

IRSA INVESTMENTS & REPRESENTATIONS INC  
Form 6-K  
May 30, 2006

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 6-K

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REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15b-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of May, 2006

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### 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)

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Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolivar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

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Form 20-F ii Form 40-F \_\_\_\_\_

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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   

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**IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

**(THE COMPANY )**

**REPORT ON FORM 6-K**

Attached is a copy of the English translation of the Unaudited Consolidated Financial Statements For the nine -month period beginning on July 1, 2005 and 2004 and ended March 31, 2006 and 2005.

**IRSA Inversiones y Representaciones**

**Sociedad Anónima and subsidiaries**

**Free translation of the Unaudited**

**Consolidated Financial Statements**

For the nine -month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Unaudited Consolidated Balance Sheets as of March 31, 2006 and June 30, 2005**

In thousand of pesos (Notes 1, 2 and 3)

|   | March 31,        | June 30,         |
|---|------------------|------------------|
|   | 2006             | 2005             |
| <b><u>ASSETS</u></b>                            |                  |                  |
| <b><u>CURRENT ASSETS</u></b>                    |                  |                  |
| Cash and banks (Note 5)                         | 81,116           | 98,244           |
| Investments (Note 9)                            | 146,038          | 113,690          |
| Mortgages and leases receivables, net (Note 6)  | 107,769          | 65,481           |
| Other receivables and prepaid expenses (Note 7) | 55,614           | 46,694           |
| Inventories (Note 8)                            | 75,618           | 65,626           |
| <b>Total Current Assets</b>                     | <b>466,155</b>   | <b>389,735</b>   |
| <b><u>NON-CURRENT ASSETS</u></b>                |                  |                  |
| Mortgages and leases receivables, net (Note 6)  | 32,331           | 7,765            |
| Other receivables and prepaid expenses (Note 7) | 103,784          | 112,538          |
| Inventories (Note 8)                            | 60,445           | 53,460           |
| Investments (Note 9)                            | 557,532          | 531,606          |
| Fixed assets, net (Note 10)                     | 1,422,088        | 1,436,628        |
| Intangible assets, net                          | 6,997            | 5,880            |
| <b>Subtotal Non-Current Assets</b>              | <b>2,183,177</b> | <b>2,147,877</b> |
| Goodwill, net                                   | (17,278)         | (13,186)         |
| <b>Total Non-Current Assets</b>                 | <b>2,165,899</b> | <b>2,134,691</b> |
| <b>Total Assets</b>                             | <b>2,632,054</b> | <b>2,524,426</b> |
| <b><u>LIABILITIES</u></b>                       |                  |                  |
| <b><u>CURRENT LIABILITIES</u></b>               |                  |                  |
| Trade accounts payable                          | 111,598          | 66,881           |
| Mortgages payable (Note 11)                     | 18,043           | 25,462           |
| Customer advances (Note 12)                     | 66,349           | 50,924           |
| Short term-debt (Note 13)                       | 77,450           | 93,918           |
| Salaries and social security payable            | 8,623            | 12,336           |
| Taxes payable                                   | 45,852           | 22,352           |
| Other liabilities (Note 14)                     | 43,820           | 39,104           |
| <b>Total Current Liabilities</b>                | <b>371,735</b>   | <b>310,977</b>   |
| <b><u>NON-CURRENT LIABILITIES</u></b>           |                  |                  |
| Trade accounts payable                          | 1,265            | 1,949            |
| Mortgages payable (Note 11)                     | 18,519           | 27,627           |
| Customer advances (Note 12)                     | 43,442           | 39,868           |

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|   |                  |                  |
|---|------------------|------------------|
| Long term-debt (Note 13)                          | 368,925          | 389,755          |
| Taxes payable                                     | 14,723           | 21,772           |
| Other liabilities (Note 14)                       | 26,774           | 34,410           |
| <b>Total Non-Current Liabilities</b>              | <b>473,648</b>   | <b>515,381</b>   |
| <b>Total Liabilities</b>                          | <b>845,383</b>   | <b>826,358</b>   |
| Minority interest                                 | 445,903          | 445,839          |
| <b>SHAREHOLDERS' EQUITY</b>                       | <b>1,340,768</b> | <b>1,252,229</b> |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>2,632,054</b> | <b>2,524,426</b> |

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

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos, except earnings per share (Notes 1, 2 and 3)

|   | <b>March 31,<br/>2006</b> | <b>March 31,<br/>2005</b> |
|---|---------------------------|---------------------------|
| Sales, leases and services                              | 381,270                   | 271,890                   |
| Cost of sales, leases and services                      | (164,211)                 | (117,459)                 |
| <b>Gross profit</b>                                     | <b>217,059</b>            | <b>154,431</b>            |
| Gain from valuation of inventories at fair market value | 8,220                     |                           |
| Selling expenses  | (41,895)                  | (26,277)                  |
| Administrative expenses                                 | (62,608)                  | (43,457)                  |
| <b>Subtotal</b>   | <b>(96,283)</b>           | <b>(69,734)</b>           |
| Net gain in credit card trust Tarjeta Shopping          | 2,116                     | 393                       |
| <b>Operating income (Note 4)</b>                        | <b>122,892</b>            | <b>85,090</b>             |
| Amortization of goodwill                                | (827)                     | (1,322)                   |
| Financial results generated by assets:                  |                           |                           |
| Interest income   | 4,124                     | 2,807                     |
| Interest on discount by assets                          | (17)                      | 234                       |
| Gain on financial operations                            | 9,828                     | 26,649                    |
| Exchange gain   | 22,199                    | (2,133)                   |
| <b>Subtotal</b>   | <b>36,134</b>             | <b>27,557</b>             |
| Financial results generated by liabilities:             |                           |                           |
| Interest on discount by liabilities                     | (1)                       | (134)                     |
| Discounts   |                           | 2,387                     |
| Exchange loss   | (40,032)                  | 7,459                     |
| Financial expenses                                      | (38,804)                  | (40,566)                  |
| <b>Subtotal</b>   | <b>(78,837)</b>           | <b>(30,854)</b>           |
| <b>Financial results, net</b>                           | <b>(42,703)</b>           | <b>(3,297)</b>            |
| Equity gain from related companies                      | 37,193                    | 58,728                    |
| Other income and expenses, net (Note 15)                | (6,631)                   | (6,263)                   |
| <b>Net Income before taxes and minority interest</b>    | <b>109,924</b>            | <b>132,936</b>            |
| Income tax and asset tax                                | (49,749)                  | (41,255)                  |
| Minority interest                                       | (19,270)                  | (13,476)                  |
| <b>Net income for the period</b>                        | <b>40,905</b>             | <b>78,205</b>             |
| <b>Earnings per common share</b>                        |                           |                           |
| Basic (Note 25)   | 0.111                     | 0.302                     |
| Diluted (Note 25)                                       | 0.110                     | 0.179                     |

