IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
February 23, 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 February, 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

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F x 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 x

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is an English translation of the Annual Report and Financial Statements corresponding to the six month period ended on December 31, 2010 and 2009.

IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

Free translation of the Unaudited

Consolidated Financial Statements

For the six-month periods

Beginning on July 1, 2010 and 2009

and ended December 31, 2010 and 2009

Company:	**IRSA Inversiones y Representaciones Sociedad Anónima**
Corporate domicile:	Bolívar 108 1º Floor Autonomous City of Buenos Aires
Principal activity:	Real estate investment and development

Financial Statements as of December 31, 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)

		In thousands of pesos	
Type of share	Authorized for Public Offer of Shares (*)	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 December 31, 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

	December 31, 2010	June 30, 2010		December 31, 2010	June 30, 2010
ASSETS			**LIABILITIES**		
CURRENT ASSETS			**CURRENT LIABILITIES**		
Cash and banks (Note 4)	102,688	71,175	Trade accounts payable (Note 11)	225,417	315,614
Investments (Note 5)	273,829	259,168	Customer advances (Note 12)	232,645	210,102
Accounts receivable, net (Note 6)	259,095	359,529	Short-term debt (Note 13)	718,809	609,190
Other receivables (Note 7)	149,855	240,891	Salaries and social security payable (Note 14)	22,557	37,375
Inventories (Note 8)	326,326	259,569	Taxes payable (Note 15)	86,538	101,111
Total Current Assets	1,111,793	1,190,332	Other liabilities (Note 16)	43,084	65,338
			Total debts	1,329,050	1,338,730
			Provisions (Note 17)	1,663	2,890
			Total Current Liabilities	1,330,713	1,341,620
			NON-CURRENT LIABILITIES		
			Trade accounts payable (Note 11)	98	23,368
NON-CURRENT ASSETS			Customer advances (Note 12)	93,829	90,370
Accounts receivable, net (Note 6)	10,746	42,123	Long-term debt (Note 13)	1,747,770	1,031,528
Other receivables (Note 7)	157,289	187,182	Taxes payable (Note 15)	88,468	110,441
Inventories (Note 8)	72,554	55,088	Other liabilities (Note 16)	30,366	62,021
Investments (Note 5)	1,899,649	1,480,805	**Total debts**	1,960,531	1,317,728
Fixed assets, net (Note 9)	2,710,324	2,692,637	Provisions (Note 17)	9,673	7,940
Intangible assets, net	43,997	54,397	**Total Non-Current Liabilities**	1,970,204	1,325,668
Subtotal Non-Current Assets	4,894,559	4,512,232	**Total Liabilities**	3,300,917	2,667,288
Negative goodwill, net (Note 10)	80,603	(69,123)	Minority interest	327,986	563,107
Total Non-Current Assets	4,975,162	4,443,109	**SHAREHOLDERS EQUITY**	2,458,052	2,403,046
Total Assets	6,086,955	5,633,441	**Total Liabilities and Shareholders Equity**	6,086,955	5,633,441

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

Alejandro G. Elsztain

Vicepresident II

Acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Unaudited Consolidated Statements of Income

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

and ended December 31, 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

	December 31, 2010	**December 31, 2009**
Revenues	697,675	656,595
Costs	(270,431)	(230,477)
Gross profit	427,244	426,118
Selling expenses	(61,381)	(91,079)
Administrative expenses	(106,152)	(83,237)
Subtotal	(167,533)	(174,316)
Gain from recognition of inventories at net realizable value	35,930	13,935
Net gain from retain interest in securitized receivables	5,042	26,105
Operating income (Note 3)	300,683	291,842
Amortization of negative goodwill, net	1,819	826
Financial results generated by assets:		
Interest income	12,314	14,809
Foreign exchange gain	9,349	38
Other holding (expense) gain	11,511	17,676
Subtotal	33,174	32,523
Financial results generated by liabilities:		
Interest expense	(101,822)	(75,347)
Foreign exchange loss	(20,655)	(272)
Other financial income (expenses)	(1,951)	(5,692)
Subtotal	(124,428)	(81,311)
Financial results, net (Note 18a.)	(91,254)	(48,788)
Gain on equity investees	73,721	143,130
Other expenses, net (Note 18b.)	(15,279)	(8,446)
Income before taxes and minority interest	269,690	378,564
Income tax and Minimum Presumed Income Tax (MPIT)	(49,071)	(84,662)

Minority interest	(50,061)	(29,589)
Net income for the period	170,558	264,313
Earnings per share (Note 13 to the Unaudited Basic Financial Statements)		
Basic net income per share	0.295	0.457
Diluted net income per share	0.295	0.457

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

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IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Unaudited Consolidated Statements of Cash Flows (1)

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

and ended December 31, 2010 and 2009

In thousands of pesos (Notes 1 and 2)

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

	December 31, 2010	December 31, 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	297,708	113,127
Net increase (decrease) in cash and cash equivalents	146,354	(72,815)
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	170,558	264,313
Plus income tax and MPIT	49,071	84,662
Adjustments to reconcile net income to cash flows from operating activities:		
Gain on equity investees	(73,321)	(143,130)
Amortization of negative goodwill, net	(1,819)	(826)
Minority Interest	50,061	29,589
Gain from recognition of inventories at net realizable value	(35,930)	(13,935)
Allowances and provisions	32,460	35,223
Depreciation and amortization	79,148	80,769
Financial results, net	(1,363)	(51,994)
Fixed assets retirements	(255)	6,681
Gain from Inventory barter transaction	(19,332)	
Accrued interest	97,007	82,214
Changes in certain assets and liabilities net of non-cash transactions and effects of acquisitions:		
Increase in accounts receivable, net	(121,393)	(8,561)
(Increase) Decrease in other receivables	(28,530)	9,206
Decrease in inventories	27,174	6,265
Increase in intangible assets, net	(2,082)	
Increase (Decrease) in trade accounts payable	78,907	(4,673)
Decrease in taxes payable, salaries and social security payable	(79,924)	(127,129)
Increase (Decrease) in customer advances	27,411	23,956
(Decrease) Increase in other liabilities	(27,932)	6,841
Net cash provided by operating activities	219,916	279,471
CASH FLOWS FROM INVESTING ACTIVITIES:		
Share-holding increase in equity investees	(788,963)	(103,091)
Increase in Investments	(2,927)	(14,082)
Advance for sale of Tarshop S.A. s shares		20,422
Advance payments for the acquisition of shares	(1,185)	
Acquisitions of undeveloped parcels of land	(115)	(23,668)
Acquisitions and improvements of fixed assets	(33,858)	(34,693)

Increase in intangible assets		(1,484)
Outflow for the acquisition of shares, net	(22,155)	(8,622)
Collection from sale of shares, net	67,477	
Collection of dividends	2,200	
Collection of equity investees credits	49,863	56
Collection of loans, net	40	
Loans granted, net	(23,549)	(30,585)
Net cash used in investing activities	(753,172)	(195,747)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term and long term debt	5,190	
Payment of short-term and long-term debt	(85,249)	(68,792)
Increase in bank overdrafts, net	190,340	30,256
Capital contribution by minority owners in related parties	2,262	24,883
Repurchase of debt		(12,000)
Proceeds from issuance of Negotiable Obligations, net of expenses	607,449	79,782
Payment of dividends	(127,079)	(52,256)
Payments for the acquisition of shares in related companies	(10,399)	(78,888)
Proceeds from the sale of Negotiable Obligations, net of expenses	150,638	
Interest paid	(53,542)	(79,524)
Net cash provided by (used in) financing activities	679,610	(156,539)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	146,354	(72,815)

(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.

Alejandro G. Elsztain

Vice-President II

Acting as President

4

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Unaudited Consolidated Statements of Cash Flows (Continued)

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

and ended December 31, 2010 and 2009

In thousands of pesos (Notes 1 and 2)

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

	December 31, 2010	**December 31, 2009**
Supplemental cash flow information		
Income tax paid	13,486	34,083
Non-cash activities:		
Increase on inventories through a decrease on fixed assets, net	9,264	39,504
Issuance of trust certificates	18,786	
Increase in non current investments through a decrease in other liabilities	16,004	
Increase in non current investments through a decrease in other receivables	36,229	
Increase in fixed assets net through an increase in trade accounts payable		7,723
Increase in accounts receivable, net through a decrease in current investments		41,146
Increase in minority interest , through a decrease in other liabilities	20,557	14,512
Cumulative translation adjustment of investments	4,448	
Transfer of undeveloped parcels of land to inventories	3,030	
Decrease in inventories through a decrease in customer advances	1,920	
Increase in fixed assets through an increase in long-term debt	53,896	
Decrease in other investments through an increase in inventories	64,140	
Increase in inventories through a decrease in non current equity investments	14,541	
Composition of cash and cash equivalents at the period end		
Cash and Banks	102,688	44,679
Current investments	273,829	286,478
Subtotal cash and banks and current investments	376,517	331,157
Less: (items not considered cash and cash equivalents)		
Retained interest in securitized receivables of Tarshop S.A. CPs	1,697	138,633
Mutual funds	56,006	55,481
TDFs		9,376
Stock shares	20,611	24,516
Mortgage bonds issued by BHSA	479	1,032
Other investments	16	54
Allowance for impairment of CPs		(11,062)
Cash and cash equivalents	297,708	113,127

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IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Unaudited Consolidated Statements of Cash Flows (Continued)

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

and ended December 31, 2010 and 2009

In thousands of pesos (Notes 1 and 2)

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

	December 31, 2010	December 31, 2009
Sale/Acquisition of subsidiaries		
Accounts receivable, net	278,805	(11)
Other receivables	29,108	(1,022)
Investments	143,646	(395)
Fixed Assets, net	2,829	(289)
Intangible Assets, net		(11,278)
Short-term and long-term debt	(91,173)	
Trade account payable	(204,255)	2,718
Salaries and social security payable	(11,221)	87
Taxes payable	(14,654)	27
Other liabilities	(62)	5,294
Net value of deconsolidated assets acquired not considered cash and cash equivalents	133,023	(4,869)
Cash Acquired		(13)
Net value of deconsolidated assets acquired	133,023	(4,882)
Minority interest		897
Goodwill		(21,478)
Value of sale/acquisition of companies	133,023	(25,463)
Devaluation and sale of investment	(15,326)	
Remaining investment	(28,968)	
Cash Acquired		13
Sellers financing		14,574
Advances	(21,252)	2,254
Collection/Payment of cash from sale/acquisition of subsidiaries	67,477	(8,622)

	December 31, 2010	December 31, 2009
Sale of subsidiaries		
Other receivables	(35,191)	
Investments	46,359	
Trade account payable	(6,625)	
Taxes payable	(17)	

Other liabilities	(9,443)
Net value of assets sold not considered cash and cash equivalents	(4,917)
Minority Interest	30,388
Goodwill	(3,316)
Value of acquisition of shares	22,155

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IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to Unaudited Consolidated Financial Statements

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

and ended December 31, 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 December 31, 2010 and as of June 30, 2010; the unaudited statements of income and cash flows for the six-month periods ended December 31, 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:

	December 31, 2010	June 30, 2010	December 31, 2010	June 30, 2010
COMPANIES	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) (3)	94.89	63.35	94.89	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
(3) See Note 16.4 and 18.2 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

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 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	December 31, 2010	June 30, 2010	December 31, 2010	June 30, 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 Partiçipacões (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 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 six-month period ended December 31, 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 December 31, 2009 originally issued have been subject to certain reclassifications required in order to present these figures comparatively with those stated as of December 31, 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 December 31, 2010 are not comparable with those issued as of June 30, 2010 or December 31, 2009. The Unaudited Consolidated Balance Sheet as of December 31, 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 December 31, 2010 include income and cash flows, respectively, for the two-month period in which APSA still controlled it.

