

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

December 06, 2011

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

## **FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**PURSUANT TO RULE 13a-16 OR 15b-16 OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of December, 2011**

**Irsa Inversiones y Representaciones Sociedad Anónima**

**(Exact name of Registrant as specified in its charter)**

**Irsa Investments and Representations Inc.**

**(Translation of registrant's name into English)**

**Republic of Argentina**

**(Jurisdiction of incorporation or organization)**

**Bolívar 108**

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(C1066AAB)

**Buenos Aires, Argentina**

(Address of principal executive offices)

Form 20-F       Form 40-F

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

Yes       No

**IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

**(THE COMPANY )**

**REPORT ON FORM 6-K**

Attached is a copy of the English translation of the Financial Statements for the three-month period ended on September 30, 2011 and on September 30, 2010 filed by the Company with the *Bolsa de Comercio de Buenos Aires* and with the *Comisión Nacional de Valores*.

**IRSA Inversiones y Representaciones**

**Sociedad Anónima and subsidiaries**

**Free translation of the Unaudited**

**Consolidated Financial Statements**

For the three-month periods

beginning on July 1, 2011 and 2010

and ended September 30, 2011 and 2010

**IRSA Inversiones y Representaciones**

**Sociedad Anónima**

**Free translation of the Unaudited Financial Statements**

For the three-month periods

beginning on July 1, 2011 and 2010 and

ended September 30, 2011 and 2010

Company: **IRSA Inversiones y Representaciones Sociedad Anónima**  
 Corporate domicile: Bolívar 108 1° Floor Autonomous City of Buenos Aires  
 Principal activity: Real estate investment and development  
 Financial Statements as of September 30, 2011

Presented in comparative form with the previous fiscal year

Stated in thousands of pesos

Fiscal year No. 69 beginning July 1<sup>st</sup>, 2011

DATE OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE

Of the By-laws: June 23, 1943  
 Of last amendment: February 12, 2008  
 Registration number with the  
 Superintendence of Corporations: 213,036  
 Duration of the Company: April 05, 2043.  
 Controlling Company: Cresud Sociedad Anónima, Comercial, Inmobiliaria,  
 Financiera y Agropecuaria (Cresud S.A.C.I.F. y A.)  
 Corporate Domicile: Moreno 877, 23rd Floor, Autonomous City of Buenos Aires  
 Principal Activity: Agricultural, livestock and real estate investment  
 Shareholding: 63.22%  
 Information related to subsidiaries is shown in Note 1.a.

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

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

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

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Unaudited Consolidated Balance Sheets as of September 30 and June 30, 2011**

In thousands of pesos (Notes 1 and 2)

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

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

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

Eduardo S. Elsztain  
President



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

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

and ended September 30, 2011 and 2010

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

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

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

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

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

Eduardo S. Elsztain  
President

**IRSA Inversiones y Representaciones Sociedad Anónima**

and subsidiaries

**Unaudited Consolidated Statements of Cash Flows**

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

and ended September 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

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

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

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

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

Eduardo S. Elsztain

President

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

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

and ended September 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

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

	September 30, 2011	September 30, 2010
<b><u>Supplemental cash flow information</u></b>		
Income tax paid	8,931	4,394
<b><u>Non-cash activities:</u></b>		
Issuance of Trust Certificates		18,786
Increase in non-current investments through a decrease in other liabilities		6,053
Increase in non-current investments through a decrease in other receivables		36,036
Increase in fixed assets, net through an increase in trade accounts payable		5,352
Decrease in inventories through a decrease in trade accounts payable	11,970	
Transfer of fixed assets to inventories	5,893	
Cumulative translation adjustment of subsidiaries	9,898	1,507
Transfer of undeveloped parcels of land to inventories		3,030
Increase in inventories through an increase in customer advances	2,738	1,920
Increase in fixed assets, net through an increase in long-term debt		53,896
<b><u>Composition of cash and cash equivalents at the period end</u></b>		
Cash and Banks	206,965	67,667
Current investments	163,461	462,778
Subtotal cash and banks and current investments	370,426	530,445
Less: (items not considered cash and cash equivalents)		
Mutual funds	61,853	59,257
Retained interest in securitized receivables of Tarshop S.A. (CPs)		4,550
Stock shares	13,688	11,369
Mortgage bonds issued by Banco Hipotecario S.A.	481	480
Interest receivable Non-Convertible Notes Cresud S.A.C.I.F. y A.	5,308	
Other investments	12	15
<b>Cash and cash equivalents</b>	<b>289,084</b>	<b>454,774</b>

Eduardo S. Elsztain  
President

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Unaudited Consolidated Statements of Cash Flows (Continued)**

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

and ended September 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

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

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

Eduardo S. Elsztain  
President

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements**

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

ended September 30, 2011 and 2010

In thousands of pesos

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

**NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL**

a. Basis of consolidation

Financial Statements have been prepared in constant currency.

