

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

December 06, 2011

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 December, 2011

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, 2011 and on September 30, 2010 filed by the Company with the *Bolsa de Comercio de Buenos Aires* and with 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, 2011 and 2010

and ended September 30, 2011 and 2010

IRSA Inversiones y Representaciones

Sociedad Anónima

Free translation of the Unaudited Financial Statements

For the three-month periods

beginning on July 1, 2011 and 2010 and

ended September 30, 2011 and 2010

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, 2011

Presented in comparative form with the previous fiscal year

Stated in thousands of pesos

Fiscal year No. 69 beginning July 1st, 2011

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: April 05, 2043.
 Controlling Company: Cresud Sociedad Anónima, Comercial, Inmobiliaria,
 Financiera y Agropecuaria (Cresud S.A.C.I.F. y A.)
 Corporate Domicile: Moreno 877, 23rd Floor, Autonomous City of Buenos Aires
 Principal Activity: Agricultural, livestock and real estate investment
 Shareholding: 63.22%
 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 and June 30, 2011**

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2011	June 30, 2011		September 30, 2011	June 30, 2011
<u>ASSETS</u>			<u>LIABILITIES</u>		
<u>CURRENT ASSETS</u>			<u>CURRENT LIABILITIES</u>		
Cash and banks (Note 4)	206,965	168,170	Trade accounts payable (Note 11)	145,239	153,149
Investments (Note 5)	163,461	210,183	Customer advances (Note 12)	236,046	232,863
Accounts receivable, net (Note 6)	248,561	248,998	Short-term debt (Note 13)	696,559	683,813
Other receivables (Note 7)			Salaries and social security payable (Note 14)	26,926	35,792
	270,515	155,169	Taxes payable (Note 15)	99,371	119,053
Inventories (Note 8)	241,860	262,660			
Total Current Assets	1,131,362	1,045,180	Other liabilities (Note 16)	84,825	79,068
			Subtotal Current Liabilities	1,288,966	1,303,738
			Provisions (Note 17)	4,454	2,019
			Total Current Liabilities	1,293,420	1,305,757
			<u>NON-CURRENT LIABILITIES</u>		
			Trade accounts payable (Note 11)	290	47
<u>NON-CURRENT ASSETS</u>			Customer advances (Note 12)	96,679	94,244
Accounts receivable, net (Note 6)	17,375	14,300	Long-term debt (Note 13)	1,813,000	1,756,919
Other receivables (Note 7)	170,228	161,331	Taxes payable (Note 15)	352,075	328,692
Inventories (Note 8)	90,425	89,441	Other liabilities (Note 16)	19,903	18,129
Investments (Note 5)	1,926,580	1,946,145	Subtotal Non-Current Liabilities	2,281,947	2,198,031
Fixed assets, net (Note 9)	3,384,332	3,405,851	Provisions (Note 17)	12,961	12,881
Intangible assets, net	50,826	42,362	Total Non-Current Liabilities	2,294,908	2,210,912
Subtotal Non-Current Assets	5,639,766	5,659,430	Total Liabilities	3,588,328	3,516,669
Negative Goodwill, net (Note 10)	(372,833)	(389,300)	Minority interest	310,850	316,826
Total Non-Current Assets	5,266,933	5,270,130	SHAREHOLDERS EQUITY	2,499,117	2,481,815
Total Assets			Total Liabilities and Shareholders Equity	6,398,295	6,315,310
	6,398,295	6,315,310			

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, 2011 and 2010

and ended September 30, 2011 and 2010

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, 2011	September 30, 2010
Revenues	343,681	306,784
Costs	(129,514)	(103,059)
Gross profit	214,167	203,725
Selling expenses	(20,228)	(34,658)
Administrative expenses	(43,902)	(49,760)
Subtotal	(64,130)	(84,418)
Gain from recognition of inventories at net realizable value	13,648	13,453
Net gain from retained interest in securitized receivables		5,213
Operating income (Note 3)	163,685	137,973
Amortization of negative goodwill, net	5,194	629
Financial results generated by assets:		
Interest income	7,843	7,185
Foreign exchange gain	6,807	11,314
Other holding results	(56,019)	(16,551)
Subtotal	(41,369)	1,948
Financial results generated by liabilities:		
Interest expense	(65,580)	(50,638)
Foreign exchange loss	(43,759)	(13,683)
Other financial expenses	(2,672)	(754)
Subtotal	(112,011)	(65,075)
Financial results, net (Note 18 a.)	(153,380)	(63,127)
Gain on equity investees	11,476	21,756
Other expenses, net (Note 18 b.)	(5,068)	(3,366)
Income before taxes and minority interest	21,907	93,865
Income tax and Minimum Presumed Income Tax (MPIT)	(23,051)	(12,133)

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Minority interest	6,837	(25,539)
Net income for the period	5,693	56,193
Earnings per share (Note 13 to the Unaudited Basic Financial Statements)		
Basic net income per share	0.010	0.097
Diluted net income per share	0.010	0.097

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

For the three-month periods beginning on July 1, 2011 and 2010

and ended September 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2011	September 30, 2010
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of the beginning of the year	312,274	151,354
Cash and cash equivalents as of the end of the period	289,084	454,774
Net (decrease) increase in cash and cash equivalents	(23,190)	303,420
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	5,693	56,193
Income tax and MPIT accrued during the period	23,051	12,133
- Adjustments to reconcile net income to cash flows from operating activities:		
Gain on equity investees	(11,476)	(21,756)
Amortization of negative goodwill, net	(5,194)	(629)
Minority interest	(6,837)	25,539
Gain from recognition of inventories at net realizable value	(13,648)	(13,453)
Allowances and provisions	12,523	13,006
Depreciation and amortization	44,181	39,607
Accrued interest	64,052	29,727
Financial results, net	96,934	35,483
Long-term incentive program reserve (Note 23)	1,774	
Gain for fixed assets retired	435	42
Net (loss) gain from the derecognition of intangible assets	(535)	9,292
Additions of intangible assets	(540)	
- Changes in certain assets and liabilities net of non-cash transactions and effects of acquisitions:		
Decrease (Increase) in accounts receivable, net	5,538	(78,957)
Increase in other receivables	(1,437)	(36,045)
Decrease (Increase) in inventories	35,667	(21,042)
(Decrease) Increase in trade accounts payable	(5,692)	61,982
Decrease in customer advances, taxes payable, salaries and social security payable	(37,896)	(31,949)
Decrease in other liabilities	(5,930)	(7,304)
Net cash provided by operating activities	200,663	71,869
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collection from sale of real estate		2,652
Increase in current investments	(28,942)	(5,856)
Increase in other investments		(33,319)
Share-holding increase in equity investees	(2,617)	(36,415)
Increase in intangible assets, net		(1,117)
Advance payments for the acquisition of shares		(29,438)