8

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. (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 December 31, 2009.

Balance Sheet	Financial Statements issued as of June 30,2010	Tarshop S.A. as of June 30, 2010	Financial statements assuming the sale as of June 30, 2010
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)**

Statements of income	Financial Statements as of December 31, 2009	Tarshop S.A. as of December 31, 2009	Financial Statements assuming the sale December 31, 2009
Revenues	656,595	(109,492)	547,103
Costs	(230,477)	48,032	(182,445)
Gross profit	**426,118**	**(61,460)**	**364,658**
Operating income (Note 3)	**291,842**	**(15,550)**	**276,292**
Gain on equity investees	**143,130**	**11,034**	**154,164**
Net income for the period	**264,313**		**264,313**

Statements of Cash Flow	Financial Statements issued as of December 31, 2009	Tarshop S.A. as of December 31, 2009	Financial Statements assuming the sale as of December 31, 2009
Cash Flow:			
- Provided by operating activities	210,577	(90)	210,487
- Used in investing activities	(285,165)	(22,926)	(308,091)
- Provided by financing activities	1,773	17,831	19,604

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 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

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 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, admission rights and commissions for rental of advertizing 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.

Hotel operations

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

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, it included public bonds, mutual funds and mortgage bonds carried at market value at the end of the year.

11

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 2: (Continued)

b. (continued)

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, which does not exceed its recoverable value.

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.

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

The equity interest in Rigby 183 LLC (Rigby 183), in which the Company has an 8% indirect interest through Real Estate Strategies (¨RES¨) and a 49% indirect interest through IMadison LLC (IMadison), has not consolidated on a line-by-line basis because the company is currently negotiating the sale of the 8% interest held by RES, as discussed in Note 22.A.6..

The equity interest in Rigby 183, Metropolitan and the acquisition of the additional equity interest in Alto Palermo S.A. as mentioned in Notes 22.A.6 and 22.A.3 to the unaudited consolidated financial statements and Note 16.4. to the unaudited

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 2: (Continued)

b. (continued)

basic financial statements, respectively, are currently undergoing the analysis of the fair value of the identifiable assets and liabilities that have been acquired in accordance with the Technical Resolution No. 21, paragraph 1.3.1..

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 Note 22 B.1.) after the opening of the shopping center..

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

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).

13

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 2: (Continued)

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.

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.

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 3: (Continued)

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.

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.

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 3: (Continued)

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

As of December 31, 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	117,329	81,712	330,736	105,106	62,792		697,675
Costs	(87,838)	(14,535)	(83,928)	(62,626)	(21,504)		(270,431)
Gross profit	**29,491**	**67,177**	**246,808**	**42,480**	**41,288**		**427,244**
Selling expenses	(4,428)	(4,928)	(19,045)	(12,092)	(20,888)		(61,381)
Administrative expenses	(22,343)	(23,824)	(34,258)	(19,475)	(6,252)		(106,152)
Subtotal Expenses	**(26,771)**	**(28,752)**	**(53,303)**	**(31,567)**	**(27,140)**		**(167,533)**
Gain from recognition of inventories at net realizable value	35,930						35,930
Net loss from retained interest in securitized receivables					5,042		5,042
Operating income	**38,650**	**38,425**	**193,505**	**10,913**	**19,190**		**300,683**
Depreciation and amortization (b)	217	11,247	59,888	7,099	697		79,148
Acquisition of fixed assets, net and intangible assets, net	14	573	27,963	5,257	51		33,858
Non-current investments in equity investments	74,844	198,808		298,310	49,609	888,745	1,510,316
Operating assets	707,545	1,273,892	1,792,282	210,891	32,185	379,461	4,396,256
Non-operating assets	18,977	170,924	202,087	38,032	1,725	1,258,954	1,690,699
Total assets	726,522	1,444,816	1,994,369	248,923	33,910	1,638,415	6,086,955
Operating liabilities	63,521	223,830	303,733	38,705	31,295		661,084
Non-operating liabilities	486,758	443,527	1,302,443	206,849		200,256	2,639,833
Total liabilities	550,279	667,357	1,606,176	245,554	31,295	200,256	3,300,917

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

16

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 3: (Continued)

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

As of December 31, 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	137,412	78,994	252,214	76,276	111,699		656,595
Costs	(42,735)	(15,986)	(74,478)	(49,460)	(47,818)		(230,477)
Gross profit	**94,677**	**63,008**	**177,736**	**26,816**	**63,881**		**426,118**
Selling expenses	(2,383)	(6,995)	(18,967)	(7,703)	(55,031)		(91,079)
Administrative expenses	(13,306)	(17,002)	(19,528)	(16,718)	(16,683)		(83,237)
Subtotal Expenses	**(15,689)**	**(23,997)**	**(38,495)**	**(24,421)**	**(71,714)**		**(174,316)**
Gain from recognition of inventories at net realizable value	13,935						13,935
Net loss from retained interest in securitized receivables					26,105		26,105
Operating income	**92,923**	**39,011**	**139,241**	**2,395**	**18,272**		**291,842**
Depreciation and amortization (b)	204	12,069	56,691	8,845	2,960		80,769
Acquisition of fixed assets, net and intangible assets, net	8	1,550	38,868	2,072	1,402		43,900
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
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.

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 4: CASH AND BANKS

The breakdown for this item is as follows:

	December 31, 2010	June 30, 2010
Cash on hand	2,306	4,883
Bank accounts	99,200	60,500
Checks to be deposited	1,182	5,792
	102,688	71,175

NOTE 5: INVESTMENTS

The breakdown for this item is as follows:

	December 31, 2010	June 30, 2010
Current		
Mutual funds	251,026	134,167
Stock shares	20,611	4,075
Retained interest in securitized receivables	1,697	124,671
Mortgage bonds issued by BHSA	479	784
Other investments	16	48
Trust debt titles (TDFs)		2,846
Allowance for impairment of CPs		(7,423)
Total Current	273,829	259,168
Non-current		
Banco Hipotecario S.A. (1)	882,437	809,072
Hersha Hospitality Trust (Note 22 A.2.)	298,310	204,553
Tarshop S.A. (Note 22 B 3.ii))	49,609	
Rigby 183 LLC (Note 22 A.6.)	108,707	
New Lipstick LLC (Note 22 A.3.)	105,365	
TGLT S.A. (Nota 22 B.12.)	47,582	
Manibil S.A. (Note 19.2. to the Unaudited Basic Financial Statements)	27,262	27,238
Advance payments for the acquisition of shares (Note 16.4. to the Unaudited Basic Financial Statements and Note 22 B.1.)	1,574	23,735
Retained interest in securitized receivables		18,458
Banco de Crédito & Securitización S.A.	6,308	5,996

Other investments	177	144
Allowance for impairment of CPs		(1,165)
Subtotal	1,527,331	1,088,031

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 5: (Continued)

	December 31, 2010	June 30, 2010
Undeveloped parcels of land:		
Santa María del Plata	158,583	140,584
Puerto Retiro (2)	54,473	54,600
Beruti plot of land (Note 22 B.6.)		52,934
Caballito plot of land	36,785	36,745
Patio Olmos (Note 22 B.4.)	32,949	32,949
Zetol plot of land (Note 22 A.5.)	40,010	14,348
Air space Coto (Note 22 B.7.)	13,188	13,188
Torres Rosario plot of land		11,166
Vista al Muelle plot of land (Note 22 A.5.)	11,378	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	372,318	392,774
Total non-current	1,899,649	1,480,805

(1) As of December 31 and June 30, 2010, includes Ps. 21,480 and Ps. 25,884, respectively, as goodwill and negative goodwill and higher and lesser values. As of December 31 and June 30, 2010 represents 446,578,517 and 420,455,953 shares with a quoted value at closing equivalent was to Ps. 3.21 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:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Leases and services and from the sale of properties receivables	101,392	10,002	76,578	17,150
Checks to be deposited	89,348		60,695	
Consumer financing receivables	51,456		245,538	25,824
Hotel receivables	15,385		11,186	
Related parties (Note 19)	7,988		8,033	
Receivables with collection agents	2,515		4,532	

Pass-through expenses receivables	24,282		19,917	
Debtors under legal procedures	44,423		42,117	
Notes receivables	5,448	744	4,207	399
Credits cards receivables	110		877	
Less:				
Allowance for leases, services and from sale of properties receivables	(55,791)		(51,099)	
Allowance for consumer financing receivables	(26,995)		(62,335)	(1,250)
Allowance for hotel receivables	(466)		(717)	
	259,095	10,746	359,529	42,123

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 7: OTHER RECEIVABLES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Related parties (Note 19)	50,643	14,111	45,404	15,010
Metropolitan 885 Third Ave. LLC, put option (Note 22 A.3.)			48,461	
Prepaid expenses and services	31,445	1,354	36,969	2,609
Receivable from the sale of shares (1)			35,772	
Value Added Tax (VAT)	41,049	58,248	30,929	64,386
Gross revenue tax	6,673	1,611	8,151	935
Guarantee deposits re. securitization programs (Note 21 B.(ii))	193		5,427	
Consumer financing receivables			4,880	
MPIT	3,714	63,055	1,056	62,791
Income tax, net	1,293		2,680	
Loans granted, net	1,055	96	859	195
Deferred Income Tax		31,376		55,876
Mortgage receivable		2,208		2,208
Others (2)	13,790	1,062	20,303	1,197
Less:				
Allowance for doubtful mortgage receivable		(2,208)		(2,208)
Present value other receivables		(13,624)		(15,817)
	149,855	157,289	240,891	187,182

(1) See Note 16.9. to the Unaudited Basic Financial Statements.
(2) Include restricted cash (see Note 21 B. (iii))

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 8: INVENTORIES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Horizons (Note 22 A.1)	263,216		208,644	
Caballito Nuevo (1)	10,643	2,589	25,808	6,654
Rosario plot of land (5)	27,905		8,728	
Units to be received Beruti		23,309		
Caballito Plot of land (Note 19) (2)		24,494		
Credit from barter transaction of Caballito (Cyrsa) (Note 19)(2)				18,970
El Encuentro (3)	4,631	3,745	4,938	5,318
Torres Rosario (Note 22 B.5.)	1,126	9,897	3,379	7,644
Pereiraola (4)		8,200		8,200
Inventories (hotel operations)	3,347		3,141	
Abril	1,362	243	1,763	
Caballito plot of land				6,794
Other inventories	14,096	77	3,168	1,508
	326,326	72,554	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.10. ii).