The Company has consolidated its balance sheets at September 30 and June 30, 2011, statements of income and cash flows for the three-months periods ended September 30, 2011 and 2010 line by line with the financial statements of its subsidiaries, following the procedure established in Technical Resolution No. 21 of the Federación Argentina de Consejos Profesionales de Ciencias Económicas ( F.A.C.P.C.E. ) and approved by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires and by the National Securities Commission. All significant intercompany balances and transactions have been eliminated in consolidation. The Unaudited Consolidated Financial Statements include the assets, liabilities and results of operations of the following controlled subsidiaries:

COMPANIES	September 30,	June 30,	September 30,	June 30,
	2011	2011	2011	2011
	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
Ritelco S.A.	100.00	100.00	100.00	100.00
Palermo Invest S.A.	100.00	100.00	100.00	100.00
Inversora Bolívar S.A.	100.00	100.00	100.00	100.00
E-Commerce Latina S.A.	100.00	100.00	100.00	100.00
Solares de Santa María S.A. (1)	100.00	100.00	100.00	100.00
Hoteles Argentinos S.A.	80.00	80.00	80.00	80.00
Alto Palermo S.A. ( APSA ) (2)	94.89	94.89	94.89	94.89
Llao Llao Resorts S.A.	50.00	50.00	50.00	50.00
Tyrus S.A.	100.00	100.00	100.00	100.00
Nuevas Fronteras S.A.	76.34	76.34	76.34	76.34
Unicity S.A. (1)	100.00	100.00	100.00	100.00

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

(2) See Note 16.2. and 18.2. to the Unaudited Basic Financial Statements

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

In thousands of pesos

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

**NOTE 1:** (Continued)

a. (Continued)

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

COMPANIES	September 30,	June 30,	September 30,	June 30,
	2011	2011	2011	2011
	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
Cyrsa S.A. ( CYRSA ) (1)	50.00	50.00	50.00	50.00
Canteras Natal Crespo S.A. (2)	50.00	50.00	50.00	50.00
Quality Invest S.A.( Quality ) (3)	50.00	50.00	50.00	50.00

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

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

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

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

b. Comparative Information

Balance items as of June 30, 2011 shown in these unaudited financial statements for comparative purposes arise from audited annual financial statements for the year then ended.

Balances for the three-month period ended September 30, 2011 of income and cash flows statements are shown for comparative purposes with the same period of the previous fiscal year.

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



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

In thousands of pesos

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

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

On September 13, 2010, APSA sold 80% of Tarshop S.A.. Consequently, the Unaudited Statement of Income and the Unaudited Statement of Cash Flows as of September 30, 2010 include income and cash flows, respectively, for the two-month period in which APSA still controlled it. As from the sale, results generated from the remaining investment are disclosed under caption Gain on equity investees .

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

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

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

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- Provided by (used in) financing activities	287,917	(28,553)	259,364
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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

In thousands of pesos

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 a. to the Unaudited Basic Financial Statements details the most significant accounting policies. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that note.

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

a. Revenue recognition

Revenues from admission rights, leases and services

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

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

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

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

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

In thousands of pesos

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**NOTE 2:** (Continued)

a. (Continued)

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

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

Lease agent operations

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

Consumer Financing operations

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

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

**Notes to the Unaudited Consolidated Financial Statements (Continued)**

In thousands of pesos

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

**NOTE 2:** (Continued)

a. (Continued)

Hotel operations

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

b. Investments

Equity investees and other non-current investments

The interests held in entities over which the Company does not exert control, joint control or significant influence have been measured for accounting purposes at cost plus any declared dividends.

Given the sale of 80% of Tarshop S.A.'s shares described in Note 22 B.3., as of the date of issuance of these unaudited financial statements, APSA maintains a 20% investment in Tarshop S.A. that is valued by the equity method due to the existence of significant influence by the group of companies on Tarshop S.A.'s decisions and the intention to keep it as a long-term investment.