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Acquisition of undeveloped parcels of land	(243)	(1,613)
Acquisition and improvements of fixed assets	(15,473)	(16,143)
(Outflows) Inflows for the acquisition / sale of subsidiaries, net	(6,651)	57,508
Collection of dividends	2,929	1,975
Payments for the acquisition of equity investees		(6,053)
Loans granted to related parties, net	(109,459)	15,403
Net cash used in investing activities	(160,456)	(52,416)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds (Payments) in short-term and long term debt, net	9,648	(20,176)
Bank overdrafts, net	13,327	(268,089)
Capital contribution by minority owners in related parties	3,036	474
Interest paid	(79,587)	(31,741)
Proceeds from issuance of Non-Convertible Notes, net of expenses		607,449
Payment of seller financing	(9,821)	(3,950)
Net cash (used in) provided by financing activities:	(63,397)	283,967
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(23,190)	303,420

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, 2011 and 2010

and ended September 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2011	September 30, 2010
<u>Supplemental cash flow information</u>		
Income tax paid	8,931	4,394
<u>Non-cash activities:</u>		
Issuance of Trust Certificates		18,786
Increase in non-current investments through a decrease in other liabilities		6,053
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
Decrease in inventories through a decrease in trade accounts payable	11,970	
Transfer of fixed assets to inventories	5,893	
Cumulative translation adjustment of subsidiaries	9,898	1,507
Transfer of undeveloped parcels of land to inventories		3,030
Increase in inventories through an increase in customer advances	2,738	1,920
Increase in fixed assets, net through an increase in long-term debt		53,896
<u>Composition of cash and cash equivalents at the period end</u>		
Cash and Banks	206,965	67,667
Current investments	163,461	462,778
Subtotal cash and banks and current investments	370,426	530,445
Less: (items not considered cash and cash equivalents)		
Mutual funds	61,853	59,257
Retained interest in securitized receivables of Tarshop S.A. (CPs)		4,550
Stock shares	13,688	11,369
Mortgage bonds issued by Banco Hipotecario S.A.	481	480
Interest receivable Non-Convertible Notes Cresud S.A.C.I.F. y A.	5,308	
Other investments	12	15
Cash and cash equivalents	289,084	454,774

Eduardo S. Elsztain
President

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, 2011 and 2010

and ended September 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2011	September 30, 2010
<u>Sale /Acquisition of subsidiaries</u>		
- Accounts receivable, net	(1,307)	278,805
- Other receivables	(2,040)	65,144
- Investments		125,694
- Fixed assets, net	(11,885)	2,829
- Intangible assets, net	(9,434)	
- Trade accounts payable	1,577	(204,255)
- Customer advances	97	
- Short-term and long-term debt		(91,173)
- Salaries and social security payable	49	(11,221)
- Taxes payable	418	(14,654)
- Other liabilities	64	(62)
Net value of assets acquired/sold not considered cash and cash equivalents	(22,461)	151,107
- Impairment and sale of investment		(12,119)
- Remaining investment		(32,175)
- Minority interest	(1,434)	(31,369)
- Negative goodwill, net	(11,344)	3,316
Net value of assets acquired/sold	(35,239)	78,760
- Seller financing	27,050	
- Cash in advance	1,538	(21,252)
Payment /Collection of cash from sale/acquisition of subsidiaries	(6,651)	57,508

Eduardo S. Elsztain
President

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements

For the three-months periods beginning on July 1, 2011 and 2010 and

ended September 30, 2011 and 2010

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 balance sheets at September 30 and June 30, 2011, statements of income and cash flows for the three-months periods ended September 30, 2011 and 2010 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,
	2011	2011	2011	2011
	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
E-Commerce Latina S.A.	100.00	100.00	100.00	100.00
Solares de Santa María S.A. (1)	100.00	100.00	100.00	100.00
Hoteles Argentinos S.A.	80.00	80.00	80.00	80.00
Alto Palermo S.A. (APSA) (2)	94.89	94.89	94.89	94.89
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
Unicity S.A. (1)	100.00	100.00	100.00	100.00

(1) See Note 16.7. to the Unaudited Basic Financial Statements

(2) See Note 16.2. and 18.2. 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

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

NOTE 1: (Continued)

a. (Continued)

In addition, the assets, liabilities and results of operations of the Company 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,
	2011	2011	2011	2011
	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
Quality Invest S.A.(Quality) (3)	50.00	50.00	50.00	50.00

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

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

(3) The Company has joint control of this company with EFESUL S.A (See Note 16.9. to the Unaudited Basic Financial Statements).

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

b. Comparative Information

Balance items as of June 30, 2011 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, 2011 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, 2011 and September 30, 2010 originally issued have been subject to certain reclassifications required in order to present these figures comparatively with those stated as of September 30, 2011.

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 1: (Continued)c. Additional information about Tarshop S.A.'s sale

On September 13, 2010, APSA sold 80% of Tarshop S.A.. Consequently, 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. As from the sale, results generated from the remaining investment are disclosed under caption Gain on equity investees .

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

	Financial Statements issued as of September 30, 2010 Ps.	Tarshop S.A. as of September 30, 2010 Ps.	Financial Statements assuming the sale as of September 30, 2010 Ps.
Statements of income			
Revenues	306,784	(53,887)	252,897
Costs	(103,059)	18,032	(85,027)
Gross profit	203,725	(35,855)	167,870
Operating income (Note 3)	137,973	(16,454)	121,519
Gain on equity investees	21,756	17,525	39,281
Net income for the period	56,193		56,193

	Financial Statements issued as of September 30, 2010 Ps.	Tarshop S.A. as of September 30, 2010 Ps.	Financial Statements assuming the sale as of September 30 2010 Ps.
Statements of Cash Flows			
Cash Flow:			
- Provided by operating activities	66,013	22,002	88,015
- (Used in) provided by investing activities	(50,510)	101	(50,409)

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- Provided by (used in) financing activities	287,917	(28,553)	259,364
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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 a. 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.