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 9: FIXED ASSETS, NET

The breakdown for this item is as follows:

	December 31, 2010	June 30, 2010
Hotels		
Llao-Llao	77,178	79,176
Intercontinental	53,926	54,599
Libertador	41,486	40,673
Bariloche plots of land	21,900	21,900
Subtotal Hotels	194,490	196,348
Office buildings		
Edificio República	217,427	219,777
Torre BankBoston	153,848	155,196
Bouchard 551	149,406	150,570
Intercontinental Plaza	80,401	82,408
Dot Baires Office Building (1)	69,308	66,247
Bouchard 710	64,750	65,261
Dique IV	63,491	64,620
Maipú 1300	37,596	38,287
Costeros Dique IV	18,817	19,111
Libertador 498	14,373	14,657
Suipacha 652	10,710	10,936
Avda. De Mayo 595	4,372	4,489
Dock del Plata	854	864
Madero 1020	208	218
Rivadavia 2768	204	217
Sarmiento 517	194	197
Subtotal Office buildings	885,959	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	4,738	4,785
Thames	3,895	3,897
Casona Abril	2,627	2,728
Constitución 1111	876	897
Alto Palermo Park	546	546
Others	3,690	4,605

Subtotal Other fixed assets	135,158	136,185
Shopping Center		
Dot Baires	516,347	517,108
Abasto	159,141	163,556
Alto Palermo	126,486	134,984
Patio Bullrich	85,692	89,638
Soleil Factory	80,339	
Mendoza Plaza	78,614	80,552
Alto Rosario	76,304	77,401
Alto Avellaneda	67,001	73,454
Paseo Alcorta	68,770	70,663
Córdoba Shopping Villa Cabrera (Note 24 B.1.)	67,139	68,958
Alto NOA	20,571	21,570
Financial advance for fixed assets purchase (Note 22 B.2.)	9,386	31,783
Neuquén Project (Note 24 B.2.)	14,224	12,389
Buenos Aires Design	7,579	8,811
Other fixed assets	89,764	97,771
Other properties	18,096	18,411
Units to be received Beruti	9,264	
Subtotal Shopping Center	1,494,717	1,467,049
Total	2,710,324	2,692,637

(1) As of June 30, 2010 Dot Baires Office Building was under construction

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 10: NEGATIVE GOODWILL, NET

The breakdown for this item is as follows:

	December 31, 2010	June 30, 2010
Goodwill:		
Alto Palermo S.A. (Note 16.4 to the Unaudited Basic Financial Statements)	170,039	19,245
Torre BankBoston	5,585	5,690
Museo Renault	3,032	3,113
Conil S.A.	506	506
Fibesa S.A.		342
Subtotal goodwill	179,162	28,896
Negative goodwill:		
Alto Palermo S.A.	(41,828)	(43,330)
Palermo Invest S.A.	(39,277)	(40,316)
Empalme S.A.I.C.F.A. y G.	(8,132)	(8,450)
Mendoza Plaza Shopping S.A.	(5,498)	(5,661)
Unicity S.A.	(3,601)	
Emprendimiento Recoleta S.A.	(223)	(262)
Subtotal negative goodwill	(98,559)	(98,019)
Total negative goodwill, net	80,603	(69,123)

NOTE 11: TRADE ACCOUNTS PAYABLE

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Suppliers	85,441	98	169,473	11,210
Accruals	65,580		71,856	
Liabilities in kind Horizons (See Note 22 A.1.)	50,780		46,451	
Related parties (Note 19)	21,874		25,651	12,158
Others	1,742		2,183	
	225,417	98	315,614	23,368

NOTE 12: CUSTOMER ADVANCES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Customers advances	142,066		135,030	
Admission rights	57,089	65,883	51,194	59,469
Lease advances (1)	33,490	27,946	23,878	30,901
	232,645	93,829	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 December 31 and June 30, 2010 includes advances of Ps. 8,262 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.

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 13: SHORT-TERM AND LONG TERM DEBT

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Bank overdrafts	504,213		314,120	
Bank loans (1)	47,945	53,371	133,813	52,767
Short-term notes (Note 24 B.4.)			23,019	
Non Convertible Notes APSA 2011 U$S 6 M (7)	26,237		25,813	
Non Convertible Notes APSA 2011 $ 55 M (7)	44,539		44,165	
Non Convertible Notes APSA 2012 $ 154 M (6)	26,659	13,233	26,695	26,455
Convertible Notes APSA 2014 U$S 50 M (5)	4	69	2,719	60,890
Non convertible Notes APSA 2017 U$S 120 M (4) (Note 19)	4,518	442,922	2,917	294,286
Non convertible Notes 2017 (3) (Note 19)	20,248	591,881	20,009	584,694
Non convertible Notes 2020 (3)	29,772	577,767		
Seller financing (2)	14,674	68,527	15,920	12,436
	718,809	1,747,770	609,190	1,031,528

(1) Balances as of December 31, 2010 includes:

(a) Ps. 28,370 as a current balance and Ps. 53,371 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. 19,139 correspond to Hoteles Argentinos S.A. s mortgage loan. (Note 21 A.(ii)).
(c) Ps. 436 related to loans granted by different financial institutions.

(2) The balance as of December 31, 2010 includes mainly:
(a) Ps. 18,887 to the debt from acquisition of Zetol S.A. (See Note 22 A.5.)
(b) Ps. 8,844 related to the debt for purchase of Arcos del Gourmet S.A.(See note 22 B.1.)
(c) Ps. 55,470 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 issuance debt costs to be accrued for Ps. 3,142. See Note 18.1 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.131,896.

(6) See Note 23 A.2. Disclosed net of the Notes held by the Company for Ps. 19,935 and issuance debt costs to be accrued debt for Ps. 51.

(7) See note 23 A.2..

NOTE 14: SALARIES AND SOCIAL SECURITY PAYABLE

The breakdown for this item is as follows:

	December 31, 2010	June 30, 2010
Provision for vacation and bonuses	13,937	27,038
Social Security payable	7,489	8,830
Salaries payable	588	1,004
Others	543	503
	22,557	37,375

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 15: TAXES PAYABLE

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Income tax provision, net	38,445		38,213	
Tax amnesty plan for income tax		20,246		19,145
VAT	13,854		17,308	
Tax payment facilities plan for VAT			13,235	
MPIT, net	13,338		10,512	12
Gross revenue tax payable	7,734		3,636	
Tax retentions to third parties	4,287		10,177	
Provision for tax on shareholders personal assets	4,851		4,055	
Tax payment facilities plan for income tax	1,659		1,559	
Tax amnesty plan for gross revenue tax	1,217	1,456	485	1,320
Tax amnesty plan for ABL	142		815	2,372
Deferred Income Tax		66,766		87,592
Others	1,011		1,116	
Total	86,538	88,468	101,111	110,441

NOTE 16: OTHER LIABILITIES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-Current	Current	Non-Current
Accrual for Directors fees (1) (Note 19)	19,696		24,412	
Advance sale of Tarshop S.A. shares (Notes 19 and 22 B.3.(ii))			21,070	
Guarantee deposits	6,618	2,798	5,243	4,100
Debt to the former minority shareholders of Tarshop S.A. (Note 22 B.9.)	3,572	1,708	3,529	3,322
Payables to National Parks Administration (Note 20)	4,418		2,589	
Bellow market leases (3)			1,308	
Contributed leasehold improvements (Note 24 B.3.)	426	9,303	462	9,502
Deferred Revenues		16,004		
Related parties (Note 19)	20	51	50	8
Loans with shareholders of related parties		241		19,989
Hersha option payable (2)				16,693
Commitment to provide (Note 22 A.3.)				5,897
Directors guarantee deposits (Note 19)		12		12

Present value other liabilities		(82)		(102)
Others	8,334	331	6,675	2,600
Total	43,084	30,366	65,338	62,021

(1) Disclosed net of advances to directors fees for Ps. 9,239 and Ps. 23,387 as of December 31 and June 30, 2010, respectively.
(2) Debt with minority shareholders REIG.
(3) See Note 1.5.l. 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 17: PROVISIONS

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Allowance for contingences	1,663	9,673	2,890	7,940
Total	1,663	9,673	2,890	7,940

NOTE 18 a: FINANCIAL RESULTS, NET

The breakdown for this item is as follows:

	December 31, 2010	December 31, 2009
Financial results generated by assets:		
Interest income	9,991	11,863
Interest on discounting assets	2,323	2,946
Subtotal interest income	**12,314**	**14,809**
Foreign exchange gain	**9,349**	**38**
Gain on financial operations	11,511	17,676
Subtotal other holding gain	**11,511**	**17,676**
Total financial results generated by assets	**33,174**	**32,523**
Financial results generated by liabilities:		
Interest expense	(101,882)	(75,177)
Interest on discounting liabilities	60	(170)
Subtotal interest expense	**(101,822)**	**(75,347)**
Foreign exchange loss	**(20,655)**	**(272)**
Loss on derivative financial instruments		(2,582)
Others	(1,951)	(3,110)

Subtotal other financial expenses	**(1,951)**	**(5,692)**
Total financial results generated by liabilities	**(124,428)**	**(81,311)**
Total financial results, net	**(91,254)**	**(48,788)**

NOTE 18 b: OTHER EXPENSES, NET

The breakdown for this item is as follows:

	December 31, 2010	December 31, 2009
Other income:		
Recovery of allowances	9	71
Others	274	388
Subtotal other income	283	459
Other expenses:		
Donations	(4,070)	(3,159)
Tax on Shareholders personal assets	(2,440)	(2,548)
Provision for contingencies	(1,708)	(44)
Unrecoverable VAT	(560)	(1,295)
Others	(6,784)	(1,859)
Subtotal other expenses	(15,562)	(8,905)
Total Other expenses, net	(15,279)	(8,446)

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

a. Balances as of December 31, 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	Trade accounts payable current	Short-term debt	Long-term debt	Other liabilities current	Other liabilities non current	Totals
Agro-Uranga S.A.				(4)					(4)
Baicom Networks S.A. (4)	9	21	396						426
Banco Hipotecario S.A. (2)	225			(21)					204
Cactus Argentina S.A. (2)	21			(3)					18
Canteras Natal Crespo S.A. (4)	348	57							405
Consorcio Libertador (3)	1	120		(99)			(4)		18
Consorcio Dock del Plata (3)	269	1							270
Consorcio Torre Boston (3)	1,687	333		(1,167)					853
Consultores Assets Management S.A. (3)	1,035	8		(7)					1,036
Cresud S.A.C.I.F. y A. (5)	1,346	24,249		(15,874)	(217)	(10,688)			(1,184)
Cyrsa S.A. (4)	1,478	272		(1,010)					740
Directors (3)	2	169					(19,696)	(20)	(19,545)
Elsztain Managing Partners Ltd (3)								(43)	(43)
Elsztain Reality Partner Maste		3,578							3,578
Estudio Zang, Bergel y Viñes (3)		21		(481)					(406)
Fundación IRSA (3)	46	1		(483)					(436)
Futuros y Opciones.com S.A. (2)	8			(6)					2
Hersha Hospitality Trust (2)		2,313							2,313
IFISA		16,098							16,098
Irsa Developments LP (2)							(8)		(8)
Irsa Real Estate Strategies LP (2)							(8)		(8)
Miltary S.A. (2)		28							28
Metropolitan 885 Third Avenue	56								56
Metroshop S.A. (4)		1,100							1,100
Museo de los Niños (3)	1,234			(6)					1,228
Personnel loans (3)	3	2,243		(554)					1,692
Puerto Retiro S.A. (4)	58	31		(6)					83
Tarshop S.A. (2)	162		13,715	(2,153)					11,724
	7,988	50,643	14,111	(21,874)	(217)	(10,688)	(19,716)	(63)	20,184

Totals as of December 31, 2010	

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 19: (Continued)

a. (Continued)

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)		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)
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)

28

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 19: (Continued)

b. The Statement of Income balances for the six-month periods ended December 31, 2010 and 2009, held with related companies, persons and shareholders are as follows:

Related parties	Sale and fees for services	Leases gain	Cost of Services	Interest and exchange differences	Fees	Share services payroll	Donations	Totals
Canteras Natal Crespo S.A. (4)	24			2				26
Consorcio Libertador (3)	61	6						67
Consorcio Dock del Plata S.A. (3)	78							78
Consorcio Torre Boston (3)	161		(2,966)					(2,805)
Consultores, Assets Management S.A. (3)		11						11
Cresud S.A.C.I.F. y A. (5)		339		(4,631)		(27,670)		(31,962)
Cyrsa S.A. (4)		4						4
Directors (3)				(3)	(30,099)			(30,102)
Estudio Zang, Bergel y Viñes (3)					(2,783)			(2,783)
Fundación IRSA (3)							(1,526)	(1,526)
Tarshop S.A. (2)	95	1,821		80				1,996
Parque Arauco S.A. (1)				(315)				(315)
Personnel loans (3)				138				138
Totals as of December 31, 2010	419	2,181	(2,966)	(4,729)	(32,882)	(27,670)	(1,526)	(67,173)

29

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 19: (Continued)

b. (Continued)

Related parties	Sale and fees for services	Leases gain	Interest and exchange differences	Fees	Donations	Tax on Shareholders personal assets	Totals
Shareholders (5)						(202)	(202)
Canteras Natal Crespo S.A (4)	24		50				74
Consorcio Dock del Plata S.A. (3)	117						117
Consorcio Libertador (3)	51	5					56
Cresud S.A.C.I.F. y A. (5)	1,879	626	(8,350)				(5,845)
Cyrsa S.A. (4)		45					45
Directors (3)			(3)	(11,684)			(11,687)
Estudio Zang, Bergel y Viñes (3)				(1,094)			(1,094)
Fundación IRSA (3)					(311)		(311)
Parque Arauco S.A. (1)			(2,976)				(2,976)
Personnel Loans			65				65
Totals as of December 31, 2009	2,071	676	(11,214)	(12,778)	(311)	(202)	(21,758)

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

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 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.