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

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos (Notes 1, 2 and 3)

|  | March 31,<br>2006 | March 31,<br>2005 |
|--|-------------------|-------------------|
| <b>CHANGES IN CASH AND CASH EQUIVALENTS</b>  |                   |                   |
| Cash and cash equivalents as of beginning of year  | 142,589           | 122,913           |
| Cash and cash equivalents as of end of period  | 156,718           | 165,521           |
| <b>Net increase in cash and cash equivalents</b>   | <b>14,129</b>     | <b>42,608</b>     |
| <b>CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS</b>  |                   |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |                   |
| Net income for the period  | 40,905            | 78,205            |
| Plus income tax and asset tax accrued for the year   | 49,749            | 41,255            |
| <b>Adjustments to reconcile net income to cash flows from operating activities:</b>              |                   |                   |
| Equity gain from related companies   | (37,193)          | (58,728)          |
| Minority interest  | 19,270            | 13,476            |
| Allowances and reserves  | 13,954            | 7,519             |
| Sundry provisions  | 8,621             | 3,682             |
| Amortization and depreciation  | 61,281            | 54,997            |
| Financial results  | 26,276            | (29,734)          |
| Results from sale of fixed assets  |                   | 413               |
| Results from sale of inventories   |                   | (15,501)          |
| Gain from valuation of inventories at fair market value  | (8,220)           |                   |
| Amortization of unearned income  | (2,428)           |                   |
| Unrecovered expenses   | 5,164             | 1,614             |
| <b>Changes in operating assets and liabilities:</b>  |                   |                   |
| Decrease in current investments  | 10,931            | 603               |
| Increase in non-current investments  | (18,419)          |                   |
| Increase in mortgages and lease receivables  | (77,145)          | (36,350)          |
| Decrease in other receivables  | 925               | 7,718             |
| Decrease (Increase) in inventories   | 22,161            | (5,130)           |
| Increase in intangible assets in intangible assets   | (2,247)           | (1,994)           |
| (Decrease) Increase in taxes payable, salaries and social security payable and customer advances | (8,717)           | 1,197             |
| Increase in trade accounts payable   | 40,320            | 12,646            |
| Increase in accrued interest   | 6,018             | 8,928             |
| Decrease in other liabilities  | (3,877)           | (10,222)          |
| <b>Net cash provided by operating activities</b>   | <b>147,329</b>    | <b>74,594</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |                   |
| Payment for companies acquired net of cash acquired  | (4,232)           | (4,163)           |
| Increase in non-current investments  |                   | (13,772)          |
| Guarantee deposit  | (8,610)           |                   |
| Acquisition of minority interests in APSA  | (4,030)           | (16,443)          |
| Sale of IRSA Telecommunications N.V.   | 1,719             |                   |

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|   |                 |                 |
|---|-----------------|-----------------|
| Increase in receivables with related companies                | (325)           |                 |
| Improvements to undeveloped parcels of land                   | (630)           | (462)           |
| Purchase and improvements of fixed assets                     | (55,206)        | (42,643)        |
| <b>Net cash used in investing activities</b>                  | <b>(71,314)</b> | <b>(77,483)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                  |                 |                 |
| Increase in short-term and long-term debt                     | 16,414          | 76,025          |
| Payment of short-term and long-term debt                      | (60,945)        | (101,195)       |
| Dividend payment by subsidiaries to minority shareholders     | (11,356)        | (10,300)        |
| Payment to minority shareholders due to a capital reduction   | (1,320)         |                 |
| Collateral deposit  |                 | (5,822)         |
| Proceeds from settlement of swap agreement                    | 1,190           |                 |
| Settlement of mortgages payable                               | (22,729)        |                 |
| Payment of seller financings                                  | (5,150)         |                 |
| Issuance of common stock (exercise of options)                | 21,560          | 86,789          |
| <b>Net cash (used in) provided by in financing activities</b> | <b>(61,886)</b> | <b>45,497</b>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>              | <b>14,129</b>   | <b>42,608</b>   |

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

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos (Notes 1, 2 and 3)

|  | March 31, | March 31, |
|--|-----------|-----------|
|  | 2006      | 2005      |
| <b>Supplemental cash flow information</b>                                  |           |           |
| <b>Cash paid during the period:</b>  | 40,626    | 40,890    |
| Interest paid  | 589       | 813       |
| Income tax paid  |           |           |
| <b>Non-cash activities:</b>  |           |           |
| Increase in fixed assets through a decrease in inventories                 |           | 123       |
| Increase in inventories through a decrease in fixed assets                 | 1,422     | 5,994     |
| Increase in intangible assets through a decrease in fixed assets           | 6         | 2,126     |
| Increase in undeveloped parcels of land through a decrease in fixed assets | (9,049)   |           |
| Increase in inventories through a decrease in undeveloped parcels of land  | 18,404    | 25,979    |
| Increase in fixed assets through trade accounts payable                    |           | 1,482     |
| Increase in other receivables through a decrease in fixed assets           | 83        |           |
| Increase in credit card trust Tarshop                                      |           | 7,501     |
| Dissolution of credit card trust Tarshop                                   |           | 3,004     |
| Increase of fixed assets through a decrease in other receivables           |           | 103       |
| Increase of shareholders equity through an increase in others receivables  |           | 482       |
| Compensation of restricted cash with provisions for contingencies          |           | 185       |
| Decrease in non-incurrent investments through an increase in fixed assets  |           | 596       |
| Conversion of negotiable obligations into common shares                    | 26,074    | 69,207    |

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos (Notes 1, 2 and 3)

|  | March 31,<br>2006 | March 31,<br>2005 |
|--|-------------------|-------------------|
| <b>Acquisitions of subsidiary companies:</b>                         |                   |                   |
| Services and lease receivables                                       |                   | 1,489             |
| Other receivables  | 99                | 4,761             |
| Undeveloped parcels of land  | 269               |                   |
| Fixed Assets   |                   | 86,931            |
| Intangibles Assests  |                   | 12                |
| Trade payables   |                   | (983)             |
| Customer Advances  |                   | (3,325)           |
| Bank and financial loans   |                   | (38,178)          |
| Loans to related companies   |                   | (3,133)           |
| Salaries and social security charges                                 |                   | (203)             |
| Fiscal Debts   |                   | (754)             |
| Dividends payables (includes \$75 to pay to Alto Palermo S.A (APSA)) |                   | (300)             |
| Other liabilities  | (89)              | (16,182)          |
| Allowances   |                   | (4,458)           |
| <b>Net value of the acquired non-cash assets</b>                     | <b>279</b>        | <b>25,677</b>     |
| Cash acquired  |                   | 1,239             |
| <b>Net value of the acquired assets</b>                              |                   | <b>26,916</b>     |
| Minority interest  |                   | (8,398)           |
| Equity investment before the acquisition                             |                   | (5,087)           |
| Higher value of fixed assets acquired                                |                   | 1,558             |
| Higher value of undeveloped parcels of land acquired                 | 3,953             |                   |
| <b>Purchase value of acquired subsidiaries</b>                       | <b>4,232</b>      | <b>14,989</b>     |
| Cash acquired  |                   | (1,239)           |
| Amount financed by sellers   |                   | (9,587)           |
|  | <b>4,232</b>      | <b>4,163</b>      |

Eduardo Sergio Elsztain

President



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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005.

