Neuquén S.A. submitted the working plans related to the first stage of the work (contemplating the construction of the shopping mall and the hypermarket), it obtained the authorizations to start such works and on July 5, 2010 and within the previously mentioned 90 running day term, construction began.

The first work stage mentioned should be completed at a maximum 22 month terms starting upon beginning construction. In the case of failing to comply the conditions established in the agreement, the Municipality of Neuquén is entitled to terminate the agreement and carry out the actions that may be considered necessary for such respect, among them, to request the return of the Company's plots acquired to the Municipality of Neuquén.

On November 8, 2010, Shopping Neuquén S.A. was served notice of a resolution issued from the trial styled Shopping Neuquén S.A. vs. Municipalidad de Neuquén in re: Administrative Procedural Action lodged at the High Court of Justice of Neuquén, by which certain pending fees to be borne by Shopping Neuquén were established. Such resolution is not firm and Shopping Neuquén S.A. is currently evaluating the procedural recourse to be filed.

3. Contributed leasehold improvements - Other liabilities

In March 1996 Village Cinema S.A. inaugurated ten multiplex system cinema theatres, with an approximate surface of 4,100 square meters. This improvement of the building of Mendoza Plaza Shopping S.A. was capitalized with a balancing entry as a fixed asset, recognizing the depreciation charges and the profits over a 50-year period. The lease is for a time limit of 10 years to be renewed every four equivalent and consecutive periods, at the option of Village Cinema S.A. At period/year end the amount pending of accrual are disclosed under Other liabilities contributed leasehold improvements.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 24: (Continued)

B. (Continued)

4. Panamerican Mall S.A.

Panamerican Mall S.A., a company organized in November 2006 between Alto Palermo S.A. and Centro Comercial Panamericano S.A., with 80% and 20% interests, respectively, has developed a commercial venture in the Saavedra neighborhood in Buenos Aires City.

During May 2009, the shopping mall Dot Baires and the hypermarket were opened while multiplex cinema opened in early July, 2009. The office building is at the completion stage. The project is being carried out by Constructora San José Argentina S.A., a company related to Centro Comercial Panamericano S.A.

5. Issuance of securities representing short-term debt of Tarshop S.A.

During the fiscal year ended as of June 30, 2010, Tarshop S.A. requested the National Securities Commission (CNV) to authorize the Global Program for the Issuance of Securities Representing Short-Term Debt (Program), for a maximum outstanding amount that may not exceed US\$ 25,000, or equivalent amount in other currencies.

On December 28, 2009, the Extraordinary Shareholders Meeting of Tarshop S.A. approved the creation of the Program and its terms and conditions.

As of June 30, 2010, Class I was placed for a total nominal value of Ps. 22,720 and Class II was placed for a total nominal value of Ps. 40,000.

The Class I and II VCPs will accrue interest from the issuance date at an annual nominal rate equal to the BADLAR, plus cap-margin of 400 basic points.

Net funds resulting from placing Class I and II were earmarked for paying in working capital in Argentina in accordance with the corporate objective of Tarshop S.A.

NOTE 25: DERIVATIVES CONTRACTS

a) Futures contracts Ritelco S.A. (Ritelco)

In the course of the period, Ritelco conducted certain shorting and covering transactions involving futures. According to the Company's risk management policies, these deals are used for speculative purposes.

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In connection with the futures transactions that took place during the fiscal year, Ritelco booked realized gains for US\$ 26 (equivalent to Ps. 103) in the "Other holding results" line of its Income statement.

As of September 30, 2010, Ritelco carries neither derivatives contracts nor guarantees associated thereto.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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

NOTE 26: SUBSEQUENT EVENTS

A. IRSA Inversiones y representaciones Sociedad Anónima

1. Acquisition of Hersha's shares.

On October 22, 2010, the Company through REIG, acquired 2,952,625 ordinary shares of Hersha Hospitality Trust (Hersha) at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition, the Company's ownership interest in Hersha amounts to 10.72% of Hersha's outstanding capital. Besides, if the purchase option mentioned in Note 22 A.2. was exercised and Hersha didn't issue new shares in favor of third parties, the Company's ownership interest in Hersha would amount to 13.63%.