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 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 LLR is not sufficient to cover the amount of the payment order. An appeal against this resolution was filed on behalf of LLR 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. 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. On November 26, the proceedings file was sent to the Appellate Court. By November 29, an agreement was reached.

Based on the information provided by the legal advisors litigating these proceedings, LLR has booked Ps. 2,618 under Other current liabilities Payables to National Parks Administration , that is, the amount in Pesos equivalent to the abovementioned interest claimed by the plaintiff plus the amount of fees described in the above paragraph, which in total amounts to Ps. 4,418.

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

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

NOTE 21: (Continued)

A. (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.

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.

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 21: (Continued)

A. (Continued)

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

Properties	Book value as of December 31, 2010
Edificio República	217,427
Caballito plot of land	36,785
Bariloche plot of land	21,900
Zetol plot of land	40,010
Suipacha 652	10,710
Vista al Muelle plot of land	11,378

(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 receivables, 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 December 31, 2010, in other current receivables, APSA has deposits that are restricted due to different court attachments.

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 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 December 31, 2010 amounts to Ps. 36,785 (disclosed in the Non-current investments- Undeveloped plots of land).

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

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 21: (Continued)

B. (Continued)

On September 30, 2010, the last payment of the VDF s issued by the Financial Trust was made. At present, such Financial Trust is liquidated and together with it the ancillary obligation previously assumed by APSA.

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

(x) 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 100% of the units to be marketed, which are disclosed in Customer advances .

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 22: (Continued)

A. (Continued)

1. (Continued)

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.

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. However, there is a six-month grace period for that duty.

As of December 31, 2010, the percentage of completion of the Horizons project was 93.24% 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, March and October 2010, REIG purchased 11,606,542 additional shares of Hersha s common stock, for an aggregate purchase price of US$ 47.9 million (4,769,917 shares at US$ 3.00; 3,864,000 at US$ 4.25 per share and 2,952,625 at US$5.80 per share, respectively).

37

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 22: (Continued)

A. (Continued)

2. (Continued)

During December 2010, REIG sold 1,500,000 common shares in Hersha for a total of US$ 9.8 million, which resulted in approximately US$ 6.9 million gain.

As of December 31, 2010 the Company s interest in Hersha amounts to 9.84%. 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 12.77%. 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 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 Lipstick Building, New York

In July 2008, the Company (through its subsidiaries) acquired a 30% interest in Metropolitan 885 Third Avenue LLC (Metropolitan), a Delaware-based limited liability company, which main asset (through its subsidiaries) 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 which represented the Company s maximum commitment to fund Metropolitan s operations.

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 22: (Continued)

A. (Continued)

3. (Continued)

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, Sach & Co., which had amounted to US$ 45.0 million (excluding accrued interest), was cancelled through a US$ 2.25 million payment.

Metropolitan 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), a new Metropolitan 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.

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, 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 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 Class D 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).

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 22: (Continued)

A. (Continued)

4. (Continued)

During the year ended June 30, 2010 the Company (through its Subsidiaries) acquired the equivalent of 100,417,816 Class D 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 July 2010 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.

During November 2010, E-Commerce S.A. sold in the market 75,000 Class D shares of BHSA for a price of Ps. 3.2867 per share, which totalized Ps. 0.2 million.

After the above mentioned purchases, as of December 31, 2010, 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 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.

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 22: (Continued)

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

Later, in June 2009, the Company sold 50% of its stake in Liveck to Cyrela Brazil Realty S.A. for a price of US$ 1.3 million.

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).

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 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.

On December 17, 2010, the Company and Cyrela signed a stock purchase agreement whereby a 50% interest in Liveck s capital stock was reacquired from Cyrela for US$ 2.7 million. This amount is equivalent to the contributions made in Liveck by Cyrela. Therefore, the Company s interest in Liveck amounted to 100% (through Tyrus).

As part of the agreement, the Company agreed to hold Cyrela harmless in the event of claims asserted by Zetol s sellers. Besides, if within a term of 24 months as from the date of the agreement Cyrela were not released from the guarantee tendered in favor of the above-mentioned sellers, the Company will be obliged to post a new guarantee in favor of Cyrela, equivalent to 45% of the price balance, interest thereon and the option rights to which Zetol s sellers are entitled.

6. Acquisition of a building located at 183 Madison Avenue, New York, NY

On August 26, 2010, the Company together with some U.S. partners, executed a conditional acquisition of a real estate property located at 183 Madison Avenue, New York, NY, through Rigby 183 LLC (Rigby 183).

The price paid by Rigby 183 was US$ 85.1 million, such payment has been structured through a financing of U$S40.0 million obtained by Rigby 183 and the sum of U$S45.1 million paid in cash. Moreover, Rigby 183 has obtained and additional financing of U$S10.0 million, which has not been disbursed yet, in order to perform refurbishments and improvements on the building.

The Company holds a 49% interest in Rigby 183 through IMadison LLC (IMadison) and an 8% interest through Real Estate Strategies (RES). The Company is currently negotiating the sale of the 8% interest held by RES.

The building is located in a Manhattan area known as Midtown South , at the intersection of Madison Avenue and 34th Street.

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 22: (Continued)

A. (Continued)

6. (Continued)

There are several landmark buildings in the area, such as the Empire State Building, Macy s Herald Square and Madison Square Garden. This commercial property will be used for rentals of office space and retail stores in the lowest of its 18 stories. Its net leasable area is approximately 22,000 square meters. Based on what has already been discussed, the implicit value per square meter as acquired has been US$ 3,717.

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. T he 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 December 31, 2010 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.

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.Such commission opinion was that the operation should be notified. Accordingly, on December 16, 2010, the sale was notified.

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 (iv) the amount of Ps. 1.4 million will be paid up in cash within three working days as from executing the agreements.

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 22: (Continued)

B. (Continued)

1. (Continued)

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 at 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 of US$ 0.4 million was fully cancelled. In the event APSA exercised the option, its price will be considered towards the share price.

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 was 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 accrue 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 Commercial Center Soleil Factory 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 of the building. 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.

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 22: (Continued)

B. (Continued)

2. (Continued)

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. 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 (1.4122%) 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.

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 22: (Continued)

B. (Continued)

3. (Continued)

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. 5.0 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.

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.

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 (Patio 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 226 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.

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 22: (Continued)

B. (Continued)

5. (Continued)

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.

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 October 13, 2010, TGLT S.A. and APSA subscribed an agreement of purchase 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.

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 22: (Continued)

B. (Continued)

6. (Continued)

In compliance with what was agreed upon in the previously mentioned agreement of sale, on December 16, 2010, it was executed the title deed by which APSA transfer the entire ownership and title to TGLT S.A. to the previously mentioned plot of land.

The above is disclosed in the accounts inventory and Fixed assets, in the line Units to be received Beruti.

7. Barter with Cyrsa S.A.

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 air space COTO.

On December 17, 2010, APSA and Cyrsa signed an agreement in order to finish off the barter commitment.

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.

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.

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 22: (Continued)

B. (Continued)

9. 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 from January 1st, 2009. Additionally, under the agreement, Mr. Halac may not participate in developing any shopping centers, mall, or commercial center 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 payments of US$ 0.05 million each. Corresponds to add the income tax withholdings in all at the cases.

10. 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 which has been fully cancelled.

ii) Rosario plot of land

APSA has subscribed the following acceptance offers for the plot of land of the building located in the District of Rosario, City of Rosario, Province of Santa Fe:

Lots	Offer acceptance date	Agreed price (in thousands of US$)	Collected amount (in thousands of US$)	Title deed s date
2 A	04/14/2010	4,200	1,050	
2 E	05/03/2010	1,430	1,430	09/29/10
2 F	11/10/2010	1,931	579	
2 B	12/03/2010	1,507	1,507	
2 C	12/03/2010	1,507	1,507	
2 D	12/03/2010	1,539		

The lots subject to these transactions have been recorded to the inventory account.

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 22: (Continued)

B. (Continued)

11. 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.(see Note 26).

12. Purchase of TGLT S.A. s shares

On November 4, 2010, the 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.

Subsequently, on December 22, 2010, the company acquired 42,810 shares for the price of Ps. 0.4 million.

NOTE 23: CONVERTIBLE AND NON COVERTIBLE 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.

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: (Continued)

A. (Continued)

1. (Continued)

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.

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 APSA shares went from 782,064,214 to 1,259,608,411 (see Note 16.4 to the Unaudited Basic Financial Statements).

Thus, the holders of APSA s notes (Negotiable Obligations convertible into ordinary shares) exercised the conversion rights for a total of US$ 18.3 million, issuing ordinary shares with a face value of Ps. 0.1 each.

As of December 31, 2010, APSA s Convertible Notes amounts to US$ 31.7 million.

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 December 31, 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 held Series I Notes for Fv. US$ 39.6 million and Series II Notes for Fv. Ps 33.2 million. On October 12, 2010 the Company sold Series I Notes. 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.

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: (Continued)

A. (Continued)

2. (Continued)

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 December 31, 2010 Emprendimiento Recoleta S.A. holds Series III Notes for Fv. Ps. 12 million.

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 Banco Central de la República Argentina (Central Bank of the Argentine Republic BCRA) to determine the pertinent rules.

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 24: (Continued)

A. (Continued)

1. (Continued)

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 December 31, 2010, Banco Hipotecario S.A. has assets with the non-financial public sector for Ps. 1,480,219 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 December 31, 2010 and 2009 the assistance to the Public Sector reaches 13.6% and 19.8%, from total Assets, respectively.

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.

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 24: (Continued)

A. (Continued)

1. (Continued)

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 36.6 million and entail an increase in the Company s ownership interest. As considered for valuation purposes, they have risen from 29.77% to 30.52%.

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.

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

54

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 24: (Continued)

A. (Continued)

2. (Continued)

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 six-months periods ended December 31, 2010 and 2009, security charges of the Company amount to Ps. 2,296 and Ps. 2,400, respectively.

3. Negative working capital

At the end of the period the Company had posted a Ps. 218,920 deficit in its working capital. The treatment to be afforded to this situation is currently being considered by the Board and the Company s Management.

B. Alto Palermo S.A.

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

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), 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 Villa Cabrera, which are disclosed in Fixed assets, net.

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).

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 24: (Continued)

B. (Continued)

1. (Continued)

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 December 31, 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, appartments, 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.

Such agreement put an end to the case Shopping Neuquén S.A. vs. Municipalidad de Neuquén in re: procedural administrative action , lodged at the High Court of Neuquén. Lawyers fees shall be borne by the company, which although they have been established are not yet final.

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

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 24: (Continued)

B. (Continued)

2. (Continued)

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.

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.

4. 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 could 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.

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 24: (Continued)

B. (Continued)

4. (Continued)

Net funds resulting from placing both Classes 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.

In connection with the futures transactions that took place during the Period, Ritelco booked realized gains for US$ 30 (equivalent to Ps. 117) in the Other holding results line of its Income statement.