In thousand of pesos

**NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL****a. Basis of consolidation**

The Company has consolidated its balance sheets at March 31, 2006 and June 30, 2005 and the statements of income and cash flows for the nine-month periods ended March 31, 2006 and 2005 line by line with the financial statements of its subsidiaries, following the procedure established in Technical Resolution No. 21 of the Argentine Federation of Professional Councils in Economic Sciences and approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires and by the National Securities Commission.

Financial statements corresponding to the nine-month periods ended March 31, 2006 and 2005 have not been audited. The Company's management considers they include all necessary adjustments to reasonably show the consolidated results of each period.

Results for the nine-month periods ended March 31, 2006 and 2005 do not necessarily reflect the proportion of the Company's consolidated results for the years.

All significant intercompany balances and transactions have been eliminated in consolidation.

The following table shows the data concerning the corporate control:

| COMPANIES                                    | DIRECT AND<br>INDIRECT % OF<br>CAPITAL (*) |                  | DIRECT AND<br>INDIRECT % OF<br>VOTING SHARES (*) |                  |
|--|--|------------------|--|------------------|
|  | March 31,<br>2006                          | June 30,<br>2005 | March 31,<br>2006                                | June 30,<br>2005 |
| Ritelco S.A.                                 | 100.00                                     | 100.00           | 100.00   | 100.00           |
| Palermo Invest S.A.                          | 66.67                                      | 66.67            | 66.67  | 66.67            |
| Abril S.A.                                   | 83.33                                      | 83.33            | 83.33  | 83.33            |
| Pereiraola S.A.                              | 83.33                                      | 83.33            | 83.33  | 83.33            |
| Baldovinos S.A.                              | 83.33                                      | 83.33            | 83.33  | 83.33            |
| Hoteles Argentinos S.A.                      | 80.00                                      | 80.00            | 80.00  | 80.00            |
| Llao LLao Resorts S.A.                       | 50.00                                      | 50.00            | 50.00  | 50.00            |
| Buenos Aires Trade & Finance Center S.A. (1) |  | 100.00           |  | 100.00           |
| Alto Palermo S.A. ( APSA )                   | 61.62                                      | 60.69            | 61.62  | 60.69            |
| Canteras Natal Crespo S.A. (2)               | 43.18                                      |                  | 43.18  |                  |

(\*) The above holdings do not contemplate irrevocable capital contributions.

(1) The Company has completed merger procedures to take-over its subsidiary company Buenos Aires Trade and Finance Center S.A. having accounting effect as of 12/01/05 (See Note 19 to the basic unaudited financial statements)

(2) The Company holds joint control of Canteras Natal Crespo S.A. with ECIPSA, see Note 17 to the basic Unaudited Financial Statement.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 1:** (Continued)

b. Comparative Information

Balance sheet items at June 30, 2005 shown in these unaudited consolidated financial statements for comparative purposes arise from the audited annual consolidated financial statements corresponding to the year then ended.

The balances at March 31, 2006 of the Statements of Income, Changes in Shareholders' Equity and Cash Flows are disclosed in comparative format with the same period of the previous fiscal year.

Certain amounts in the financial statements at June, 2005 were reclassified for disclosure on a comparative basis with those for the period ended March 31, 2006.

**NOTE 2: CONSIDERATION OF THE EFFECTS OF INFLATION**

The unaudited financial statements have been prepared in constant monetary units, reflecting the overall effects of inflation through August 31, 1995. From that date and until December 31, 2001 the government 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.

This criterion is not in line with current professional accounting standards, which establish that the financial statements should be 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 consolidated financial statements taken as a whole.

The rate used for restatement of items is the domestic wholesale price index published by the National Institute of Statistics and Census.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 3: SIGNIFICANT ACCOUNTING POLICIES**

The unaudited financial statements of the subsidiaries mentioned in Note 1, have been prepared on a consistent basis with those applied by IRSA Inversiones y Representaciones Sociedad Anónima. Note 1 to the unaudited basic financial statements details the most significant accounting policies applied and mentions the recently approved unification of accounting standards that will be applicable at the beginning of the next fiscal year. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that note.

a. Banco Hipotecario S.A. shares

Banco Hipotecario S.A. shares were valued by using the equity method of accounting by the end of the period. See Note 1.5.i. to the unaudited basic financial statements.

b. Revenue recognition

The Company's revenues mainly stem from office leases, shopping center operations, development and sale of real estate, hotel operations and, to a lesser extent, from e-commerce activities.

Leases and services from shopping center operations

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 sales (the Percentage Rent) (which generally ranges between 4% and 8% of tenant's gross sales).

Furthermore, pursuant to the rent escalation clause in most leases, the tenant's Base Rent generally increases between 4% and 7% each year during the term of the lease. Minimum rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions, which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. The Company 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.



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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 3:** (Continued)

b. (Continued)

Generally, the Company'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. The Company also charges its tenants a monthly administration fee, prorated among the tenants according to their leases, which varies from shopping center to shopping center, relating 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.

Administration fees are recognized monthly when accrued. In addition to rent, tenants are generally charged admission rights, 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 in earnings using the straight-line method over the life of the respective lease agreements.

Credit card operations

Revenues derived from credit card transactions include commissions and financing income. Commissions are recognized at the time the merchants' transactions are processed, while financing income is recognized at the time it is accrued.

Hotel operations

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

Net operating results from each business unit are disclosed in Note 4.

c. Intangible assets

Intangible assets are carried at cost restated as mentioned in Note 2, less accumulated amortization and corresponding allowances for impairment in value. Included in the Intangible Assets caption are the following:

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 3:** (Continued)

c. (Continued)

Trademarks

Trademarks include the expenses and fees related to their registration.

Pre-operating expenses

This item reflects expenses generated by the opening of new shopping malls. Those expenses are amortized by the straight-line method in 3 years for each one of the shoppings centers, beginning as from the date of opening of the shopping center.

Property development expenses

Expenses incurred related to the selling of development properties, including advertising, commissions and other expenses, are charged to net income for the period in which the corresponding income is accrued, based on the percentage of completion method.

The value of these assets do not exceed its estimated recoverable value at the end of each period.

d. Goodwill

Negative goodwill represents the excess of the market value of net assets of the subsidiaries at the percentage participation acquired over the acquisition cost. Goodwill has been restated following the guidelines mentioned in Note 2 and amortization has been calculated by the straight-line method based on an estimated useful life of 20 years, considering the weighted-average of the remaining useful life of identifiable assets acquired subject to depreciation.