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

c. Intangible assets, net

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

Concession

Intangible assets include Arcos del Gourmet S.A.'s concession right, which will be amortized over the life of the concession agreement (see Notes 22 B.1. and 24 B.5.), after the opening of the shopping center.

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**Notes to the Unaudited Consolidated Financial Statements (Continued)**

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**NOTE 2:** (Continued)

c. (Continued)

Trademarks

Trademarks include the expenses and fees related to their registration.

Pre-operating and organization expenses

These expenses are amortized by the straight-line method in 3 years, starting upon the opening of the shopping center.

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

Non-compete agreement

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

Under the agreement executed with Banco Hipotecario S.A. for the sale of Tarshop S.A.'s shares, APSA has signed a non-compete agreement in favor of BHSA and has thus written off this intangible (See Note 22 B.3.).

d. Negative Goodwill, net

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

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

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

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**NOTE 2:** (Continued)

e. Liabilities in kind related to barter transactions

Liabilities in kind corresponding to obligations to deliver units to be built are valued considering the value of the assets received or the cost of construction of the units to deliver plus necessary additional costs to transfer the assets to the creditor, the largest, thus reducing its value pro rata the units that are granted notarial titled deed. Liabilities in kind have been shown in the Trade account payables caption.

**NOTE 3: NET INCOME BY BUSINESS SEGMENT**

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

A general description of each segment follows:

Development and Sale of properties

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

Office and other Non-Shopping center Rental Properties

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

Shopping centers

This segment includes the operating results of shopping centers activities.

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**NOTE 3:** (Continued)

Hotel operations

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

Consumer financing

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

Financial operations and others

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

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

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



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

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**NOTE 3:** (Continued)

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

As of September 30, 2011:

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

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

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

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**NOTE 3:** (Continued)

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

As of September 30, 2010:

	Development and Sale of Properties	Office and Other Non- Shopping Center Rental Properties (a)	Shopping Centers	Hotel Operations	Consumer Financing (1)	Financial Operations and Others	Total
Revenues	10,979	40,598	148,802	48,565	57,840		306,784
Costs	(5,951)	(7,193)	(40,309)	(30,191)	(19,415)		(103,059)
<b>Gross profit</b>	<b>5,028</b>	<b>33,405</b>	<b>108,493</b>	<b>18,374</b>	<b>38,425</b>		<b>203,725</b>
Selling expenses	(696)	(971)	(8,575)	(5,128)	(19,288)		(34,658)
Administrative expenses	(9,672)	(9,952)	(15,183)	(9,673)	(5,280)		(49,760)
<b>Subtotal</b>	<b>(10,368)</b>	<b>(10,923)</b>	<b>(23,758)</b>	<b>(14,801)</b>	<b>(24,568)</b>		<b>(84,418)</b>
Gain from recognition of inventories at net realizable value	13,453						13,453
Gain from retained interest in securitized receivables					5,213		5,213
<b>Operating income</b>	<b>8,113</b>	<b>22,482</b>	<b>84,735</b>	<b>3,573</b>	<b>19,070</b>		<b>137,973</b>
Depreciation and amortization (b)	75	6,171	29,111	3,690	560		39,607
Acquisition of fixed assets, net and intangible assets, net	14	356	14,760	2,040	90		17,260
Non-current investments in equity investees (c)	84,062	207,074		277,248	49,459	923,807	1,541,650
Operating assets (c)	671,738	1,367,767	2,413,943	202,633	26,198	367,427	5,049,706
Non-operating assets (c)	40,754	44,846	(175,462)	36,913	22,510	1,296,043	1,265,604
Total assets (c)	712,492	1,412,613	2,238,481	239,546	48,708	1,663,470	6,315,310
Operating liabilities (c)	24,491	137,990	402,523	39,030	31,112		635,146
Non-operating liabilities (c)	483,151	436,886	1,568,627	198,135		194,724	2,881,523
Total liabilities (c)	507,642	574,876	1,971,150	237,165	31,112	194,724	3,516,669

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(c) Information as of June 30, 2011

(1) See Note 1.c..

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**NOTE 4: CASH AND BANKS**

The breakdown for this item is as follows:

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

**NOTE 5: INVESTMENTS**

The breakdown for this item is as follows:

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

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

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**NOTE 5:** (Continued)

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

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

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**NOTE 6: ACCOUNT RECEIVABLE, NET**

The breakdown for this item is as follows:

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

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**NOTE 7: OTHER RECEIVABLES**

The breakdown for this item is as follows:

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