As of December 31, 2010, Ritelco carries neither derivatives contracts nor guarantees associated thereto.

NOTE 26: SUBSEQUENT EVENTS

A. Alto Palermo S.A.

1. Acquisition of Metroshop S.A. s shares.

On January 13, 2011, APSA executed a share purchase agreement by which APSA purchased 18,400,000 registered, nonendorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per Class B share, representing 50% of Metroshop S.A. s common capital stock.

On the same date, and as an action subsequent to the purchase of the remaining 50% of Metroshop S.A. s shares by APSA, Metroshop S.A. made two offers to Tarshop S.A., later accepted by Tarshop S.A. , to grant the following assets:

i. Receivables from consumption transactions carried out through December 31, 2010 and that are performing or in default for not more than 60 days (both those in Metroshop S.A. s own portfolio and those assigned to Fideicomiso Financiero Metroshop S.A. Serie XV).

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: (Continued)

A. (Continued)

ii. The contractual position in the credit card issuance agreements whose customers did not have as of December 31, 2010 a default for over 60 days in complying with their obligations.

iii. All credit card customers or accounts and consumer loans.

iv. Lease agreements on certain branches and their personal property.

v. Labor agreements for payroll personnel.

These unaudited financial statements include provisions for the losses generated by transferring the previously mentioned assets, as well as for the severance pays resulting from Metroshop s discontinuing its commercial activities.

APSA is currently analyzing the various possibilities to define the future operations of Metroshop S.A..

IRSA Inversiones y Representaciones

Sociedad Anónima

Free translation of the Unaudited Financial Statements

For the six-month periods

Beginning on July 1, 2010 and 2009 and

ended December 31, 2010 and 2009

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Balance Sheets as of December 31, 2010 and June 30, 2010

In thousands of pesos (Note 1)

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

	December 31, 2010	June 30, 2010		December 31, 2010	June 30, 2010
ASSETS			**LIABILITIES**		
CURRENT ASSETS			**CURRENT LIABILITIES**		
Cash and banks (Note 2)	11,030	7,453	Trade accounts payable (Note 6)	20,846	22,715
Investments (Exhibits C and D)	145,033	77,222	Customer advances (Note 7)	9,921	19,865
Accounts receivable, net (Note 3)	42,793	38,940	Short-term debt (Note 8)	506,672	399,975
Other receivables (Note 4)	117,200	97,652	Salaries and social security payable	1,685	3,547
Inventories (Note 5)	28,373	33,478	Taxes payable (Note 9)	13,777	16,086
Total Current Assets	344,429	254,745	Other liabilities (Note 10)	83,413	24,986
			Subtotal Current Liabilities	636,314	487,174
			Allowances (Exhibit E)	698	631
			Total Current Liabilities	637,012	487,805
			NON-CURRENT LIABILITIES		
			Customer advances (Note 7)	11	1,206
NON-CURRENT ASSETS			Long-term debt (Note 8)	1,223,019	637,461
Accounts receivable, net (Note 3)	9,428	16,551	Taxes payable (Note 9)	48,620	55,869
Other receivables (Note 4)	60,847	64,774	Other liabilities (Note 10)	61,029	61,656
Inventories (Note 5)	39,271	58,111	**Total Non-Current Liabilities**	1,332,679	756,192
Investments (Exhibits C and D)	3,065,047	2,334,314	**Total Liabilities**	1,969,691	1,243,997
Fixed assets, net (Exhibit A)	947,840	958,039			
Intangible Assets, net (Exhibit B)	54	721			
Subtotal Non-Current Assets	4,122,487	3,432,510			
Negative goodwill, net	(39,173)	(40,212)			
Total Non-Current Assets	4,083,314	3,392,298	**SHAREHOLDERS EQUITY** (according to the corresponding statement)	2,458,052	2,403,046
Total Assets	4,427,743	3,647,043	**Total Liabilities and Shareholders Equity**	4,427,743	3,647,043

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

Alejandro G. Elsztain

Vice-President II

Acting as President

60

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Income

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

and ended December 31, 2010 and 2009

In thousands of pesos (Note 1)

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

	December 31, 2010	December 31, 2009
Revenues	114,411	217,707
Costs (Exhibit F)	(41,978)	(58,430)
Gross profit	72,433	159,277
Administrative expenses (Exhibit H)	(40,358)	(26,273)
Selling expenses (Exhibit H)	(7,125)	(9,180)
Subtotal	(47,483)	(35,453)
Gain from recognition of inventories at net realizable value	12,192	3,328
Operating income	37,142	127,152
Amortization of negative goodwill, net	1,039	1,039
Financial results generated by assets:		
Interest income	18,303	21,582
Foreign exchange gain	7,141	(591)
Holding gain	6,630	8,219
Subtotal	32,074	29,210
Financial results generated by liabilities:		
Interest expense (Exhibit H)	(74,269)	(38,660)
Foreign exchange loss	(16,993)	369
Other financial expenses (Exhibit H)	(1,951)	(527)
Subtotal	(93,213)	(38,818)
Financial results, net	(61,139)	(9,608)
Gain on equity investees (Note 12.c.)	190,068	196,289
Other expenses, net (Note 11)	(6,654)	(6,591)
Net income before tax	160,456	308,281
Income tax (Note 15)	10,102	(43,968)

Net income for the period	170,558	264,313
Earnings per share (Note 13):		
Basic net income per share	0.295	0.457
Diluted net income per share	0.295	0.457

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

Alejandro G. Elsztain

Vice-President II

Acting as President

61

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Changes in Shareholders Equity

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

and ended December 31, 2010 and 2009

In thousands of pesos (Note 1)

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

	Shareholders contributions				Reserved earnings				
Caption	Common stock (Note 14.a)	Inflation adjustment of common stock	Additional paid-in capital	Total	Legal reserve (Note 14.b)	Reserve for new developments	Cumulative translation adjustment	Retained earnings	Total at the period end
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							(44)		(44)
Appropriation of retained earnings approved by Shareholders meeting held 10.29.09									
- Distribution of dividends								(31,727)	(31,727)
- Legal Reserve increase					7,932			(7,932)	
Net gain for the period 07.01.09 12.31.09								264,313	264,313
Balances as of December 31, 2009	578,676	274,387	793,123	1,646,186	40,306	193,486	12,805	435,421	2,328,204
Cumulative translation adjustment							4,654		4,654
Net gain for the period 01.01.10 06.30.10								70,188	70,188
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
Appropriation of retained earnings approved by Shareholders meeting held 10.29.10									
- Distribution of dividends								(120,000)	(120,000)
- Legal Reserve increase					16,725			(16,725)	
- Reserve for new developments increase						197,776		(197,776)	
Cumulative translation adjustment							4,448		4,448
Net gain for the period 07.01.10 12.31.10								170,558	170,558
Balances as of December 31, 2010	578,676	274,387	793,123	1,646,186	57,031	391,262	21,907	341,666	2,458,052

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

Alejandro G. Elsztain

Vice-President II

Acting as President

62

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Cash Flows (1)

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

and ended December 31, 2010 and 2009

In thousands of pesos (Note 1)

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

	December 31, 2010	December 31, 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	119,296	26,336
Net increase (decrease) in cash and cash equivalents	61,829	(73,072)
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	170,558	264,313
(Less) plus income tax and MPIT accrued for the period	(10,102)	43,968
Adjustments to reconcile net income to cash flows from operating activities:		
Allowances and provisions	17,793	15,659
Amortization and depreciation	12,238	12,256
Gain on equity investees	(190,068)	(196,289)
Financial results, net	(10,823)	(30,162)
Accrued interest	63,047	36,697
Gain from recognition of inventories at net realizable value	(12,192)	(3,328)
Amortization of negative goodwill net	(1,039)	(1,039)
Changes in certain assets and liabilities net of non cash transaction:		
Decrease in accounts receivables net	6,689	7,876
(Increase) decrease in other receivables	(7,389)	6,589
Decrease in inventory	24,626	36,816
Decrease in trade accounts payable	(3,215)	(3,580)
(Decrease) increase in customer advances	(11,324)	3,712
Decrease in taxes payable and salaries and social security payable	(2,995)	(17,695)
Decrease in other liabilities	(12,179)	(7,141)
Net cash provided by operating activities	33,625	168,652
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in other investments	164,283	9,155
(Increase) decrease in current investments	(15,704)	14,207
Cash collected from merger, spin-off-merger and acquisition of related parties		5,038
Acquisition and improvements of fixed assets	(573)	(1,550)
Shareholding increase in equity investees	(480,317)	(20)
Increase in undeveloped parcels of land		(22,251)
Irrevocable contributions in subsidiary companies	(241,182)	(239,363)
Dividends collection	114,784	35,471
Cash collected from loans granted to related parties	34,273	5,306
Loans granted to related parties	(93,911)	(33,878)
Net cash used in investing activities	(518,347)	(227,885)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Dividends	(120,000)	(31,727)
Increase of issuance of non-convertible notes, net of issuance expenses	567,449	
Increase in bank overdraft, net	116,370	83,303
Payments of loans with related companies	(207)	(878)
Loans with related companies	55,132	
Payment of loans	(40,000)	(26,532)
Payments of interest	(32,193)	(38,005)
Net cash provided by (used in) financing activities	546,551	(13,839)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	61,829	(73,072)

(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.

Alejandro G. Elsztain

Vice-President II

Acting as President

IRSA Inversiones y Representaciones Sociedad Anónima

Unaudited Statements of Cash Flows (Continued)

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

and ended December 31, 2010 and 2009

In thousands of pesos (Note 1)

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

	December 31, 2010	December 31, 2009
Supplemental cash flow information		
Income tax paid	5,598	15,132
Non-cash activities:		
Increase in inventories through a decrease in fixed assets, net		34,757
Increase in non-current investments through a decrease in other receivables	56,593	6,359
Decrease in non-current investments through an increase in other receivables		15,065
Cumulative translation differences	4,448	44
Transfer of undeveloped parcels of land to inventories	3,030	
Increase in inventories through a decrease in equity investments	14,541	

	December 31, 2010	December 31, 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		

Alejandro G. Elsztain

Vice-President II

Acting as President

64

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Unaudited Financial Statements

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

and ended December 31, 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 six-month periods ended December 31, 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 six-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 (barters). 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 for the six-month period ended December 31, 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 December 31, 2009 originally issued have been subject to certain reclassifications required in order to present these figures comparatively with this period.

1.5. Significant accounting polices

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

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

NOTE 1: (Continued)

1.5. (Continued)

c. Current investments

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

d. Accounts receivable, net and trade accounts payable

Accounts receivable, net and trade accounts payable have been valued at nominal value. Values obtained by this do not differ significantly from those that had been valued at the estimated price applicable to spot operations at the time of the transaction plus interest and implicit financial components accrued at the internal rate of return determined at that moment.

e. Financial receivables and payables

Financial receivables and payables have been valued at nominal value plus accrued interest at the end of the period/year. Values obtained by this do not differ significantly from those that had been valued at the amount deposited and collected, respectively, net of the cost of the transaction, plus financial results accrued based on the internal rate of return estimated at the time of initial recognition.

f. Other receivables and liabilities

Other receivables and other liabilities have been valued at face value plus the financial results accrued at the closing of the corresponding period/year. The figures thus obtained are not significantly different from those that would have been obtained if valued on the basis of the best possible estimate of the amounts receivable and payable, respectively, discounted by application of a rate that reflects the time value of money and the specific risks inherent in the transaction as estimated at the time of recognizing the item in assets and liabilities, respectively.

Certain receivables and liabilities disclosed under other non-current receivables and liabilities, were valued based on the best estimate of the amount receivable and payable, respectively, discounted at an interest rate that reflect the value-time of money and the estimate specific transaction risks at the time of incorporation to assets and liabilities, respectively.