Additionally, also included was the goodwill from the subsidiary APSA, originating from the purchase of shares of Tarshop S.A., Fibesa S.A. and Shopping Alto Palermo S.A., which is amortized through the straight-line method over a period that not exceeds 10 years.

Amortization has been classified under Amortization of goodwill in the Statements of Income.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTA 4: OPERATING INCOME BY BUSINESS UNIT**

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 five reportable segments. These segments are Sale and development of properties, Office and other non-shopping center rental properties, Shopping centers, Hotel operations, and Financial operations and others. As mentioned in Note 1, the consolidated statements of income were prepared following the guidelines of Technical Resolution No. 21 of the F.A.C.P.C.E.

A general description of each segment follows:

**Sale and development of properties**

This segment includes the operating results of the Company's construction and ultimate sale of residential buildings business.

**Office and other non-shopping center rental properties**

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

**Shopping centers**

This segment includes the operating results of the Company's shopping centers principally comprised of lease and service revenues from tenants. This segment also includes revenues derived from credit card transactions that consist of commissions and financing income.

**Hotel operations**

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

**Financial operations and others**

This segment primarily includes revenues and associated costs generated from the sale of equity securities, other securities-related transactions and other non-core activities of the Company. This segment also includes gain/loss in equity investments of the Company relating to the banking activity, internet, telecommunications and other technology-related activities of the Company.

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTA 4:** (Continued)

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 3 to the unaudited consolidated financial statements.

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 4:** (Continued)

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

As of March 31, 2006

|  | Office and                               |  |                     |                     |         |           |
|--|--|--|---------------------|---------------------|---------|-----------|
|  | Development<br>and sale of<br>properties | Other<br>non-shopping<br>center rental<br>properties (a) | Shopping<br>centers | Hotel<br>operations | Others  | Total     |
| Revenues   | 32,764                                   | 21,524   | 245,542             | 79,700              | 1,740   | 381,270   |
| Costs  | (27,077)                                 | (6,869)  | (86,095)            | (43,089)            | (1,081) | (164,211) |
| Gross (loss) profit                                    | 5,687                                    | 14,655   | 159,447             | 36,611              | 659     | 217,059   |
| Income from valuation of inventories at net sale value | 8,220                                    |  |                     |                     |         | 8,220     |
| Selling expenses                                       | (1,320)                                  | (796)  | (31,627)            | (8,152)             |         | (41,895)  |
| Administrative expenses                                | (7,899)                                  | (7,189)  | (31,582)            | (15,938)            |         | (62,608)  |
| Net gain in credit card trust                          |  |  | 2,116               |                     |         | 2,116     |
| Operating income (loss)                                | 4,688                                    | 6,670  | 98,354              | 12,521              | 659     | 122,892   |
| Depreciation and amortization (b)                      | 247                                      | 5,987  | 47,272              | 7,245               |         | 60,751    |
| Addition of fixed assets and intangible assets         | 688                                      | 1,374  | 39,782              | 13,264              |         | 55,206    |
| Non-current investments in other companies             |  |  | 318                 |                     | 255,811 | 256,129   |
| Operating assets                                       | 359,931                                  | 359,425  | 1,137,005           | 143,611             |         | 1,999,972 |
| Non- Operating assets                                  | 52,315                                   | 52,241   | 42,550              | 3,520               | 481,456 | 632,082   |
| Total assets   | 412,246                                  | 411,666  | 1,179,555           | 147,131             | 481,456 | 2,632,054 |
| Operating liabilities                                  | 13,985                                   | 60,205   | 216,984             | 22,517              |         | 313,691   |
| Non-Operating liabilities                              | 90,372                                   | 67,829   | 285,031             | 49,116              | 39,344  | 531,692   |
| Total liabilities                                      | 104,357                                  | 128,034  | 502,015             | 71,633              | 39,344  | 845,383   |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income (loss).

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 4:** (Continued)

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

As of March 31, 2005

|   | <b>Development<br/>and sale of<br/>properties</b> | <b>Office and<br/>Other<br/>non-shopping<br/>center rental<br/>properties (a)</b> | <b>Shopping<br/>centers</b> | <b>Hotel<br/>operations</b> | <b>Others</b> | <b>Total</b> |
|---|---|---|-----------------------------|-----------------------------|---------------|--------------|
| Sales, leases and services                          | 28,343  | 13,652  | 161,629                     | 68,266                      |               | 271,890      |
| Cost of sales, leases and services                  | (12,837)  | (5,587)   | (62,637)                    | (36,398)                    |               | (117,459)    |
| Gross (loss) profit                                 | 15,506  | 8,065   | 98,992                      | 31,868                      |               | 154,431      |
| Selling expenses                                    | (1,384)   | (654)   | (16,726)                    | (7,513)                     |               | (26,277)     |
| Administrative expenses                             | (5,072)   | (4,198)   | (20,176)                    | (14,011)                    |               | (43,457)     |
| Net income in credit card trust                     |   |   | 393                         |                             |               | 393          |
| Operating income                                    | 9,050   | 3,213   | 62,483                      | 10,344                      |               | 85,090       |
| Depreciation and amortization (b)                   | 177   | 4,827   | 42,795                      | 6,930                       |               | 54,729       |
| Additions of fixed assets and intangible assets (c) |   | 20,370  | 50,921                      | 8,025                       |               | 79,316       |
| Non-current investments in other companies (c)      |   |   | 808                         |                             | 219,432       | 220,240      |
| Operating assets (c)                                | 343,803   | 364,420   | 1,124,780                   | 133,035                     |               | 1,966,038    |
| Non-operating assets (c)                            | 55,442  | 58,766  | 10,678                      | 2,136                       | 431,366       | 558,388      |
| Total assets (c)                                    | 399,245   | 423,186   | 1,135,458                   | 135,171                     | 431,366       | 2,524,426    |
| Operating liabilities (c)                           | 11,040  | 68,129  | 147,915                     | 20,313                      |               | 247,397      |
| Non-operating liabilities (c)                       | 96,332  | 72,266  | 308,153                     | 44,735                      | 57,475        | 578,961      |
| Total liabilities (c)                               | 107,372   | 140,395   | 456,068                     | 65,048                      | 57,475        | 826,358      |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(c) Information at June 30, 2005

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 5: CASH AND BANKS**

The breakdown for this item is as follows:

|  | <b>March 31,<br/>2006</b> | <b>June 30,<br/>2005</b> |
|--|---------------------------|--------------------------|
| Cash in local currency                     | 2,279                     | 2,232                    |
| Cash in US\$                               | 2,752                     | 5,135                    |
| Banks in local currency                    | 23,671                    | 14,998                   |
| Banks in US\$                              | 37,684                    | 30,702                   |
| Banks in EUR                               | 432                       | 284                      |
| Special current accounts in local currency | 1,717                     | 2,106                    |
| Foreign accounts                           | 11,828                    | 42,099                   |
| Checks to be deposited                     | 753                       | 688                      |
|  | <b>81,116</b>             | <b>98,244</b>            |