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)

a. (Continued)

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.

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 APSA 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, admission rights and commissions for rental of advertising spaces. 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, irrespective of whether collection has or has not been made.

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)

a. (Continued)

Hotel operations

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

b. Investments

Equity investees and other non-current investments

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., as of the date of issuance of these unaudited financial statements, APSA maintains a 20% investment in Tarshop S.A. that is valued by the equity method due to the existence of significant influence by the group of companies on Tarshop S.A.'s decisions and the intention to keep it as a long-term investment.

The equity investments in TGLT S.A. and Hersha Hospitality Trust were valued at their acquisition cost.

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 will be amortized over the life of the concession agreement (see Notes 22 B.1. and 24 B.5.), after the opening of the shopping center.

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. (Continued)

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, starting upon the opening of the shopping center.

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

Non-compete agreement

These expenses were amortized by the straight-line method in 28 months, starting upon December 1st, 2009.

Under 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 written off this intangible (See Note 22 B.3.).

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

and subsidiaries

Notes to the Unaudited Consolidated Financial Statements (Continued)

In thousands of pesos

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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, thus reducing its value pro rata the units that are granted notarial titled deed. Liabilities in kind have been shown in the Trade account payables caption.

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 activities.

IRSA Inversiones y Representaciones Sociedad Anónima

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Notes to the Unaudited Consolidated Financial Statements (Continued)

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NOTE 3: (Continued)

Hotel operations

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

Consumer financing

Includes the results of granting of consumer credits, of credit cards receivables and related securitization programs carried through Tarshop S.A. (see Note 1 c.) and APSAMEDIA S.A. (see Note 22 B.11.).

Financial operations and others

This segment primarily includes results related to or generated by security transactions and other non-core activities of the Company. This segment also includes gain/loss in equity investees 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.

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, 2011:

	Development and Sale of Properties	Office and Other Non- Shopping Center Rental Properties (a)	Shopping Centers	Hotel Operations	Consumer Financing	Financial Operations and Others	Total
Revenues	55,421	44,071	202,568	39,556	2,065		343,681
Costs	(49,639)	(9,402)	(44,499)	(25,225)	(749)		(129,514)
Gross profit	5,782	34,669	158,069	14,331	1,316		214,167
Selling expenses	(4,834)	(1,601)	(10,807)	(5,348)	2,362		(20,228)
Administrative expenses	(7,029)	(8,075)	(18,822)	(9,925)	(51)		(43,902)
Subtotal	(11,863)	(9,676)	(29,629)	(15,273)	2,311		(64,130)
Gain from recognition of inventories at net realizable value	13,648						13,648
Operating income	7,567	24,993	128,440	(942)	3,627		163,685
Depreciation and amortization (b)	24	6,490	34,452	3,213	2		44,181
Acquisition of fixed assets, net and intangible assets, net		3,038	11,583	1,392			16,013
Non-current investments in equity investees	87,313	207,120		243,869	53,007	933,438	1,524,747
Operating assets	656,290	1,350,271	2,411,893	203,516	22,542	337,381	4,981,893
Non-operating assets	68,696	103,722	(154,039)	67,268	33,089	1,297,666	1,416,402
Total assets	724,986	1,453,993	2,257,854	270,784	55,631	1,635,047	6,398,295
Operating liabilities	19,801	132,614	409,380	37,535	5,221		604,551
Non-operating liabilities	498,360	448,146	1,617,428	211,773	25,586	182,484	2,983,777
Total liabilities	518,161	580,760	2,026,808	249,308	30,807	182,484	3,588,328

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

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

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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
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)
Subtotal	(10,368)	(10,923)	(23,758)	(14,801)	(24,568)		(84,418)
Gain from recognition of inventories at net realizable value	13,453						13,453
Gain 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 investees (c)	84,062	207,074		277,248	49,459	923,807	1,541,650
Operating assets (c)	671,738	1,367,767	2,413,943	202,633	26,198	367,427	5,049,706
Non-operating assets (c)	40,754	44,846	(175,462)	36,913	22,510	1,296,043	1,265,604
Total assets (c)	712,492	1,412,613	2,238,481	239,546	48,708	1,663,470	6,315,310
Operating liabilities (c)	24,491	137,990	402,523	39,030	31,112		635,146
Non-operating liabilities (c)	483,151	436,886	1,568,627	198,135		194,724	2,881,523
Total liabilities (c)	507,642	574,876	1,971,150	237,165	31,112	194,724	3,516,669

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(c) Information as of June 30, 2011

(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 4: CASH AND BANKS

The breakdown for this item is as follows:

	September 30, 2011	June 30, 2011
Cash on hand	2,003	1,768
Bank accounts	204,962	166,402
	206,965	168,170

NOTE 5: INVESTMENTS

The breakdown for this item is as follows:

	September 30, 2011	June 30, 2011
Current		
Mutual funds	140,941	204,167
Time deposits	3,031	
Stock shares	13,688	2,912
Mortgage bonds issued by Banco Hipotecario S.A.	481	477
Other investments	12	12
Interest receivable Non-Convertible Notes Cresud S.A.C.I.F. y A. (Note 24 B.4.)	5,308	2,615
Total Current	163,461	210,183
Non-current		
Banco Hipotecario S.A. (1)	927,239	917,690
Banco de Crédito & Securitización S.A. (Note 16.10. to the Unaudited Basic Financial Statements)	6,199	6,117
Hersha Hospitality Trust (Note 22 A.2.)	243,869	277,248
New Lipstick LLC (Note 22 A.3.)	118,505	115,946
Rigby 183 LLC (Note 22 A.6.)	88,615	91,128
Tarshop S.A. (Note 22 B.3.)	53,007	49,459
TGLT S.A. (Notes 22 B.12. and 16.8 to the Unaudited Basic Financial Statements)	59,031	56,381
Manibil S.A.	28,282	27,681
Advance payments for the acquisition of shares (Note 16.10. to the Unaudited Basic Financial Statements)	266	1,797
Non-convertible Notes Cresud S.A.C.I.F. y A. (Note 24 B.4.)	5,256	7,706
Other investments	497	501