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)

1.5. (Continued)

f. (Continued)

As established by the regulations of the accounting professional standards, deferred tax assets and liabilities and minimum presumed income tax (MPIT) have not been discounted.

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

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

h. Inventories

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

Properties classified as inventories have been valued at acquisition or construction cost restated as mentioned in Note 1.3. or estimated market value, whichever is lower. Costs include land and land improvements, direct construction costs, construction overhead costs, financial costs and real estate taxes.

Inventories on which advance payments that establish price have been received, and the operation s contract terms and conditions assure that the sale will be effectively accomplished and that the income will be realized, are valued at its net realizable value. Profits arising from such valuation are shown in the Gain from recognition of inventories at net realizable value caption of the Statements of Income.

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

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

Units to be received:

The Company has rights to receive certain property units to be built. The units have been valued according to the accounting measuring standards corresponding to inventories receivables (the price established in the deed or net realizable value, as applicable) and there have been disclosed under Inventories .

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)

1.5. (Continued)

i. Non-current investments

Investments in debt securities:

Investments in debt securities were valued based on the best estimate of the discounted amount receivable, applying the corresponding internal rate of return estimated at the time of incorporation to assets.

Investments in subsidiaries and equity investments:

Non-current investments in subsidiaries and equity investments detailed in Exhibit C, have been valued by using the equity method of accounting based on the unaudited financial statements at December 31, 2010 issued by them. The accounting standards used by the subsidiaries and related companies to prepare their financial statements are similar to the ones used by the Company.

This item includes the lower or higher value paid for the purchase of shares in subsidiaries and affiliated companies assignable to the assets acquired, and goodwill related to the subsidiaries and affiliated companies acquired.

Banco Hipotecario S.A. and Banco de Crédito & Securitización S.A.:

The financial statements of Banco Hipotecario S.A. and Banco de Crédito & Securitización S.A. are prepared in accordance with the Central Bank of the Argentine Republic (BCRA) standards. For the purpose of the valuation of the investment in the Company, adjustments necessary to adequate the financial statements to the professional accounting standards have been considered.

In accordance with the regulations of the BCRA, there are certain restrictions on the distribution of profits by Banco Hipotecario S.A. to the Company.

Tyrus S.A. and Torodur S.A.:

Uruguay-based Tyrus S.A. and Torodur S.A. have been classified as not integrated into the Company s operations in relation to its subsidiaries whose operations are carried out fully abroad.

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)

1.5. (Continued)

i. (Continued)

Tyrus s and Torodur s assets and liabilities were converted into pesos at the exchange rate in force at the close of the period/year. The Statement of Income accounts have been converted into pesos at the exchange rates in force at the time of each transaction. Foreign exchange gains/losses arising from the conversion have been charged to the Shareholders equity caption, in the line Cumulative translation adjustment .

Undeveloped parcels of lands:

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

Land held for development and sale and improvements are stated at cost restated as mentioned in Note 1.3. or market value, whichever is lower.

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

The values of non-current investments thus obtained, do not exceed their respective estimated recoverable values at the end of the period/year.

j. Fixed assets, net

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

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

Rental properties:

Rental properties are carried at acquisition and/or construction cost, restated as mentioned in Note 1.3., less accumulated depreciation and allowance for impairment at the end of the period/year. The Company capitalizes the financial accrued costs associated with long-term construction projects.

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)

1.5. (Continued)

j. (Continued)

Depreciation was computed under the straight-line method over the estimated useful lives of each asset applying annual rates in order to extinguish their values at the end of its useful life.

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

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

Other properties and equipment:

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

Assets	Estimated useful life (years)
Leasehold improvements	On contract basis
Furniture and fixtures	10
Vehicles	5
Machinery and equipment	10
Computer equipment	3

The cost of maintenance and repairs is charged to expense as incurred.

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

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)

1.5. (Continued)

k. Intangible assets, net

Intangible assets mainly corresponds to expenses that the Company avoids incurring as a result of acquiring effective rent contracts and the estimated costs of entering into rent contracts acquired (see Note 1.5.I.). These are shown net of their accumulated amortization.

Intangible assets are amortized during the average initial remaining useful life of the rent contracts acquired.

The value of these assets does not exceed its estimated recoverable value as of period/year-end.

l. Business combinations

Significant entities or net asset acquired by the Company were recorded in line with the purchased method set forth in Technical Resolution No. 18 and Technical Resolution No. 21. All assets and liabilities acquired to third independent parties were adjusted to show their fair value. The Company identified the assets and liabilities acquired, that included intangible assets such as: lease agreements acquired for prices and terms that are either higher or lower than in the market; costs of executing and delivering the lease agreements in force (costs that the Company avoids incurring as a result of acquiring effective lease agreements); the value of acquired brands, the value of any deposits associated to the investment and the intangible value inherent to customer relations.

The process of identification and the determination of the purchase price paid is a matter that requires complex judgments and significant estimates.

The Company uses the information contained in valuations estimated by independent appraisers as primary base for assigning the price paid for the land, buildings and shopping centers. The amounts assigned to all the other assets and liabilities are based on independent valuations or on the Company s own analysis on comparable assets and liabilities. The current value of tangible assets acquired considers the property value as if it was empty.

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)

1.5. (Continued)

l. (Continued)

If the price paid is larger than the value of the tangible and intangible assets and liabilities as identified, the excess is considered to be goodwill.

m. Debt issuance costs

Expenses incurred in connection with the issuance of debt are amortized over the life of the related issuances. In the case of redemption or conversion of these notes, the related expenses are amortized using the accelerated depreciation method.

Amortization has been recorded under Financial results and holding gain/loss, net in the unaudited Statements of Income as a greater financing expense.

n. Customer advances

Customer advances represent payments received in connection with the sale and rent of properties and has been valued according to the amount of money received.

o. Income tax

The Company has recognized the charge for income tax by the deferred tax liability method, recognizing timing differences between measurements of accounting and tax assets and liabilities (see Note 15).

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

p. MPIT

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

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)

1.5. (Continued)

p. (Continued)

The Company has recognized MPIT accrued in the period and paid in previous years as credit, because the Company estimates that in the future years it may be computable as prepayment of income tax.

q. Allowances and Provisions

Allowance for doubtful accounts: the allowance for losses is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the terms of the agreements. The allowance is determined on a case-by-case basis considering the present value of expected future cash flows. When it comes to its mortgage-secured receivables, the Company applies the collateral s realization value upon analyzing the recoverability of receivables with hints of uncollectibility.

While Management uses the information available to make assessments, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the assessments. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and the financial statements reflect that consideration.

For impairment of assets: the Company regularly asses its non-current assets for recoverability at the end of every year.

The Company has estimated the recoverable value of rental properties based on their economic use value, which is determined based on estimated future cash flows discounted. For the rest of the assets (inventories and undeveloped parcels of land) the Company makes a comparison with market values based on values of comparable properties. If the recoverable value of assets which had been impaired in prior years increases, the Company record the corresponding reversals of impairment loss as required by accounting standards.

Increases and decreases of allowances for impairment of fixed assets during the period ended as of December 31, 2010 and the fiscal year ended as of June 30, 2010 are detailed in Exhibit E.

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)

1.5. (Continued)

q. (Continued)

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

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

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

r. Shareholders equity accounts

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

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

Cumulative translation adjustment correspond to the exchange gains/losses arising from the conversion of Tyrus S.A. and Torodur S.A. financial statements.

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)

1.5. (Continued)

s. Profit and loss accounts

The profit and loss for the period are shown as follows:

Amounts included in Unaudited Statements of Income are shown in currency of the month to which they correspond.

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

Results from investments in subsidiary and equity investments were calculated under the equity method, by applying the percentage of the Company s equity interest to the results of such companies, with the adjustments for application of Technical Resolution No. 21.

t. Revenue recognition

t.1. Sales of properties

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

The sale has been consummated.

There is sufficient evidence to demonstrate the buyer s ability and commitment to pay for the property.

The Company s receivable is not subject to future subordination.

The Company has transferred the property to the buyer.

The Company uses the percentage-of-completion method of accounting with respect to sales of development properties under construction. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs according to budgeted costs. The Company does not recognize results until construction activities have begun. The percentage-of-completion method of accounting requires the Company s Management to prepare budgeted costs in connection with sales of properties/units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

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)

1.5. (Continued)

t. (Continued)

t.2 Revenues from leases

Revenues from leases are recognized considering its terms and conditions and over the life of the related lease contracts.

u. Cash and cash equivalents

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

v. Negative Goodwill, net

Goodwill has been restated following the guidelines mentioned in Note 1.3. and amortization has been calculated by the straight-line method based on an estimated useful life, considering the weighted-average of the remaining useful life of identifiable assets acquired subject to depreciation.

Includes goodwill originated from the purchase of shares of Palermo Invest S.A. (see Note 16.2.).

w. Dividends

IRSA s Board of Directors decided that its dividend policy shall consist in the distribution, pro rata amongst the Shareholders, of an amount equivalent to the highest of a) up to twenty per cent (20%) of revenues posted by the Offices and others segment that comes from the Net Operating Income by Business Segment as of June 30 of each year (Note 3 to the unaudited consolidated financial statements) or b) up to twenty per cent (20%) of net income as of June 30 of each year. This policy requires that the Company must at all times abide by the covenants imposed on it by virtue of its financial commitments.

1.6 Adoption of the International Financial Reporting Standards

The National Securities Commission through the Resolution No. 562 has mandated that the Technical Resolution No. 26 of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) is to be applied by the companies admitted to the Public Offering System under Law No. 17,811 in connection with either their capital and/or negotiable obligations, and/or by the companies that have applied for admission to the Public Offering System. FACPCE s Technical Resolution No. 26 adopts the International Financial Reporting Standards issued by the International Accounting Standards Board. The Company shall apply IFRS as from the fiscal year beginning on July 1st, 2012. On April 29, 2010, IRSA s Board of Directors has approved the specific implementation plan for the application of IFRS.

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 2: CASH AND BANKS

The breakdown for this item is as follows:

	December 31, 2010	June 30, 2010
Cash on hand (Exhibit G)	134	119
Banks accounts (Exhibit G)	10,896	2,117
Checks to be deposited		5,217
	11,030	7,453

NOTE 3: ACCOUNTS RECEIVABLE, NET

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Mortgages, leases receivable and services (1) (Exhibit G)	31,929	9,428	25,607	16,551
Related parties (Note 12.a.) (Exhibit G)	14,143		14,738	
Debtors under legal proceedings and past due debts	8,663		8,355	
Notes receivable	342		339	
Less:				
Allowance for doubtful accounts (Exhibit E)	(12,284)		(10,099)	
	42,793	9,428	38,940	16,551

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

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 4: OTHER RECEIVABLES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Related parties (Note 12.a.) (Exhibit G)	107,204	15,406	41,036	34,430
Receivables from the sale of shares (Exhibit G) (1)			35,772	
Guarantee deposits (Exhibit G)			8,402	
Prepaid expenses and services	4,540	1,086	7,933	1,168
Stock market transactions to be liquidated	327			
MPIT		43,765		28,589
Present value		(165)		(168)
Others (Exhibit G)	5,129	755	4,509	755
	117,200	60,847	97,652	64,774

(1) See Note 16.9.

NOTE 5: INVENTORIES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Credit from barter of Caballito (Cyrsa) (1) (Note 12.a.)				37,939
Caballito Plot of Land (1)		24,494		
Caballito Nuevo (2)	10,643	2,589	25,808	6,654
El Encuentro (3)	4,631	3,745	4,938	5,318
Torres Jardin IV	10,758			
Pereiraola (4)		8,200		8,200
Abril	1,362	243	1,755	
Other inventories	979		977	
	28,373	39,271	33,478	58,111

(1) In July 2008, the Company and Cyrsa executed and delivered a barter deed for US$ 12.6 million whereby the Company conveyed to Cyrsa a plot of land in the Caballito neighborhood. In turn, Cyrsa Agreed to conduct a real estate development in that plot for the Construction of homes. As consideration, Cyrsa would pay 25% of the units making up the buildings to be constructed in the plot. To guarantee compliance with its obligations, Cyrsa mortgaged the land for the amount of US$ 12.6 million in favor of the Company.