B. Alto Palermo S.A.

1. Shareholders Meeting

On October 29, 2010, the Regular and Special Shareholders' meeting was held and by majority it approved:

i) Early payment of dividends provided by the Board of Directors for Ps. 113,000 and appropriating 5% of the net income for the year, that is to say, Ps. 5,955 to the legal reserve and the remainder, or Ps. 147 to the Voluntary Reserve for General Purposes' account.

ii) Compensations to the Board of Directors for the amount of Ps. 21,840; (b) empower the Board of Directors to (i) assign and distribute on a timely base, according to the specific tasks previous carried out by its members, (ii) make monthly salary advances ad referendum of the upcoming regular shareholders' meeting and (c) express delegation on the Board of Directors the timely consideration, approval and assignment of the Audit Committee's budget.

iii) Not to pay the compensation to the Supervisory Committee.

iv) Ratifying payment of a bonus for the Company's Management as provided by the shareholders' meeting of October 29, 2009. Ratifying the base to calculate the 1% application. Ratifying the delegation on to the Board of Directors the implementation, percentage allocation, time and form of execution. The delegation on the Board of Directors to distribute 1% (one percent) from the Company's shareholders' equity, implementation, individual assignment, time and form of execution until the next shareholders' meeting, were approved by majority.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 26: (Continued)

B. (continued)

2. Acquisition of TGLT S.A. s shares

On November 4, 2010, Alto Palermo S.A. (APSA) acquired 5,214,662 registered, nonendorsable shares of common stock, entitled to one vote per shares, issued by the company TGLT S.A. for a total amount equivalent to Ps. 47.1 million under the initial public offering of the latter.

IRSA Inversiones y Representaciones

Sociedad Anónima

Free translation of the Unaudited Financial Statements

For the three-month periods

Beginning on July 1, 2010 and 2009 and

ended September 30, 2010 and 2009

IRSA Inversiones y Representaciones Sociedad Anónima**Unaudited Balance Sheets as of September 30, 2010 and June 30, 2010**

In thousands of pesos (Note 1)

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

	September 30, 2010	June 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and banks (Note 2)	4,751	7,453
Investments (Exhibits C and D)	291,596	77,222
Accounts receivable, net (Note 3)	42,491	38,940
Other receivables (Note 4)	75,107	97,652
Inventories (Note 5)	36,942	33,478
Total Current Assets	450,887	254,745
NON-CURRENT ASSETS		
Accounts receivable, net (Note 3)	16,648	16,551
Other receivables (Note 4)	131,648	64,774
Inventories (Note 5)	57,247	58,111
Investments (Exhibits C and D)	2,429,643	2,334,314
Fixed assets, net (Exhibit A)	953,016	958,039
Intangible Assets, net (Exhibit B)	232	721
Subtotal Non-Current Assets	3,588,434	3,432,510
Negative goodwill, net	(39,693)	(40,212)
Total Non-Current Assets	3,548,741	3,392,298
Total Assets	3,999,628	3,647,043
LIABILITIES		
CURRENT LIABILITIES		
Trade accounts payable (Note 6)	22,361	22,715
Customer advances (Note 7)	20,127	19,865
Short-term debt (Note 8)	123,493	399,975
Salaries and social security payable	2,596	3,547
Taxes payable (Note 9)	9,873	16,086
Other liabilities (Note 10)	19,555	24,986
Subtotal Current Liabilities	198,005	487,174
Allowances (Exhibit E)	713	631
Total Current Liabilities	198,718	487,805
NON-CURRENT LIABILITIES		

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Customer advances (Note 7)	609	1,206
Long-term debt (Note 8)	1,217,345	637,461
Taxes payable (Note 9)	57,441	55,869
Other liabilities (Note 10)	64,769	61,656
Total Non-Current Liabilities	1,340,164	756,192
Total Liabilities	1,538,882	1,243,997
SHAREHOLDERS EQUITY (according to the corresponding statement)	2,460,746	2,403,046
Total Liabilities and Shareholders Equity	3,999,628	3,647,043

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

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Eduardo S. Elsztain

President

IRSA Inversiones y Representaciones Sociedad Anónima**Unaudited Statements of Income**

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos (Note 1)