Subtotal	1,530,766	1,551,654
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IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)**

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NOTE 5: (Continued)

	September 30, 2011	June 30, 2011
Undeveloped parcels of land:		
Santa María del Plata	158,742	158,742
Puerto Retiro (2)	54,275	54,370
Caballito plot of land	45,814	45,814
Patio Olmos (Note 22 B.4.)	33,403	33,475
Zetol plot of land (Note 22 A.5.)	32,489	31,721
Air Space Coto	16,110	16,110
Air Space Soleil Factory	6,676	6,676
Vista al Muelle plot of land (Note 22 A.5.)	22,674	22,140
Canteras Natal Crespo	5,967	5,779
Pilar	3,408	3,408
Other undeveloped parcels of land	16,256	16,256
Subtotal	395,814	394,491
Total non-current	1,926,580	1,946,145

- (1) As of September 30 and June 30, 2011, includes Ps. 25,322 and Ps. 21,863, respectively, as goodwill and higher and lesser values and unrealized profits resulting from intragroup transactions. As of September 30 and June 30, 2011 represents 446,515,208 shares with a quoted value at closing equivalent to Ps. 1.57 and Ps. 2.36 per share, respectively.
- (2) See Note 21 A.(i).

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

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NOTE 6: ACCOUNT RECEIVABLE, NET

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Leases and services and from the sale of properties receivables	88,938	17,375	97,025	14,300
Checks to be deposited	106,913		95,226	
Consumer financing receivables	65,165		70,248	
Hotel receivables	11,842		9,954	
Related parties (Note 19)	7,035		8,767	
Receivables with collection agents	5,118		4,869	
Pass-through expenses receivables	22,516		18,953	
Debtors under legal procedures	50,425		48,954	
Receivables from the sale of fixed assets			4,034	
Notes receivables	4,026		5,987	
Credit cards receivables	227		497	
Less:				
Allowance for leases, services and from sale of properties receivables	(55,870)		(55,055)	
Allowance for consumer financing receivables	(57,291)		(59,891)	
Allowance for hotel receivables	(483)		(570)	
	248,561	17,375	248,998	14,300

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 7: OTHER RECEIVABLES

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Related parties (Note 19)	161,171	424	42,270	415
Prepaid expenses and services	42,420	3,758	43,632	3,114
Value Added Tax (VAT)	46,765	41,383	42,386	49,059
Gross revenue tax	5,834	1,128	6,947	1,067
MPIT	2,819	85,084	1,824	84,492
Income tax, net	2,445		2,373	
Loans granted, net	541		644	
Deferred Income Tax		41,667		30,383
Mortgage receivable		2,208		2,208
Others	8,520	5,304	15,093	4,478
Less:				
Allowance for doubtful mortgage receivable		(2,208)		(2,208)
Present value		(8,520)		(11,677)
	270,515	170,228	155,169	161,331

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

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NOTE 8: INVENTORIES

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Horizons (Note 22 A.1.)	196,071		209,458	
Libertador 498 (1)	10,090			
Thames (1)	3,897			
Caballito Nuevo (2)	4,141		5,473	
Rosario plot of land (3)	6,172		25,511	
Units to be received Beruti (Note 19)(4)		23,608		23,309
Units to be received Caballito (Note 19)(5)		52,029		51,999
El Encuentro (6)	3,765		4,432	1,486
Torres de Rosario (Note 22 B.5.)	8,868	6,512	9,320	4,388
Plots of land receivable Pereiraola(7)		8,200		8,200
Inventories (hotel operations)	3,788		3,575	
Abril	1,085		1,085	
Other inventories	3,983	76	3,806	59
	241,860	90,425	262,660	89,441

- (1) See Note 16.1 to the Unaudited Basic Financial Statements.
(2) See Note 5 (2) to the Unaudited Basic Financial Statements.
(3) See Note 22 B.10.
(4) See Note 22 B.6.
(5) See Note 16.11 to the Unaudited Basic Financial Statements.
(6) See Note 5 (4) to the Unaudited Basic Financial Statements.
(7) See Note 16.3 to the Unaudited Basic Financial Statements.

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NOTE 9: FIXED ASSETS, NET

The breakdown for this item is as follows:

	September 30, 2011	June 30, 2011
Hotels		
Llao Llao	74,154	75,207
Intercontinental Buenos Aires	52,444	52,288
Sheraton Libertador	40,161	41,091
Bariloche plots of land	21,900	21,900
Subtotal Hotels	188,659	190,486
Office buildings		
Edificio República	214,348	215,535
Torre BankBoston	151,823	152,498
Bouchard 551	147,660	148,242
Intercontinental Plaza	77,806	78,394
Dot Baires Office Building	104,350	105,144
Bouchard 710	64,021	64,277
Dique IV	61,655	62,218
Maipú 1300	36,558	36,904
Costeros Dique IV	18,376	18,523
Libertador 498	9,920	12,024
Suipacha 652	10,371	10,484
Avda. De Mayo 595	4,196	4,255
Madero 1020	192	197
Rivadavia 2768	185	191
Sarmiento 517	241	244
Subtotal Office buildings	901,702	909,130
Other fixed assets		
Catalinas Norte plot of land	104,057	102,666
Santa María del Plata	12,511	12,508
Constitución 1159	6,387	6,387
Museo Renault	4,669	4,692
Thames (See Note 16.1 to the Unaudited Basic Financial Statements)		3,897
Casona Abril	2,475	2,525
Constitución 1111	843	854
Alto Palermo Park	541	542
Predio San Martín	69,715	69,994
Other	5,898	5,350

Subtotal Other fixed assets	207,096	209,415
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IRSA Inversiones y Representaciones Sociedad Anónima**and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)**

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NOTE 9: (Continued)

	September 30, 2011	June 30, 2011
Shopping Center		
Dot Baires	489,357	495,836
Abasto	325,007	325,352
Alto Palermo	274,211	279,937
Patio Bullrich	135,906	136,466
Mendoza Plaza	122,930	123,312
Alto Rosario	139,636	138,472
Alto Avellaneda	168,262	169,456
Paseo Alcorta	132,713	133,090
Córdoba Shopping - Villa Cabrera (Nota 24 B.1.)	78,761	78,527
Soleil Factory	71,537	68,578
Alto NOA	41,049	40,912
La Ribera	11,641	
Suppliers advances	10,163	11,151
Neuquén Project (Note 24 B.2.)	19,024	17,063
Buenos Aires Design	17,138	18,103
Other fixed assets	18,232	28,815
Other properties	22,044	22,486
Units to be received Beruti	9,264	9,264
Subtotal Shopping Center	2,086,875	2,096,820
Total	3,384,332	3,405,851