On December 17, 2010, the Company and Cyrsa executed an agreement whereby they extinguished the obligations arising from the barter agreement dated June 30, 2008 and the title deed dated July 31, 2008. The Company thus considers that the first mortgage set up to guarantee the obligations taken on by Cyrsa has been cancelled whilst Cyrsa conveys full title over the property bartered, which has been recognized at its original book value.

(2) In May 2006, Koad S.A. (Koad) and the Company entered into an asset exchange agreement valued at US$ 7.5 million pursuant to which the Company delivered to Koad a parcel in Caballito for the construction of a building complex to be named Caballito Nuevo. As consideration therefore, Koad S.A. made a down payment of US$ 0.05 million and agreed to cancel the US$ 7.4 million balance by delivering 118 apartments and 55 parking spaces. To secure this transaction, Koad raised a US$ 7.5 million mortgage on the parcel that constitutes its subject matter and posted a surety bond for US$ 1.0 million. On October 15, 2010, Koad conveyed to IRSA full title, possession and ownership over the units agreed in the barter deed and the

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 5: (Continued)

security interests that had been set up in that respect were cancelled**.** Preliminary sales agreements were signed over 75 functional units to be received. With these units recognized at net realizable value, this transaction generated gain of Ps. 3,626 during the six-month period ended on December 31, 2010 and Ps. 4,839 during the fiscal year ended as of June 30, 2010

(3) In March 2004, the Company sold (through subsidiaries) a parcel in Benavidez to Desarrolladora El Encuentro S.A. (DEESA) in exchange for (i) US$ 1.0 million in cash and (ii) 110 residential lots in the parcel to be subdivided by DEESA for US$ 3 million. On December 22, 2009 DEESA delivered the residential lots. In addition preliminary sales agreements have been signed for 6 units. With these units recognized at net realizable value, this transaction generated gain of Ps. 814 for the six-month period ended December 31, 2010 and Ps. 1,044 during the fiscal year ended as of June 30, 2010. Title deeds have been drawn for the sale of a further 26 units.

(4) See Note 16.5.

NOTE 6: TRADE ACCOUNTS PAYABLE

The breakdown for this item is as follows:

	December 31, 2010	June 30, 2010
Related parties (Note 12.a.) (Exhibit G)	11,259	13,274
Suppliers (Exhibit G)	4,748	4,642
Accruals	4,691	4,579
Others	148	220
	20,846	22,715

NOTE 7: CUSTOMER ADVANCES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Customer advances (Exhibit G)	7,530		17,468	
Leases and services advances	2,391	11	2,397	1,206
	9,921	11	19,865	1,206

NOTE 8: SHORT AND LONG - TERM DEBT

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Bank Overdrafts	428,282		311,912	
Bank Loans (Exhibit G) (1)	28,370	53,371	68,054	52,767
Non convertible Notes -2017 (Notes 12.a., 17 and Exhibit G) (2)	20,248	591,881	20,009	584,694
Non convertible notes - 2020 (Notes 12.a., 17 and Exhibit G) (3)	29,772	577,767		
	506,672	1,223,019	399,975	637,461

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 8: (Continued)

(1) The balance as of December 31, 2010 corresponds to the debt for purchase the República building (Exhibit G).
(2) It is disclosed net of issuance expenses for Ps. 874 current and Ps. 4,519 non-current and Ps. 874 current and Ps. 4,956 non-current as of December 31, 2010 and June 30, 2010, respectively.
(3) It is disclosed net of issuance expenses for Ps. 711 current and Ps. 6,039 non-current, as of December 31, 2010.

NOTE 9: TAXES PAYABLES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
MPIT	4,698		5,826	
Provision on tax on Shareholders personal assets	4,569		3,582	
VAT, net balance	1,560		3,361	
Tax retentions to third parties	2,524		1,472	
Gross revenue tax	129		1,160	
Income tax, net			390	
Tax facilities for gross revenue tax	155	274	153	351
Tax facilities for municipal taxes	142	390	142	472
Deferred income tax (Note 15)		47,956		55,046
	13,777	48,620	16,086	55,869

NOTE 10: OTHER LIABILITIES

The breakdown for this item is as follows:

	December 31, 2010		June 30, 2010	
	Current	Non-current	Current	Non-current
Related parties (Note 12.a. and Exhibit G)	65,917	58,122	1,246	57,457
Directors fees provision (Note 12.a.) (1)	9,510		15,060	
Administration and reserve funds	2,709		3,395	
Guarantee deposits (Exhibit G)	4,323	2,795	3,014	4,106
Below Market leases (Note 1.5.l.)			1,308	

Present value		(82)		(102)
Others	954	194	963	195
	83,413	61,029	24,986	61,656

(1) As of December 31, 2010 and June 30, 2010, it is disclosed net of advances to Directors for Ps. 5,156 and Ps. 11,519, respectively.

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 11: OTHER EXPENSES, NET

The breakdown for this item is as follows:

	December 31, 2010	December 31, 2009
Other income:		
Recovery of allowances		13
Others	18	385
Subtotal	18	398
Other expenses:		
Donations	(3,646)	(2,879)
Tax on Shareholders personal assets	(2,295)	(2,346)
Unrecoverable VAT	(559)	(1,295)
Lawsuits contingencies (1)	(121)	(90)
Others	(51)	(379)
Subtotal	(6,672)	(6,989)
Total other expenses, net	(6,654)	(6,591)

(1) As of December 31, 2010 includes Ps. 104 corresponding to allowances.

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 12: BALANCES AND TRANSACTIONS WITH SUBSIDIARIES, SHAREHOLDERS, AFFILIATED AND RELATED PARTIES

a. The balances as of December 31, 2010 and June 30, 2010, with subsidiaries, shareholders, affiliated and related companies are as follows:

Related parties	Current Investments	Non-current Investments	Account receivable, net current	Other receivables current	Other receivables non current	Trade accounts payable current	Other current liabilities	Other non current liablitites	Totals
Alto Palermo S.A. (1)	14,059	132,836	1,692	118		(998)	(56,394)		91,313
Arcos del Gourmet S.A. (1)			1						1
Agro- Uranga S.A.						(1)			(1)
Baicom Networks S.A. (5)			18	37					55
Banco Hipotecario S.A.						(20)			(20)
Cactus Argentina S.A. (3)			2						2
Canteras Natal Crespo S.A. (5)			695	115					810
Consorcio Dock del Plata (4)			269	1					270
Consorcio Libertador S.A. (4)				120		(98)	(4)		18
Consorcio Torre Boston S.A.(4)			1,687	333		(1,167)			853
Consultores Assets Management S.A. (4)			1,030	8		(2)			1,036
Cresud S.A.C.I.F. y A. (2)			1,315	7,135		(5,448)			3,002
Cyrsa S.A. (5)			2,809	545		(1,603)			1,751
Directors (4)				164			(9,510)	(8)	(9,354)
E-Commerce Latina S.A. (1)			2	6,382		(150)			6,234
Emprendimiento Recoleta S.A. (1)						(2)	(2)		(4)
Estudio Zang, Bergel & Viñes (4)				20		(157)			(137)
Fibesa S.A. (1)			274	3		(109)			168
Fundación IRSA (4)			38	1		(363)			(324)
Futuros y opciones S.A.			1						1
				113					113

Hersha Hospitality Trust (3)									
Hoteles Argentinos S.A. (1)			1	21			(798)		(776)
Inversora Bolívar S.A. (1) (6)			97	6,413		(200)			6,310
IRSA International LLC (1)				1,095		(531)			564
Jiwin S.A. (1)									
Llao Llao Resorts S.A. (1)			1,879	41			(262)	(7)	1,651
Miltary S.A. (1)				28					28
Museo de los niños (4)			21						21
Nuevas Fronteras S.A. (1)			49	1		(20)	(80)	(4,780)	(4,830)
Palermo Invest S.A. (1) (6)			209	4		(247)	(7,927)		(7,961)
Panamerican Mall S.A. (1)						(1)			(1)
Employees (4)				433		(21)			412
Puerto Retiro S.A. (5)			115	1		(11)			105
Quality Invest S.A. (1)			118			(107)			11
REIG I (1)				69,680					69,680
Ritelco S.A. (1)			39	6,357			(450)	(53,327)	(47,381)
Shopping Neuquén S.A. (1)									
Solares de Santa María S.A. (1)			1,585	114	15,406				17,105
Tarshop S.A. (3)			145			(3)			142
Torodur S.A. (1)				13					13
Tyrus S.A. (1)			35	7,908					7,943
Unicity S.A.			17						17
Totals as of December 31, 2010	14,059	132,836	14,143	107,204	15,406	(11,259)	(75,427)	(58,122)	138,840

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 12: (Continued)

a. (Continued)

Related parties	Current Investments	Non-current Investments	Account receivable, net current	Other receivables current	Other receivables non current	Inventories Caballito plot of land barter	Trade accounts payable current	Short-term debt	Long-term debt	Other current liabilities	Other non current liablitites	Total
Alto Palermo S.A. (1)	20,720	293,890	1,943	220			(3,670)					313,103
Banco Hipotecario (3)							(159)					(159)
Cactus Argentina S.A. (3)			2									2
Canteras Natal Crespo S.A. (5)			634	102								736
Consorcio Dock del Plata (4)			883	2			(10)			(3)		872
Consorcio Libertador S.A. (4)				20			(66)			(4)		(50)
Consorcio Torre Boston S.A.(4)			595	205								800
Consultores Assets Management S.A. (4)			814	29			(2)					841
Cresud S.A.C.I.F. y A. (2)			948	35,573			(6,748)	(4,616)	(72,174)			(47,017)
Cyrsa S.A. (5)			3,170	16		37,939	(1,576)					39,549
Directors (4)				164			(36)			(15,060)	(8)	(14,940)
E-Commerce Latina S.A. (1)			72	295								367
Emprendimiento Recoleta S.A. (1)							(1)					(1)
Estudio Zang, Bergel & Viñes (4)				22			(290)					(268)
Fibesa S.A. (1)			248	3			(42)					209
Fundación IRSA (4)			36	5								41
Hersha Hospitality Trust (3)				112								112

Hoteles Argentinos S.A. (1)			9	21						(789)		(759)
Inversora Bolívar S.A. (1) (6)				607			(5)					602
IRSA International LLC (1)				633			(525)					108
Llao Llao Resorts S.A. (1)			980	2,237	19,792					(260)		22,749
Miltary S.A. (1)				9								9
Museo de los niños (4)			26									26
Nuevas Fronteras S.A. (1)			145	1			(81)			(19)	(4,726)	(4,680)
Palermo Invest S.A. (1) (6)			10	36								46
Panamerican Mall S.A. (1)				1			(3)					(2)
Employees (4)				48			(28)					20
Puerto Retiro S.A. (5)			119				(11)					108
Quality Invest S.A. (1)			14									14
REIG I (1)				581								581
Ritelco S.A. (1)				6						(171)	(52,723)	(52,888)
Shopping Neuquén S.A. (1)				1								1
Solares de Santa María S.A. (1)			1,300	49	14,638							15,987
Tarshop S.A. (3)			2,790				(21)					2,769
Torodur S.A. (1)				8								8
Tyrus S.A. (1)				30								30
Totals as of June 30, 2010	20,720	293,890	14,738	41,036	34,430	37,939	(13,274)	(4,616)	(72,174)	(16,306)	(57,457)	278,926