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

	September 30, 2010	September 30, 2009
Revenues	44,328	77,498
Costs (Exhibit F)	(9,341)	(18,843)
Gross profit	34,987	58,655
Administrative expenses (Exhibit H)	(16,920)	(12,215)
Selling expenses (Exhibit H)	(1,524)	(4,453)
Subtotal	(18,444)	(16,668)
Gain from recognition of inventories at net realizable value	1,152	1,675
Operating income	17,695	43,662
Amortization of negative goodwill, net	519	519
Financial results generated by assets:		
Interest income	9,792	10,014
Foreign exchange gain	8,086	4,705
Holding gain	4,292	4,082
Subtotal	22,170	18,801
Financial results generated by liabilities:		
Interest expense (Exhibit H)	(36,240)	(19,948)
Foreign exchange loss	(12,692)	(9,049)
Other financial expenses (Exhibit H)	(416)	(287)
Subtotal	(49,348)	(29,284)
Financial results, net	(27,178)	(10,483)
Gain on equity investees (Note 12.c.)	65,232	110,985
Other expenses, net (Note 11)	(3,120)	(2,943)
Net income before tax	53,148	141,740
Income tax (Note 15)	3,045	(10,295)
Net income for the period	56,193	131,445

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Earnings per share (Note 13):

Basic net income per share	0.097	0.227
Diluted net income per share	0.097	0.227

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

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Eduardo S. Elsztain

President

IRSA Inversiones y Representaciones Sociedad Anónima**Unaudited Statements of Changes in Shareholders' Equity**

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos (Note 1)

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Caption	Common stock (Note 14.a)	Shareholders Inflation adjustment of common stock	Shareholders' contributions		Reserved earnings			Retained earnings	Total at the period end
			Additional paid-in capital	Total	Legal reserve (Note 14.b)	Reserve for new developments	Cumulative translation adjustment		
Balances as of June 30, 2009	578,676	274,387	793,123	1,646,186	32,374	193,486	12,849	210,767	2,095,662
Cumulative translation adjustment							1,284		1,284
Net gain for the period 07.01.09 - 09.30.09								131,445	131,445
Balances as of September 30, 2009	578,676	274,387	793,123	1,646,186	32,374	193,486	14,133	342,212	2,228,391
Cumulative translation adjustment							3,326		3,326
Appropriation of retained earnings approved by Shareholders meeting held 10.29.09								(31,727)	(31,727)
Legal Reserve increase					7,932			(7,932)	
Net gain for the period 10.01.09 - 06.30.10								203,056	203,056
Balances as of June 30, 2010	578,676	274,387	793,123	1,646,186	40,306	193,486	17,459	505,609	2,403,046
Cumulative translation adjustment							1,507		1,507
Net gain for the period 07.01.10 - 09.30.10								56,193	56,193
Balances as of September 30, 2010	578,676	274,387	793,123	1,646,186	40,306	193,486	18,966	561,802	2,460,746

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

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

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos (Note 1)

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

	September 30, 2010	September 30, 2009
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of the beginning of the year	57,467	99,408
Cash and cash equivalents as of the end of the period	171,708	61,380
Net increase (decrease) in cash and cash equivalents	114,241	(38,028)
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	56,193	131,445
(Less) plus income tax and MPIT accrued for the period	(3,045)	10,295
Adjustments to reconcile net loss (income) to cash flows from operating activities:		
Allowances and provisions	5,877	7,933
Amortization and depreciation	6,264	6,432
Gain on equity investees	(65,232)	(110,985)
Financial results, net	(8,740)	(8,846)
Accrued interest	29,649	19,218
Gain from recognition of inventories at net realizable value	(1,152)	(1,675)
Amortization of negative goodwill, net	(519)	(519)
Changes in certain assets and liabilities net of non cash transaction:		
(Increase) decrease in current investments	(5,856)	6,059
Decrease in accounts receivables, net	494	4,828
Decrease in other receivables	14,181	18,646
Decrease in inventory	1,582	9,918
Decrease in trade accounts payable	(819)	(3,739)
(Decrease) increase in customer advances	(464)	4,175
Decrease in taxes payable and salaries and social security payable	(10,334)	(10,126)
(Decrease) increase in other liabilities	(6,175)	532
Net cash (used in) provided by operating activities	11,904	83,591
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in other investments	6,181	17,963
Cash collected from merger, spin-off-merger and acquisition of related parties		5,038
Acquisition and improvements of fixed assets	(356)	(1,176)
Shareholding increase in equity investees	(6,050)	(20)
Increase in undeveloped parcels of land		(20)
Advance payments for the acquisition of shares	(28,655)	
Irrevocable contributions in subsidiary companies	(44,882)	(161,850)
Loans granted to related parties	(85,434)	2,499
Net cash used in investing activities	(159,196)	(137,566)