NOTE 10: NEGATIVE GOODWILL, NET

The breakdown for this item is as follows:

	September 30, 2011	June 30, 2011
Goodwill:		
Alto Palermo S.A.	19,775	20,176
Arcos del Gourmet S.A.	6,060	
Torre BankBoston	5,429	5,481
Nuevo Puerto Santa Fe S.A.	5,284	
Museo Renault	2,910	2,951
Conil S.A.	343	343
Subtotal goodwill	39,801	28,951

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NOTE 10: (Continued)

	September 30, 2011	June 30, 2011
Negative goodwill:		
Alto Palermo S.A. (Note 16.2. to the Unaudited Basic Financial Statements)	(352,995)	(358,062)
Palermo Invest S.A.	(37,661)	(38,180)
Empalme S.A.I.C.F.A. y G.	(6,003)	(6,127)
Mendoza Plaza Shopping S.A.	(2,740)	(2,783)
Unicity S.A.	(3,601)	(3,601)
Emprendimiento Recoleta S.A.	(115)	(127)
Soleil Factory	(9,519)	(9,371)
Subtotal negative goodwill	(412,634)	(418,251)
Total negative goodwill, net	(372,833)	(389,300)

NOTE 11: TRADE ACCOUNTS PAYABLE

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Suppliers	46,673	290	42,414	47
Accruals	51,998		60,830	
Liabilities in kind Horizons (See Note 22 A.1.)	30,458		36,443	
Related parties (Note 19)	13,081		9,905	
Others	3,029		3,557	
	145,239	290	153,149	47

NOTE 12: CUSTOMER ADVANCES

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current

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Customers advances	122,232		137,020	
Admission rights	64,650	70,706	60,822	66,885
Lease advances	49,164	25,973	35,021	27,359
	236,046	96,679	232,863	94,244

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NOTE 13: SHORT-TERM AND LONG TERM DEBT

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Bank overdrafts	434,890		420,032	
Bank loans (1)	125,545	43,223	128,448	27,585
Non-Convertible Notes APSA 2012 US\$ 154 M (6)	28,994		28,889	
Convertible Notes APSA 2014 US\$ 50 M (5)	1	4,224	3	4,640
Non-Convertible Notes APSA 2017 US\$ 120 M (4) (Note 19)	13,711	443,634	4,490	432,591
Non-Convertible Notes 2017 (3)	8,061	626,887	20,960	612,419
Non-Convertible Notes 2020 (3)	13,394	612,376	30,800	598,116
Related parties (Note 19)	2,422		2,345	
Seller financing (2)	69,541	82,656	47,846	81,568
	696,559	1,813,000	683,813	1,756,919

- (1) Balances as of September 30, 2011 includes:
- Ps. 31,099 as current balance and Ps. 28,223 as a non-current balance related to debt for purchase República building (see Note 8 (1) a) to the Unaudited Basic Financial Statements).
 - Ps. 60,000 as current corresponding to a loan granted by Banco Provincia due in May and July, 2012 respectively, at a nominal fixed rate of 14% per annum.
 - Ps. 19,132 as current balance corresponding to Hoteles Argentinos S.A.'s mortgage loan (Note 21.A. (ii)).
 - Ps. 5,650 as current balance, which pertain to a loan of Nuevas Fronteras S.A. from Standard Bank Argentina, due in June 2012 at a fixed rate of 15.55%. The amount is disclosed net of issuance expenses for Ps. 300.
 - Ps. 9,380 as current balance, which pertain to loans of Nuevas Fronteras S.A. from Standard Bank Argentina, due in December 2011 and June 2012, respectively, at a fixed rate in dollars of 3.7% and 3.9% respectively.
 - Ps. 278 as current balance and Ps. 15,000 as non-current balance, which pertain to a loan of Nuevas Fronteras S.A. from Banco de San Juan, due in November 2012, at a fixed rate of 15.75% per annum.
 - Ps. 6 which pertain to miscellaneous.
- (2) Balances as of September 30, 2011 includes, mainly:
- Ps. 22,505 as current balance and a Ps. 11,353 as non-current balance to the debt from acquisition of Zetol S.A. (See Note 22 A.5.).
 - Ps. 17,519 as current balance related to the seller financing for purchase of Arcos del Gourmet S.A. (See Note 22 B.1.)
 - Ps. 661 as current balance and a Ps. 34,261 as non-current balance related to the debt from acquisition of Soleil Factory S.A. (See Note 22 B.2.).
 - Ps. 17,407 as current balance and Ps. 32,379 as non-current balance related to the debt for purchase of Predio San Martín. (Note 22 A.7.)
 - Ps. 11,446 as current balance and a Ps. 4,663 as non-current balance corresponding to the debt from acquisition of Nuevo Puerto Santa Fe S.A. (See Note 22 B.9.).
- (3) See Note 17 to the Unaudited Basic Financial Statements.
- (4) See Note 23 A.2. Disclosed net of the issuance debt costs to be accrued for Ps. 2,578 and Ps. 5,863 lower value. See Note 18.1 to the Unaudited Basic Financial Statements.

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- (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 as of September 30, 2011, for Ps. 2,669 current and Ps. 133,459 non- current. As of September 30, 2011, the non-current balance includes a higher value of Ps. 4,189.
- (6) See Note 23 A.2. Disclosed net of the Notes held by the Company for Ps. 13,732 and issuance debt costs to be accrued for Ps. 17 and Ps. 1,653 of higher value.