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 12: (Continued)

b. Results on subsidiary, shareholder, affiliated and related parties during the period ended December 31, 2010 and 2009 are as follows:

Related parties	Sales and services fees	Leases earned	Cost of services	Interest earned	Donations	Fees	Interest lost	Totals
Alto Palermo S.A. (APSA) (1)		2,237		11,218		(641)	(722)	12,092
Canteras Natal Crespo S.A. (5)	48			4				52
Cresud S.A.C.I.F. y A. (2)		339		908		(8,341)	(4,760)	(11,854)
Consorcio Dock del Plata S.A. (4)	78							78
Consorcio Libertador S.A. (4)	61	6						67
Consorcio de Propietarios Torre Boston (4)	161		(2,966)					(2,805)
Consultores, Assets Management S.A. (4)		11						11
CYRSA S.A. (5)		8						8
Directors (4)						(14,666)		(14,666)
E-Commerce S.A. (1)	3			413				416
Estudio Zang, Bergel & Viñes (4)						(1,498)		(1,498)
Fibesa S.A (1)	19	360						379
Fundacion Irsa (4)					(1,739)			(1,739)
Inversora Bolívar S.A. (1) (6)				397				397
Llao Llao Resorts S.A. (1)		38		612				650
Nuevas Fronteras S.A. (1)	415						(120)	295
Palermo Invest S.A. (1)				119			(5)	114
Quality Invest S.A. (1)				81				81
Ritelco S.A. (1)				275			(483)	(208)
Solares de Santa María S.A. (1)				693				693
Tarshop S.A. (1)	95	1,222						1,317
Tyrus S.A. (1)				340				340
Totals at December 31, 2010	880	4,221	(2,966)	15,060	(1,739)	(25,146)	(6,090)	(15,780)

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 12: (Continued)

b. (Continued)

Related parties	Sales and services fees	Leases earned	Cost of services	Interest earned	Donations	Fees	Interest lost	Totals
Alto Palermo S.A. (APSA) (1)		1,961	(193)	14,278				16,046
Canteras Natal Crespo S.A. (5)	48			100				148
Cresud S.A.C.I.F. y A. (2)	1,879	626		375			(5,390)	(2,510)
Consorcio Dock del Plata S.A. (4)	117							117
Consorcio Libertador S.A. (4)	51	5						56
CYRSA (5)		89						89
Directors (4)						(6,014)		(6,014)
E-Commerce S.A. (1)	4							4
Estudio Zang, Bergel & Viñes (4)						(1,056)		(1,056)
Fibesa S.A (1)		292						292
Llao Llao Resorts S.A. (1)		47		2,069				2,116
Nuevas Fronteras S.A. (1)	230						(116)	114
Loans granted to employees (4)				10				10
Ritelco S.A. (1)							(697)	(697)
Solares de Santa María S.A. (1)				617				617
Tarshop S.A. (1)	43	664						707
Totals at December 31, 2009	2,372	3,684	(193)	17,449		(7,070)	(6,203)	10,039

(1) Subsidiary (direct or indirect)
(2) Shareholder
(3) Related party (direct or indirect)
(4) Related party
(5) Direct or indirectly joint control
(6) See Note 16.2.

86

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 12: (Continued)

c. The composition of gain on equity investees is as follows:

	(Loss)/Gain December 31, 2010	(Loss)/Gain December 31, 2009
Gain on equity investees	186,538	202,417
Amortization of negative goodwill and lower/higher purchase values/acquisition expenses	9,250	1,033
Accrual of financial results from notes of APSA (Note 18.1)	(5,554)	(7,161)
Foreign exchange gain of notes of APSA	(166)	
	190,068	196,289

NOTE 13: EARNINGS PER SHARE

Below is a reconciliation between the weighted-average number of common shares outstanding and the diluted weighted-average number of common shares:

	December 31, 2010	December 31, 2009
Weighted - average outstanding shares	578,676	578,676
Dilutive effect		
Weighted - average diluted common shares	578,676	578,676

Below is a reconciliation between net income of the period and net income used as a basis for the calculation of the diluted earnings per share:

	December 31, 2010	December 31, 2009
Net income for calculation of basic earnings per share	170,558	264,313
Dilutive effect		
Net income for calculation of diluted earnings per share	170,558	264,313
Net basic income per share	0.295	0.457
Net diluted income per share	0.295	0.457

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 14: COMMON STOCK

a. Common stock

As of December 31, 2010, common stock was as follows:

	Par Value	Approved by Body	Date	Date of record with the Public Registry of Commerce
Shares issued for cash		First Meeting for IRSA s Incorporation	04.05.1943	06.25.1943
Shares issued for cash	16,000	Extraordinary Shareholders Meeting	11.18.1991	04.28.1992
Shares issued for cash	16,000	Extraordinary Shareholders Meeting	04.29.1992	06.11.1993
Shares issued for cash	40,000	Extraordinary Shareholders Meeting	04.20.1993	10.13.1993
Shares issued for cash	41,905	Extraordinary Shareholders Meeting	10.14.1994	04.24.1995
Shares issued for cash	2,000	Extraordinary Shareholders Meeting	10.14.1994	06.17.1997
Shares issued for cash	74,951	Extraordinary Shareholders Meeting	10.30.1997	07.02.1999
Shares issued for cash	21,090	Extraordinary Shareholders Meeting	04.07.1998	04.24.2000
Shares issued for cash	54	Board of Directors Meeting	05.15.1998	07.02.1999
Shares issued for cash	9	Board of Directors Meeting (1)	04.15.2003	04.28.2003
Shares issued for cash	4	Board of Directors Meeting (1)	05.21.2003	05.29.2003
Shares issued for cash	172	Board of Directors Meeting (1)	08.22.2003	02.13.2006
Shares issued for cash	27	Board of Directors Meeting (1)	08.22.2003	02.13.2006
Shares issued for cash	8,585	Board of Directors Meeting (1)	12.31.2003	02.13.2006
Shares issued for cash	8,493	Board of Directors Meeting (2)	12.31.2003	02.13.2006
Shares issued for cash	4,950	Board of Directors Meeting (1)	03.31.2004	02.13.2006
Shares issued for cash	4,013	Board of Directors Meeting (2)	03.31.2004	02.13.2006
Shares issued for cash	10,000	Board of Directors Meeting (1)	06.30.2004	02.13.2006
Shares issued for cash	550	Board of Directors Meeting (2)	06.30.2004	02.13.2006
Shares issued for cash	9,450	Board of Directors Meeting (2)	09.30.2004	02.13.2006
Shares issued for cash	1,624	Board of Directors Meeting (1)	12.31.2004	02.13.2006
Shares issued for cash	1,643	Board of Directors Meeting (2)	12.31.2004	02.13.2006
Shares issued for cash	41,816	Board of Directors Meeting (1)	03.31.2005	02.13.2006
Shares issued for cash	35,037	Board of Directors Meeting (2)	03.31.2005	02.13.2006
Shares issued for cash	9,008	Board of Directors Meeting (1)	06.30.2005	02.13.2006
Shares issued for cash	9,885	Board of Directors Meeting (2)	06.30.2005	02.13.2006
Shares issued for cash	2,738	Board of Directors Meeting (1)	09.30.2005	02.13.2006
Shares issued for cash	8,443	Board of Directors Meeting (2)	09.30.2005	02.13.2006
Shares issued for cash	354	Board of Directors Meeting (2)	03.31.2006	12.05.2006
Shares issued for cash	13,009	Board of Directors Meeting (1)	03.31.2006	12.05.2006
Shares issued for cash	2,490	Board of Directors Meeting (2)	03.31.2006	12.05.2006
Shares issued for cash	40,215	Board of Directors Meeting (1)	06.30.2006	12.05.2006
Shares issued for cash	10,933	Board of Directors Meeting (2)	06.30.2006	12.05.2006
Shares issued for cash	734	Board of Directors Meeting (1)	09.30.2006	11.29.2006
Shares issued for cash	1,372	Board of Directors Meeting (2)	09.30.2006	11.29.2006
Shares issued for cash	5,180	Board of Directors Meeting (1)	12.31.2006	02.28.2007
Shares issued for cash	6,008	Board of Directors Meeting (2)	12.31.2006	02.28.2007
Shares issued for cash	2,059	Board of Directors Meeting (1)	03.31.2007	06.26.2007

Shares issued for cash	2,756	Board of Directors	Meeting (2)	03.31.2007	06.26.2007
Shares issued for cash	8,668	Board of Directors	Meeting (1)	06.30.2007	10.01.2007
Shares issued for cash	2,744	Board of Directors	Meeting (2)	06.30.2007	10.01.2007
Shares issued for cash	33,109	Board of Directors	Meeting (1)	09.30.2007	11.30.2007
Shares issued for cash	53,702	Board of Directors	Meeting (2)	09.30.2007	11.30.2007
Shares issued for cash	1,473	Board of Directors	Meeting (1)	12.31.2007	03.12.2008
Shares issued for cash	25,423	Board of Directors	Meeting (2)	12.31.2007	03.12.2008
	578,676				

(1) Conversion of negotiable obligations.
(2) Exercise of options.

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 14: (Continued)

b. Restriction on the distribution of profits

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

ii) See Note 17.

iii) See Note 1.5.w.

iv) See Note 18.3.

NOTE 15: INCOME TAX DEFERRED TAX

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

Items	Balances at the beginning of year	Changes for the period (1)	Balances at period-end
Deferred assets and liabilities			
Cash and Banks	(10)	201	191
Investments	52,957	(4,601)	48,356
Accounts receivable, net	1,279	(328)	951
Other receivables	(217)	231	14
Inventories	(33)	(9,750)	(9,783)
Fixed assets, net	(108,286)	8,742	(99,544)
Tax loss carryfowards		13,737	13,737
Short and long-term debt	(2,041)	(2,209)	(4,250)
Salaries and social security payable	443	223	666
Other liabilities	862	844	1,706
Total net deferred liabilities	(55,046)	7,090	(47,956)

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 15: (Continued)

The detail of tax loss carryfowards not expired that have not yet been used as of period/fiscal year amounts to Ps. 39,247:

Year of generation	Amount	Statute of Limitation
2009		2014
2011	39,247	2016
Tax loss carryforwards	39,247	

Below is a reconciliation between income tax expensed and that resulting from application of the current tax rate to pre-tax income for the periods ended December 31, 2010 and 2009, respectively:

Items	12.31.10	12.31.09
Pretax income	160,456	308,281
Statutory income tax rate	35%	35%
Income tax expense at statutory tax rate on pretax income	56,160	107,898
Permanent differences at tax rate:		
- Restatement into constant currency	614	5,988
- Amortization of intangible assets	1,442	
- Gain on equity investee	(66,524)	(68,701)
- Donations	1,276	559
- Tax on personal assets	803	
- Others	(860)	(1,399)
- Difference between tax return and tax provision	(3,013)	
Income tax charge for the period	(10,102)	44,345
MPIT charge for the period		(377)
Total income tax and MPIT charge for the period	(10,102)	43,968

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 15: (Continued)

Below is a reconciliation between income tax expensed and that resulting from application of the current tax rate to pre-tax income:

	12.31.10	12.31.09
Total income and MPIT expense	(10,102)	43,968
Less temporary differences:		
Additions		
Account receivable, net		1,800
Tax loss carryfowards	13,737	1,746
Inventories	(9,750)	
Fixed assets, net		(45,316)
Loans	(2,209)	
Salaries and social security payable	223	240
Reversals		
Cash and Banks	201	70
Account receivable, net	(328)	
Inventories		41
Investments	(4,601)	(381)
Other receivables	231	352
Fixed assets, net	8,742	
Intangible assets, net		(199)
Banks and financial loans		153
Other liabilities	844	(630)
Total temporary differences	7,090	(42,124)
Less: Difference between tax return and tax provision	3,012	