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase of issuance of non-convertible notes, net of issuance expenses	567,449	
(Decrease) increase in bank overdraft, net	(279,219)	44,150
Loans with related companies	(203)	(243)
Payments of interest	(26,494)	(27,960)
Net cash provided by financing activities	261,533	15,947
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	114,241	(38,028)

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

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Eduardo S. Elsztain

President

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

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos (Note 1)

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

	September 30, 2010	September 30, 2009
Supplemental cash flow information		
Income tax paid	390	430
Non-cash activities:		
Increase in inventories through a decrease in fixed assets, net		8,644
Increase in non-current investments through a decrease in other receivables	36,036	
Decrease in non-current investments through an increase in other receivables		109
Cumulative translation differences	1,507	1,284
Transfer of undeveloped parcels of land to inventories	3,030	
	September 30, 2010	September 30, 2009
Merger, spin-off - merger and acquisition of subsidiaries (Note 16.2)		
Current investments		13
Accounts receivable, net		953
Other receivables		(51,187)
Inventories		12,666
Fixed assets, net		93,678
Intangible assets, net		128
Undeveloped parcels of lands		18,123
Non-current investment		277,117
Negative goodwill, net		
Trade accounts payable		1,244
Customer advances		(1,105)
Salaries and social security payable		(1,261)
Taxes payable		(14,372)
Other liabilities		(1,876)
Net value of assets acquired not considered cash and cash equivalents		334,121
Cash and cash equivalents		5,038
Net value of assets acquired		339,159
Higher value of the acquired assets		6,575
Equity from merged and acquired subsidiaries		(303,444)
Goodwill		(42,290)
Net value of merger		

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements

For the three-month periods beginning on July 1, 2010 and 2009

and ended September 30, 2010 and 2009

In thousands of pesos

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

NOTE 1: ACCOUNTING STANDARDS

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

1.1. Preparation and presentation of financial statements

These unaudited financial statements are stated in thousands of Argentine pesos and were prepared in accordance with disclosure and valuation criteria contained in the Technical Resolutions issued by the Federación Argentina de Consejos Profesionales de Ciencias Económicas, approved with certain amendments by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires, in accordance with the resolutions issued by the National Securities Commission.

The Company's results for the three-month periods ended September 30, 2010 and 2009 have not been audited. The Company's management estimates that they include all the adjustments necessary to present fairly the results for each period.

The Company's three-month periods results do not necessarily reflect the proportion of the Company's full-year results.

1.2. Use of estimates

The preparation for financial statements requires the Company's Management, at a specific date, to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the period. The Company's Management makes estimations to calculate, for example, the allowance for doubtful accounts, depreciation and amortization, the impairment of long-lived assets, income taxes, contingencies allowances, fair value of assets acquired in a business combination, the fulfillment of certain conditions for valuation of inventories to its net realizable value and fair value of transaction of exchanges (barter). Future actual results could differ from the estimates and assumptions made at the date of these financial statements.

1.3. Recognition of the effects of inflation

The financial statements have been prepared in constant Argentine Pesos, 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.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

In thousands of pesos

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

NOTE 1: (Continued)

1.3. (Continued)

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 these unaudited financial statements is the domestic wholesale price index published by the National Institute of Statistics and Census.

1.4. Comparative information

Balances items as of June 30, 2010 shown in these unaudited financial statements for comparative purposes arise from audited annual financial statements for the year then ended.

Balances of the three-month period ended September 30, 2010 of the unaudited income, shareholders' equity and cash flow statements are shown for comparative purpose with the same period of the previous fiscal year.

The financial statements as of June 30, 2010 and September 30, 2009 originally issued have been subject to certain reclassifications required in order to present these figures comparatively with this period.

1.5. Significant accounting policies

a. Cash and banks

Cash on hand has been valued at face value.

b. Foreign currency assets and liabilities

Foreign currency assets and liabilities were valued at each period/year end exchange rates.

Operations denominated in foreign currency are converted into pesos at the exchange rates in effect at the date of settlement of the operation.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the unaudited financial statements (Continued)

In thousands of pesos

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NOTE 1: (Continued)

1.5. (Continued)

c. Current investments

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