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NOTE 14: SALARIES AND SOCIAL SECURITY PAYABLE

The breakdown for this item is as follows:

	September 30, 2011	June 30, 2011
Provision for vacation and bonuses	15,461	27,333
Social Security payable	8,331	7,596
Salaries payable	953	61
Others	2,181	802
	26,926	35,792

NOTE 15: TAXES PAYABLE

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Income tax provision, net	57,718	42,955	67,912	
Tax amnesty plan for income tax payable	2,035	16,915	1,759	17,386
VAT, net	16,564		21,615	
MPIT, net	1,122	933	1,933	
Gross revenue tax payable	2,855		1,607	
Tax withholdings	9,221		13,345	
Provision for tax on shareholders personal assets	3,696		3,961	
Tax amnesty plan for gross revenue tax	480	712	486	832
Tax amnesty plan for ABL	1,463	1,712	1,464	1,927
Deferred Income Tax		288,848		308,547
Others	4,217		4,971	
	99,371	352,075	119,053	328,692

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NOTE 16: OTHER LIABILITIES

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Accrual for Directors' fees (1) (Note 19)	18,702		15,612	
Guarantee deposits	3,628	8,390	4,128	6,302
Derivative financial instrument (Note 25.a))	1,222			
Payables to National Parks Administration (Note 20)	1,100		1,100	
Contributed leasehold improvements (Note 24 B.3.)	293	9,103	332	9,170
Other payable	16,004		16,004	
Related parties (Note 19)	37,184	20	35,674	20
Loans with shareholders of related parties	3,700	258	1,000	252
Present value		(95)		(95)
Others	2,992	2,227	5,218	2,480
	84,825	19,903	79,068	18,129

(1) As of September 30 and June 30, 2011, it is disclosed net of advances to Directors for Ps. 43,411 and Ps. 37,544, respectively.

NOTE 17: PROVISIONS

The breakdown for this item is as follows:

	September 30, 2011		June 30, 2011	
	Current	Non-current	Current	Non-current
Allowance for contingencies	4,454	12,961	2,019	12,881
	4,454	12,961	2,019	12,881

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 18 a.: FINANCIAL RESULTS, NET

The breakdown for this item is as follows:

	September 30, 2011	September 30, 2010
Financial results generated by assets:		
Interest income	4,221	4,532
Interest on discounting assets	3,622	2,653
Subtotal interest income	7,843	7,185
Foreign exchange gain	6,807	11,314
Loss on financial operations	(56,019)	(16,551)
Subtotal other holding results	(56,019)	(16,551)
Total financial results generated by assets	(41,369)	1,948
Financial results generated by liabilities:		
Interest expense	(65,577)	(50,723)
Interest on discounting liabilities	(3)	85
Subtotal interest expense	(65,580)	(50,638)
Foreign exchange loss	(43,759)	(13,683)
Loss on derivative financial instruments	(1,296)	
Others	(1,376)	(754)
Subtotal other financial expenses	(2,672)	(754)
Total financial results generated by liabilities	(112,011)	(65,075)
Total financial results, net	(153,380)	(63,127)

NOTE 18 b.: OTHER EXPENSES, NET

The breakdown for this item is as follows:

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	September 30, 2011	September 30, 2010
Other income:		
Recovery of allowances	1,000	9
Sale of client base and assignment of portfolio	193	
Others	158	282
Subtotal other income	1,351	291
Other expenses:		
Donations	(2,284)	(1,539)
Tax on Shareholders' personal assets	(1,208)	(1,236)
Provision for contingencies	(2,618)	(388)
Unrecoverable VAT	(39)	(445)
Others	(270)	(49)
Subtotal other expenses	(6,419)	(3,657)
Total Other expenses, net	(5,068)	(3,366)

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

a. Balances as of September 30, 2011 compared to the balances as of June 30, 2011 held with related companies, persons and shareholders are as follows:

Related parties	Account receivables current	Other receivables-current	Other receivables-non current	Inventories to be received Beruti and Caballito-non current	Units Trade accounts payable-current	Short-term debt	Other liabilities current	Other liabilities non current	Totals
Baicom Networks S.A. (4)	76	48	424						548
Banco Hipotecario S.A. (2)	226				(144)				82
Cactus Argentina S.A. (2)	30				(3)				27
Canteras Natal Crespo S.A. (4)	419	41							460
Consortio Libertador (3)	20	15			(6)		(4)		25
Consortio Torre Boston (3)	426	487			(1,410)				(497)
Consultores Assets Management S.A. (3)	1,066	29			(10)				1,085
Cresud S.A.C.I.F. y A. (5)	23	134,462			(11)		(15,064)		119,410
Cyrsa S.A. (4)	1,783	10			(1,633)		(185)		(25)
Directores (3)	2	156					(18,702)	(20)	(18,564)
Elsztain Managing Partners Ltd (3)							(25)		(25)
Elsztain Reality Partner Master Fund I (3)		139					(131)		8
Elsztain Reality Partner Master Fund II (3)		31					(32)		(1)
Elsztain Reality Partner Master Fund III (3)		101							101
Estudio Zang, Bergel y Viñes (3)		44			(573)				(529)
Fundación IRSA (3)	39	2			(1)				40
Futuros y Opciones.com S.A. (2)	53				(8)				45
Hersha Hospitality Trust (2)		2,752							2,752
Inversiones Financieras del Sur S.A. (3)		4,218							4,218
Irsa Developments LP (2)		8					(4)		4
Real Estate Strategies LP (2)		78					(8)		70
Lipstick Management LLC (2)		596							596
Torodur S.A. (2)		14							14

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Museo de los Niños (3)	1,674				(27)				1,647
New Lipstick LLC (2)		1,234				(636)			598
Personnel loans (3)	56	2,918			(147)	(3,709)			(882)
Puerto Retiro S.A. (4)	58	64			(5)				117
Quality Invest S.A. (4)	231	3				(56)			178
Tarshop S.A. (2)	853	13,721			(9,103)	(17,330)			(11,859)
TGLT S.A. (2)				75,637		(2,422)			73,215
Totals as of									
September 30, 2011	7,035	161,171	424	75,637	(13,081)	(2,422)	(55,886)	(20)	172,858