**NOTE 6: MORTGAGES AND LEASES RECEIVABLE**

The breakdown for this item is as follows:

|   | <b>March 31, 2006</b> |                         | <b>June 30, 2005</b> |                         |
|---|-----------------------|-------------------------|----------------------|-------------------------|
|   | <b>Current</b>        | <b>Non-<br/>Current</b> | <b>Current</b>       | <b>Non-<br/>Current</b> |
| Debtors from sale of real estate                    | 8,965                 | 13,268                  | 2,117                | 840                     |
| Interest to be accrued                              | (93)                  | (81)                    | (10)                 | (5)                     |
| Debtors from leases and credit card                 | 82,174                | 20,313                  | 51,256               | 7,899                   |
| Debtors from leases under legal proceedings         | 22,794                |                         | 22,664               |                         |
| Debtors from sales under legal proceedings          | 2,040                 |                         | 2,368                |                         |
| Checks to be deposited                              | 24,530                |                         | 20,319               |                         |
| Related parties                                     | 431                   |                         | 146                  |                         |
| Mortgages accounts receivable from hotel activities | 8,716                 |                         | 4,876                |                         |
| Less:   |                       |                         |                      |                         |
| Allowance for doubtful accounts                     | (514)                 |                         | (425)                |                         |
| Allowance for doubtful leases                       | (41,274)              | (1,169)                 | (37,830)             | (969)                   |
|   | <b>107,769</b>        | <b>32,331</b>           | <b>65,481</b>        | <b>7,765</b>            |

## IRSA Inversiones y Representaciones Sociedad Anónima

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

**NOTE 7: OTHER RECEIVABLES**

The breakdown for this item is as follows:

|  | March 31, 2006 |             | June 30, 2005 |             |
|--|----------------|-------------|---------------|-------------|
|  | Current        | Non-Current | Current       | Non-Current |
| Asset tax credits                                    | 3,531          | 29,168      | 18,009        | 25,694      |
| Value added tax ( VAT ) receivable                   | 3,697          | 4,828       | 3,838         | 5,173       |
| Related parties                                      | 4,683          |             | 2,055         | 46          |
| Guarantee deposits (1) (2)                           | 9,635          | 35          | 279           | 19          |
| Prepaid expenses                                     | 10,594         | 298         | 6,878         | 315         |
| Guarantee of defaulted credits (3)                   | 2,434          | 15,868      |               | 17,128      |
| Expenses to be recovered                             | 4,315          |             | 3,726         |             |
| Fund administration and reserve                      | 191            |             | 191           |             |
| Advances to be rendered                              | 66             |             | 79            |             |
| Gross sales tax                                      | 940            | 897         | 1,037         | 782         |
| Deferred income tax                                  |                | 49,414      |               | 61,761      |
| Debtors under legal proceeding                       | 145            |             | 96            |             |
| Sundry debtors                                       | 3,057          |             | 2,837         |             |
| Future contracts receivable                          | 287            |             | 269           |             |
| Income tax advances                                  | 1,231          |             | 1,332         |             |
| Country club debtors                                 | 412            |             | 412           |             |
| Cash reserves related to the securitization programs | 1,109          | 4,455       | 4,090         | 2,549       |
| Mortgages receivable under legal proceeding          |                | 2,208       |               | 2,208       |
| Allowance for doubtful accounts                      |                | (2,208)     |               | (2,208)     |
| Tax on personal assets to be recovered               | 6,544          |             | 5,823         |             |
| Allowance for tax on personal assets                 | (5,793)        |             | (5,326)       |             |
| Pre-paid insurance                                   | 119            |             | 52            |             |
| Judicial attachments (Note 26)                       | 861            |             | 861           |             |
| Expenses to be recovered for damage (Note 29)        | 7,438          |             |               |             |
| Present value other receivables                      |                | (1,200)     |               | (1,064)     |
| Other  | 118            | 21          | 156           | 135         |
|  | 55,614         | 103,784     | 46,694        | 112,538     |

- (1) Includes a US\$ 3 million deposit in guarantee kept in the Deutsche Bank in favor of Argentimo S.A. related to an agreement entered into between Alto Palermo S.A., Argentimo S.A. and Constructora San José Argentina S.A. by which the guidelines are established for negotiating the acquisition of land to develop a shopping center and a dwelling and/or office building.
- (2) Includes restricted cash (see Note 16.b)
- (3) See note 15 to the unaudited basic financial statements and Note 16 to the unaudited consolidated financial statements.



**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 8: INVENTORIES**

The breakdown for this item is as follows:

|   | March 31, 2006<br>Non- |         | June 30, 2005<br>Non- |         |
|---|------------------------|---------|-----------------------|---------|
|   | Current                | Current | Current               | Current |
| Edificios Cruceros (1)                          | 8,648                  |         | 8,141                 |         |
| Dock 13   | 1,605                  |         | 1,605                 |         |
| Dorrego 1916                                    | 13                     |         | 13                    |         |
| Minetti D                                       | 65                     |         | 65                    |         |
| Terrenos de Caballito                           |                        | 10,675  |                       |         |
| Torres Jardín                                   | 468                    |         | 468                   |         |
| V. Celina                                       | 43                     |         | 43                    |         |
| Abril / Baldovinos                              | 6,930                  | 1,652   | 7,671                 | 2,782   |
| San Martín de Tours                             | 14,075                 |         | 11,743                |         |
| Credit from barter of Benavidez (Note 27)       | 8,542                  |         |                       | 8,542   |
| Torres de Abasto                                | 518                    |         | 518                   |         |
| Dique III (2)                                   | 25,559                 | 9,776   | 33,699                |         |
| Credit from barter of Parcel 1 c) Dique III (3) |                        | 22,861  |                       | 22,861  |
| Torres Rosario (Note 12 (2))                    | 6,941                  | 15,481  |                       | 19,275  |
| Other inventories                               | 2,211                  |         | 1,660                 |         |
|   | 75,618                 | 60,445  | 65,626                | 53,460  |

(1) See note 1.5.h to the unaudited basic financial statements.

(2) Corresponds to parcel 1 e) (valued at restated cost). An option contract was signed for this plot and this option has not been exercised as of the date of issuance of these unaudited financial statements. Also, corresponds to parcel 1 d) (valued at net realizable value). A preliminary sale contract was signed for this plot. See Note 20 to the unaudited basic financial statements.

(3) Corresponds to the right to receive units to be received as consideration for the exchange of plot 1c). See Note 20 to the unaudited basic financial statements.