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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 - current	Other receivables - non current	Inventories to be received and Caballito-non current	Units Beruti	Trade accounts payable-current	Short-term debt	Other liabilities current	Other liabilities non current	Totals
Baicom Networks S.A. (4)	61	6	415							482
Banco Hipotecario S.A. (2)	225					(252)				(27)
Cactus Argentina S.A. (2)	28					(3)				25
Canteras Natal Crespo S.A. (4)	403	41								444
Consorcio Libertador (3)	140	16				(65)		(4)		87
Consorcio Torre Boston (3)	1,076	344				(836)				584
Consultores Assets Management S.A. (3)	997	29				(10)				1,016
Cresud S.A.C.I.F. y A. (5)	19	19,112				(71)		(15,778)		3,282
Cyrsa S.A. (4)	1,750	11				(1,725)				36
Directores (3)	2	155						(15,612)	(20)	(15,475)
Elsztain Managing Partners Ltd (3)								(53)		(53)
Elsztain Reality Partner Master Fund I (3)		48						(584)		(536)
Elsztain Reality Partner Master Fund II (3)		31						(275)		(244)
Elsztain Reality Partner Master Fund III (3)		77								77
Estudio Zang, Bergel y Viñes (3)		9				(1,241)				(1,232)
Fundación IRSA (3)	33	1				(1)				33

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Futuros y Opciones.com S.A. (2)	16				(8)				8
Hersha Hospitality Trust (2)		2,690							2,690
Irsa Developments LP (2)		7				(4)			3
Real Estate Strategies LP (2)		64				(8)			56
Lipstick Management LLC (2)		448							448
Museo de los Niños (3)	1,781				(9)				1,772
New Lipstick LLC (2)		960				(622)			338
Personnel loans (3)	61	2,522			(146)		(1,000)		1,437
Puerto Retiro S.A. (4)	58	63			(5)				116
Quality Invest S.A (4)	799	241					(16)		1,024
Tarshop S.A (2)	660	13,715			(5,533)		(17,330)		(8,488)
TGLT S.A (2)	658	1,680		75,308		(2,345)			75,301
Totals as of June 30, 2011	8,767	42,270	415	75,308	(9,905)	(2,345)	(51,286)	(20)	63,204

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. The Statement of Income balances for the three-month periods ended September 30, 2011 and 2010, 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 salaries and bonuses	Donations	Totals
Canteras Natal Crespo S.A. (4)	12		1				13
Consortio Libertador (3)	31	3					34
Consortio Torre Boston (3)	80						80
Cresud S.A.C.I.F. y A. (5)		191	279		(16,659)		(16,189)
Cyrsa S.A. (4)		2					2
Directors				(7,086)			(7,086)
Estudio Zang, Bergel y Viñes (3)				(1,342)			(1,342)
Fundación IRSA (3)						(906)	(906)
Inversiones Financieras del Sur S.A. (3)			13				13
Tarshop S.A. (2)	38	1,201					1,239
Personnel Loans			73				73
Totals as of September 30, 2011	161	1,397	366	(8,428)	(16,659)	(906)	(24,069)

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

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NOTE 19: (Continued)

b. (Continued)

Related parties	Sale and fees for services	Leases	Interest and exchange differences	Fees	Share services salaries and bonuses	Donations	Totals
Canteras Natal Crespo S.A. (4)	12						12
Consortio Libertador (3)	31	3					34
Consortio Dock del Plata (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				(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. (1)			(1,978)				(1,978)
Personnel Loans			34				34
Totals as of September 30, 2010	220	860	(4,583)	(14,029)	(13,364)	(496)	(31,392)

- (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), 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. In March 2004, after different stages of judicial proceeding LLH paid Ps. 9,156 in cash and EDB.

Furthermore, the plaintiff requested to initiate an incidental procedure for execution of sentence by performing a settlement through the Ministry of Economy. After various judicial instances, such liquidation was approved. In April 2010, LLR paid Ps. 12,297 in cash and bonds, in addition to the Ps. 826 which had already been levied through an attachment. As of September 30, 2011, the plaintiff had not picked up the payment.

At the same time, the plaintiff stated that the deposited amounts were in line with the settlement that had taken place on June 30, 2007 and that was eventually approved in the framework of these proceedings on December 5, 2007. As a result, it 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. 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. LLR lodged an appeal against the award for considering the amount excessively high. The auctioneer, in turn, lodged his appeal against the award for considering the amount excessively low. After various judicial instances, the courts rendered a decision favorable to LLR and considered LLR's debt was settled as it related to the liquidation approved in the record of proceedings. Furthermore, the appeal remedy regarding fees awarded to the auctioneer, which were reduced from Ps.1.8 million to Ps.1.1 million, plus VAT.

Based on the information provided by the legal advisors litigating these proceedings, LLR has booked under Other current liabilities Payables to National Parks Administration , the amount of fees described in the above paragraph.

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 20: (Continued)

Since LLR had a credit balance as regards the deposit made pursuant to settlement approved in the proceedings, on February 18, 2011 LLR filed a remedy for relief whereby it requested a decision on the amount deposited in excess and order the eventual repayment to the defendant. Moreover, the auctioneer has requested payment of fees. LLR presented a proposal to pay the auctioneer's fees settled, which will be withheld from the funds seized, from the freely disposable funds and from the funds invested in time deposits in dollars. Likewise, LLR requested professional fees to be settled and resolution of the pending clarifying remedy as to the amount deposited in excess.

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.

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 21: (Continued)

A. (Continued)

i. (Continued)

The evidence steps of the legal procedures have been completed. Puerto Retiro S.A. appealed the precautionary measure, being the same confirmed by the Court on December 14, 2000. The parties have submitted their claims in due time. The file was passed for the judge to issue a pronouncement, this being a decree adjourning the summoning of decisions to pronouncement in the understanding that there exists pre-judgment in respect of the penal cause filed against ex-officers of the Ministry of Defense and ex-directors of the Company. Consequently, the matter will not be solved until there is final judgment in penal jurisdiction.

Notice has been served upon the commercial court that the criminal cause of action was declared extinguished by operation of the statutes of limitation and that the accused were acquitted. However, this ruling was challenged by filing an appeal in cassation, which is why the other decision is still not final.

The Management and legal advisors of Puerto Retiro S.A. estimate that there are legal and technical issues 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 conclusive.

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.

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)

A. (Continued)

ii. (Continued)

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 S.A., for a total amount of Ps. 19.0 million, which accrued interest at a fixed rate, payable on a quarterly basis. The capital maturing on March 15, 2011. On this date, HASA refinanced the mentioned loan agreement, as per the following detail: US\$ 0.4 million (capital plus interest) to be paid on September 12, 2011; US\$ 0.4 million (capital plus interest) to be paid on March 14, 2012 and Ps. 15.8 million, with capital to be paid on March 14, 2012 and interests payable on a quarterly basis.