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 9: INVESTMENTS**

The breakdown for this item is as follows:

|  | March 31, 2006 | June 30, 2005 |
|--|----------------|---------------|
| <b><u>Current</u></b>                      |                |               |
| Cedro (1)                                  |                | 5             |
| Lebacs (1)                                 |                | 3,445         |
| Boden (1)                                  | 127            | 39            |
| Mortgage bonds (1)                         | 2,914          | 3,523         |
| Bono Argentina Discount (1)                |                | 1,074         |
| IRSA I Trust Exchangeable Certificate (1)  | 76             | 558           |
| Time deposits and money markets            | 4,829          | 24,754        |
| Mutual funds (2)                           | 124,578        | 69,229        |
| Tarshop Trust (1)                          | 13,061         | 10,634        |
| Banco Ciudad de Bs. As. Bond (1)           | 415            | 391           |
| Other investments (1)                      | 38             | 38            |
|  | 146,038        | 113,690       |
| <b><u>Non-current</u></b>                  |                |               |
| Banco de Crédito y Securitización S.A.     | 4,527          | 4,448         |
| Banco Hipotecario S.A.                     | 251,284        | 213,265       |
| IRSA Telecomunicaciones N.V.               |                | 1,719         |
| E-Commerce Latina S.A                      | 318            | 808           |
| IRSA I Trust Exchangeable Certificate      | 2,605          | 3,353         |
| Tarshop Trust                              | 32,923         | 19,256        |
| Banco Ciudad de Bs. As. Bond               | 212            | 482           |
| Other investments                          | 32             | 48            |
|  | 291,901        | 243,379       |
| <b><u>Undeveloped parcels of land:</u></b> |                |               |
| Dique IV                                   | 6,645          | 6,490         |
| Caballito plots of land                    | 9,223          | 19,898        |
| Padilla 902                                | 89             | 89            |
| Pilar                                      | 3,408          | 3,408         |
| Torres Jardín IV                           | 3,030          | 3,030         |
| Puerto Retiro (Note 16)                    | 46,483         | 46,493        |
| Santa María del Plata                      | 114,397        | 112,771       |
| Pereiraola                                 | 21,875         | 21,875        |
| Air space Supermercado Coto                | 11,695         | 11,695        |
| Caballito                                  | 31,065         | 31,065        |
| Neuquén                                    | 9,987          | 9,987         |
| Alcorta Plaza (Note 21)                    |                | 18,048        |
| Canteras Natal Crespo                      | 4,356          |               |
| Other undeveloped parcels of land          | 3,378          | 3,378         |

|  |         |         |
|--|---------|---------|
|  | 265,631 | 288,227 |
|--|---------|---------|

|  |         |         |
|--|---------|---------|
|  | 557,532 | 531,606 |
|--|---------|---------|

- 
- (1) Not considered cash equivalent for purposes of presenting the unaudited consolidated statements of cash flows.
- (2) Include Ps. 49,530 and Ps. 46,886 at March 31, 2006 and at June 30, 2005, respectively, corresponding to Dolphin Fund PLC, not considered cash equivalent for purposes of presenting consolidated statement of cash flows.
- Include Ps. 3,200 and Ps. 1,738 at March 31, 2006 and at June 30, 2005, respectively, corresponding to NCH Development Partner fund not considered cash equivalent for purposes of presenting consolidated statement of cash flows.
- Include Ps. 1,075 and Ps. 1,014 at March 31, 2006 and at June 30, 2005, corresponding to Gainvest funds not considered cash equivalent for purposes of presenting consolidated statements of cash flows.

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 10: FIXED ASSETS**

The breakdown for this item is as follows:

|                               | March 31,<br>2006 | June 30,<br>2005 |
|-------------------------------|-------------------|------------------|
| <b>Hotels</b>                 |                   |                  |
| Llao-Llao                     | 41,214            | 33,097           |
| Intercontinental              | 55,686            | 57,073           |
| Libertador                    | 36,101            | 36,700           |
|                               | 133,001           | 126,870          |
| <b>Office buildings</b>       |                   |                  |
| Avda. de Mayo 595             | 4,494             | 4,574            |
| Avda. Madero 942              | 2,369             | 2,401            |
| Edificios Costeros (Dique II) | 19,106            | 19,358           |
| Laminar Plaza                 | 30,174            | 30,577           |
| Libertador 498                | 42,692            | 43,307           |
| Libertador 602                | 2,943             | 2,985            |
| Madero 1020                   | 1,641             | 1,665            |
| Maipú 1300                    | 43,942            | 44,581           |
| Reconquista 823               | 19,073            | 19,355           |
| Rivadavia 2768                | 161               | 164              |
| Sarmiento 517                 | 81                | 84               |
| Suipacha 652                  | 11,560            | 11,749           |
| Intercontinental Plaza        | 66,590            | 67,741           |
| Costeros Dique IV             | 21,564            | 21,849           |
| Bouchard 710                  | 71,146            | 72,222           |
|                               | 337,536           | 342,612          |
| <b>Commercial real estate</b> |                   |                  |
| Alsina 934                    |                   | 1,429            |
| Constitución 1111             | 538               | 545              |
|                               | 538               | 1,974            |
| <b>Other fixed assets</b>     |                   |                  |
| Abril                         | 1,133             | 1,133            |
| Alto Palermo Park             | 493               | 500              |
| Thames                        | 3,033             | 3,033            |
| Santa María del Plata         | 10,513            | 12,109           |
| Constitución 1159             | 1,324             | 1,324            |
| Other                         | 2,757             | 1,593            |

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|  |                  |                  |
|--|------------------|------------------|
|  | 19,253           | 19,692           |
| <b>Shopping Center</b>                         |                  |                  |
| Alto Avellaneda                                | 85,986           | 98,750           |
| Alto Palermo                                   | 197,561          | 210,822          |
| Paseo Alcorta                                  | 63,201           | 65,816           |
| Abasto   | 196,766          | 202,776          |
| Patio Bullrich                                 | 111,060          | 115,602          |
| Buenos Aires Design                            | 19,087           | 20,935           |
| Alto Noa                                       | 29,517           | 30,883           |
| Alto Rosario                                   | 81,331           | 79,117           |
| Mendoza Plaza Shopping                         | 87,151           | 83,706           |
| Advance for purchase of fixed assets (Note 33) | 16,341           |                  |
| Other properties                               | 12,315           | 12,103           |
| Other fixed assets                             | 31,444           | 24,970           |
|  | 931,760          | 945,480          |
| <b>Total</b>                                   | <b>1,422,088</b> | <b>1,436,628</b> |

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)****NOTE 11: MORTGAGES PAYABLE**

The breakdown for this item is as follows:

|                                      | March 31, 2006 |         | June 30, 2005 |         |
|--------------------------------------|----------------|---------|---------------|---------|
|                                      | Non-           |         | Non-          |         |
|                                      | Current        | Current | Current       | Current |
| Mortgage payable San Martin de Tours | 3,563          |         | 2,935         |         |
| Mortgage payable Bouchard 710 (1)    | 14,480         | 18,519  | 22,527        | 27,627  |
|                                      | 18,043         | 18,519  | 25,462        | 27,627  |

(1) See details in Notes 6 and 12 d. to the unaudited basic financial statements.

**NOTE 12: CUSTOMER ADVANCES**

The breakdown for this item is as follows:

|  | March 31, 2006 |         | June 30, 2005 |         |
|--|----------------|---------|---------------|---------|
|  | Non-           |         | Non-          |         |
|  | Current        | Current | Current       | Current |
| Admission rights                           | 22,942         | 30,538  | 18,041        | 26,061  |
| Lease and service advances (1)             | 11,494         | 12,904  | 10,966        | 13,807  |
| Advanced payments from customers           | 29,712         |         | 20,911        |         |
| Advance for the sale of a plot of land (2) | 2,201          |         | 1,006         |         |
|  | 66,349         | 43,442  | 50,924        | 39,868  |

- The balance of rents and services advance payments include Ps 1,220 and Ps 5,615 current and non-current, respectively, that represent advance payments provided by Hoyts Cinema for the construction of the movie complexes of the Abasto Shopping and Centro Comercial Alto Noa. These advance payments accrue an interest equivalent to the semiannual Libo rate added 2-2.25 points. As of March 31, 2006 the semiannual Libo rate was 4.6975%. Due to an agreement between APSA and Hoyts Cinema, the amount is being applied to the accrual of the rents originated in the place used by Hoyts Cinema.
- This is a 600 Euros advanced payment that the Company received from Villa Hermosa S.A. related to a purchase contract of a plot of land that is currently an integral part of the plot located in Rosario, in which the Company projects to build housing towers. The liabilities amount is shown net of expenses that the Company has incurred on account and behalf of Villa Hermosa S.A. The preliminary purchase contract referred to above was subscribed on December 9, 2005. The maximum term established to formalize the deed is June 5, 2006 (this term may be extended). The plot is valued at its fair market value as conditions provided in Technical Resolution No. 17 are complied with.

## IRSA Inversiones y Representaciones Sociedad Anónima

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

**NOTE 13: SHORT AND LONG - TERM DEBT**

The breakdown for this item is as follows:

|  | March 31, 2006 |             | June 30, 2005 |             |
|--|----------------|-------------|---------------|-------------|
|  | Current        | Non-Current | Current       | Non-Current |
| APSA 2006 Convertible Notes (1)                    | 3              | 47,904      |               | 44,821      |
| APSA 2006 Convertible Notes - Accrued interest (1) | 971            |             | 2,016         |             |
| Bank loans (2)                                     | 55,077         | 75,856      | 77,182        | 82,218      |
| Bank loans - Accrued interest (2)                  | 1,631          | 7,266       | 1,630         | 5,987       |
| IRSA Convertible Notes (3)                         |                | 153,323     |               | 168,059     |
| IRSA Convertible Notes Interest                    | 4,647          |             | 1,726         |             |
| Negotiable obligations 2009 - principal amount (4) | 14,401         | 72,727      | 10,792        | 78,917      |
| Negotiable obligations 2009 - accrued interest (4) | 720            | 11,849      | 572           | 9,753       |
|  | 77,450         | 368,925     | 93,918        | 389,755     |

- 1) Corresponds to the outstanding balance of Negotiable Obligations convertible into shares (CNB) issued originally by APSA for an outstanding amount of US\$ 50 million, as detailed in Note 23 to the unaudited consolidated financial statements, net of the CNB underwritten by the Company and net of fees and expenses related to issue of debt to be accrued.
- 2) The outstanding balance at March 31, 2006 includes mainly the following loans:
  - (a) Unsecured loan expiring in 2009 as set out in Note 7 to the unaudited basic financial statements amounted to Ps. 53,609 (Ps. 55,198 at June 30, 2005).
  - (b) US\$ 11 million loan granted by Deutsch Bank to APSA on March 4, 2005 with the following due dates of principal and interest: US\$ 5 million falling due on April 4, 2005, US\$ 3 million falling due on from February 1, 2006 and US\$ 3 million falling due on August 1, 2006. The loan accrues annual interest equivalent to Libo rate plus 3.25%. APSA has paid appositely the two principal installments plus accrued interest.
  - (c) On April 5, 2005 APSA accepted a syndicated loan from Banco Río de la Plata S.A. and Bank Boston N.A. amounting to Ps. 50 million, payable in 4 equal and consecutive semiannual installments. The final due date of the transaction falls on April 5, 2007. During the first year this loan will accrue interest at a fixed interest rate of 7.875 % and during the second year, will accrue the interest at the Central Bank Encuesta rate plus 3 %, payable quarterly as from July 2005.

The terms of this loan require APSA to maintain certain financial ratios and conditions, and certain indicators and levels of indebtedness. The funds from this loan were used to settle the outstanding balance, amounting to Ps. 48.4 million, of Negotiable Obligations originally issued for an amount of Ps. 85.0 million.

On October 5, 2005 the first principal installment of \$ 12.5 million was cancelled. On April 5, 2006 APSA paid the second capital installment of \$ 12.5 million plus the fourth installment of accrued interest.

- (d) Hotels Argentinos S.A. mortgage loan amounting to US\$ 8,000. See Note 16.
- (e) Other loans and bank overdrafts amounting to Ps. 4,216.
- 3) Corresponds to the issue of Convertible Negotiable Obligations of the Company for a total value of US\$ 100 million as set forth in Notes 7 and 13 to the unaudited basic financial statements.

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- 4) Corresponds to the issue of Negotiable Obligations secured with certain Company assets maturing in 2009, as detailed in Note 7 and 12 b. to the unaudited basic financial statements.



**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)****NOTE 14: OTHER LIABILITIES**

The breakdown for this item is as follows:

|   | March 31, 2006 |             | June 30, 2005 |             |
|---|----------------|-------------|---------------|-------------|
|   | Current        | Non-current | Current       | Non-current |
| Seller Financings (1)   | 12,660         |             | 11,348        | 5,030       |
| Dividends payable   | 39             |             | 39            |             |
| Related parties   | 3,969          | 4,179       | 2,829         | 1,732       |
| Guarantee deposits  | 3,280          | 658         | 924           | 2,787       |
| Provisions for contingencies (2)  | 8,689          | 10,842      | 9,776         | 11,027      |
| Directors' fees provision   | 8,626          |             | 10,379        |             |
| Directors' fees advances  | (250)          |             | (3,327)       |             |
| Condominium expenses to be incurred   | 590            |             | 475           |             |
| Directors' guarantee deposits   |                | 8           |               | 8           |
| Sundry creditors  | 70             |             | 39            |             |
| Administration and reserve fund   | 649            |             | 636           |             |
| Pending settlements for sales of plots  |                |             | 57            |             |
| Contributed leasehold improvements to be accrued and unrealized gains (Note 30) | 526            | 11,078      | 635           | 13,818      |
| Donations payable   | 3,960          |             | 3,960         |             |
| Present value - other liabilities   |                | (3)         |               | (4)         |
| Trust accounts payable  | 283            |             | 283           |             |
| Other   | 729            | 12          | 1,051         | 12          |
|   | 43,820         | 26,774      | 39,104        | 34,410      |

- (1) The balances as of March 31, 2006 include principally:
- Ps. 6,117 related to the financing of the acquisition of Shopping Neuquén S.A.'s shares. This loan accrues interest equivalent to LIBOR for six months. At March 31, 2006 LIBO rate for six months was 4.69%.
  - Ps. 5,294 maturing on September 29, 2006 corresponding to the financed acquisition of Mendoza Plaza Shopping S.A (Former Pérez Cuesta S.A.C.I.) shares (See Note 28); and
  - Ps. 181 related to the acquisition of 50% shares of Conil S.A.
- (2) The Company has recorded provisions in order to face up to probable contingent claims, and according to estimates developed by Company's legal counsels, such provisions would cover loss contingencies and related fees regarding to such claims. The amount of such provisions is based on management's assessment and the considerations of legal counsel's opinion regarding the matters.