As a guarantee for this transaction, the Company entered into a put option agreement (Put Right) with Standard Bank Argentina S.A. 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.

As of the balance sheet date, HASA had committed no event of default.

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

	Book value as of September 30, 2011
Properties	
Edificio República	214,348
Predio San Martín	69,715
Soleil Factory	71,537
Zetol plot of land	32,489
Vista al Muelle plot of land	22,674
Bariloche plots of land	21,900
Suipacha 652	10,371

iv. New Lipstick LLC maintains a pledge over Metropolitan 885 Third Avenue Leasehold LLC's shares.

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)

A. (Continued)

- 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. Under the agreement executed with Banco Hipotecario S.A. for the sale of Tarshop S.A.'s shares and its amendments, APSA granted to Banco Hipotecario S.A. a security agreement over the Company's Class I Notes, issued on May 11, 2007, for a face value of Ps. 1.2 million, which work as guarantee upon any price adjustment that may result in favor of BHSA as provided by the purchase agreement.
- ii. 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).
- iii. As mentioned in Note 24 B.5., to secure the fulfillment of the Concession and Explotation Agreement with ADIF, Arcos del Gourmet S.A. committed itself to hire a surety bond of Ps. 4,460, make an escrow deposit in cash of Ps. 400 and to hire another surety bond in favor of ADIF as collateral to the execution of the works agreed in due time and proper form for Ps. 14,950. These surety bonds were hired during October 2011.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

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NOTE 21: (Continued)

B. (Continued)

- iv. As regards the case Alto Palermo S.A. (APSA) 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, 2011 amounts to Ps. 45,814 (disclosed in the Non-current investments- Undeveloped plots of land).

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.

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Notes to the Unaudited Consolidated Financial Statements (Continued)

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NOTE 22: (Continued)

A. (Continued)

1. (Continued)

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 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.

Each buyer chose from the following purchase plans:

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

As of September 30, 2011, the percentage of completion of the Horizons project was 98.24%. Three of the six towers included in the project have already been completed and are currently signing the title deeds. Furthermore, the work on the other towers is in the last stage and delivery and signing of the title deeds is expected in the following months.

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 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 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.

IRSA Inversiones y Representaciones Sociedad Anónima

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NOTE 22: (Continued)

A. (Continued)

2. (Continued)

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, March and October 2010, the Company through its subsidiaries purchased 11,606,542 additional shares of Hersha's common stock, for an aggregate purchase price of US\$ 47.9 million.

During fiscal year ended on June 30, 2011, the Company through its subsidiaries sold 2,542,379, common shares in Hersha, for a total of US\$ 16.1 million, which resulted in approximately US\$ 11.5 million gain.

As of September 30, 2011 the Company's direct and indirect interest in Hersha amounts to 9.17%. 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 12.12%. The Company accounts for its investment in Hersha at cost while the call option has been accounted for its fair value.

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 78 hotels throughout the United States of America totaling approximately 10,621 rooms. These hotels are rated as select service and upscale hotels and they are mainly located in the Northeast coast of the US, including New York, New Jersey, Boston, Washington D.C. and Philadelphia, whilst a few are located in northern California, Los Angeles and 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.

IRSA Inversiones y Representaciones Sociedad Anónima

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NOTE 22: (Continued)

A. (Continued)

3. Acquisition of Lipstick Building, New York

In July 2008, the Company (through its subsidiaries) acquired a 30% interest in Metropolitan 885 Third Avenue LLC (Metropolitan) which main asset (through its subsidiaries) was 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 in 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 and a liability of US\$ 1.5 million which represented the Company's maximum commitment to fund Metropolitan's operations.

In December 2010, the negotiations geared towards restructuring the amounts owed under mortgage to Royal Bank of Canada came to a successful conclusion. The debt was reduced from US\$ 210.0 million to US\$ 130.0 million (excluding accrued interest) at a Libor plus 400 basic points rate, which may not exceed a maximum rate of 6.25% and with a maturity date fixed at seven years. The junior indebtedness to Goldman, Sachs & Co., which had amounted to US\$ 45.0 million (excluding accrued interest), was cancelled through a US\$ 2.25 million payment.

Metropolitan 885 Third Avenue Leasehold LLC (Metropolitan Leasehold) will maintain the existing ground leases in the same terms and conditions in which they had been initially agreed upon, for a remaining 66 years term. The final consent to this restructuring has already been tendered by all the parties concerned and the closing was consummated on December 30, 2010, as that is when the company New Lipstick LLC (New Lipstick), the new Metropolitan Leasehold holding company, made a US\$ 15.0 million principal payment as repayment of the newly restructured mortgage debt, thus reducing it from US\$ 130.0 million to US\$ 115.0 million.

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NOTE 22: (Continued)

A. (Continued)

3. (Continued)

As a consequence of said closing, the Company has indirectly through New Lipstick increased its equity interest in the Lipstick Building to 49%. This increase originated in a US\$ 15.3 million capital contribution and in the fact that the put option for 50% of the shareholding initially acquired in Metropolitan, which had amounted to approximately US\$ 11.3 million plus accrued interest, has been rendered ineffectual. Besides, the above-mentioned commitment, for US\$ 1.5 million, ceased to be in effect.

4. Acquisition of shares in Banco Hipotecario S.A.

During the last fiscal years, the Company has been conducting various purchase and sale transactions of BHSA shares, as a result of which, as of September 30, 2011, the Company's ownership interest in BHSA is 29.77% 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.

Simultaneously, 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 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.

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NOTE 22: (Continued)

A. (Continued)

5. (Continued)

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, it 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 July 1, 2011. If no such shareholder agreement is signed, this sale shall be executed and delivered on July 11, 2011.

On the balance sheet date, having failed to execute the shareholders' agreement or to sign an agreement to extend the term for such execution, the parties have not expressed their intention to perform the obligations assumed under the agreement to purchase the stock of Vista al Muelle S.A. and Zetol S.A.

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.

In view of the additional development capacity granted by the IMC, the companies agree to pay maximum the sum of US\$ 8.1 million for all concepts solely with works and other services as consideration thereof. The works to be carried out in consideration thereof are described in the Contract Plan.

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and subsidiaries

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NOTE 22: (Continued)

A. (Continued)