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)****NOTE 15: OTHER INCOME AND EXPENSES, NET**

The breakdown for this item is as follows:

|                                       | March 31,<br>2006 | March 31,<br>2005 |
|---------------------------------------|-------------------|-------------------|
| <b>Other income:</b>                  |                   |                   |
| Recovery of allowances                | 8                 |                   |
| Gross from the sale of fixed assets   |                   | 7                 |
| Gross early settlement of liabilities |                   | 70                |
| Others                                | 2,940             | 863               |
|                                       | 2,948             | 940               |
| <b>Other expenses:</b>                |                   |                   |
| Unrecoverable VAT receivable          | (875)             | (554)             |
| Donations                             | (302)             | (180)             |
| Loss from the sale of fixed assets    |                   | (35)              |
| Lawsuits contingencies                | (436)             | (189)             |
| Debit and credit tax                  | (632)             | (545)             |
| Tax on personal assets                | (4,161)           | (5,603)           |
| Allowance for doubtful accounts       | (1,649)           |                   |
| Other                                 | (1,524)           | (97)              |
|                                       | (9,579)           | (7,203)           |
| <b>Other income and expenses, net</b> | <b>(6,631)</b>    | <b>(6,263)</b>    |

**NOTE 16: RESTRICTED ASSETS****Puerto Retiro S.A.**

On April 18, 2000, Puerto Retiro S.A. (indirect subsidiary of the Company) 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 real estate property near Puerto Madero denominated *Planta 1* which had been acquired from Tandanor S.A. in June 1993.

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

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

The legal proceeding has already practically reached the end of the time allowed to produce evidence. Puerto Retiro S.A. contested the complaint and appealed the provisional remedy, which was dismissed on December 14, 2000. The plea has been duly submitted and is awaiting sentence.

The management and the legal counsels of Puerto Retiro S.A. believe that the extension of the bankruptcy will be dismissed by the Court.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 16:** (Continued)

**Hoteles Argentinos S.A. mortgage loan**

The Extraordinary Shareholders Meeting of Hoteles Argentinos S.A. ( HASA , subsidiary of the company) held on January 5, 2001 approved taking a long-term mortgage loan from Bank Boston N.A. for a total amount of US\$ 12,000 to be used to refinance existing debts. The term of the loan was agreed at 60 months payable in 19 equal and quarterly installments of US\$ 300 and one final payment of US\$ 6,300 in the due date. The agreement was signed on January 26, 2001.

Interest payments must be paid quarterly in arrears at an annual interest rate equivalent to LIBO for 12 months loans plus the applicable mark-up as per the contract, which consists of a variable interest rate applicable in the debt s interest payment periods.

The guarantee was a senior mortgage on a property owned by Hoteles Argentinos S.A., which houses the Hotel Sheraton Libertador Buenos Aires. As a result of the economic situation of the country, the lack of credit and the crisis of the Argentine financial system, principal installments falling due as from January 26, 2002 and the interest installments falling due as from July 29, 2002, were not paid by HASA. On March 5, 2004, BankBoston N.A. formally notified HASA that as from March 10, 2004 it assigned to Marathon Master Fund Ltd., domiciled at 461 Fifth Avenue, 10th floor, New York, NY 10017, USA, all the rights and obligations arising from the loan agreement entered into on January 26, 2001 with HASA as borrower and BankBoston N.A., as lender, together with all the changes, guarantees and insurance policies related to that contract.

Consequently, all pending obligations of HASA must be fulfilled in favor of the assignee, Marathon Master Fund Ltd.

On December 16, 2004 Ritelco S.A. purchased the loan of US\$ 12,951 that the Company s controlled subsidiary Hoteles Argentinos S.A. (80%) owed Marathon Master Fund, Ltd. for US\$ 7,925.

On March 23, 2005 Ritelco S.A. sold to Credit Suisse International ( CSI formerly Credit Suisse First Boston) the loan agreement for US\$ 8,000 in cash and the Company entered into an agreement with CSI pursuant to which, among other things, the Company guarantees the payment of the debt owed by HASA and in the event of non-compliance the Company shall repurchase the loan agreement mentioned. As guarantee for this transaction, the Company made a payment of US\$ 2,000 to CSI which is disclosed as a guarantee of defaulted credit within Other receivables . If HASA duly complies with the obligations arising from this transaction, the Company will be able to receive a periodical funds flow.

**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)****NOTE 16:** (Continued)

Subsequently, the debt restructuring and refinancing process started, and in the mentioned refinancing context, after period-end, the board of directors of HASA, in the meeting held on April 17, 2006, made an evaluation of the matters related to the original debt refinancing and decided to modify and amend the Amended and Restated Agreement in order to reduce the outstanding amount of the original loan capital to US\$ 8,000 and postpone its maturity to March 15, 2010, by subscribing a Modified Loan Contract with CSI having the principal debt cancellation and interest payment terms that follow:

## a) Principal cancellations:

|   |               |            |              |
|---|---------------|------------|--------------|
| - | Installment 1 | 04-21-2006 | US\$ S 2,000 |
| - | Installment 2 | 03-15-2008 | US\$ S 213   |
| - | Installment 3 | 09-15-2008 | US\$ S 225   |
| - | Installment 4 | 03-15-2009 | US\$ S 239   |
| - | Installment 5 | 09-15-2009 | US\$ S 253   |
| - | Installment 6 | 03-15-2010 | US\$ S 5,070 |

b) The principal installments will be paid with interest on the outstanding principal loan to be amortized as stated in clause 2.3 of the Modified Loan Contract:

Period 03-15-2006 to the effective day of the contract (04-21-2006), interest will be accrued on US\$ 8,000 at an annual 12.07% rate. The Company will not pay any other interest accrued up to the effective date, including interest on loan arrears.

From 04-21-2006 to 09-15-2006, interest on the outstanding principal at an annual 12.07% rate.

As from 09-15-2006, the loan will accrue:

(A) Interest at an annual rate equal to six-month LIBOR, as determined by CSI the second working day prior to each interest period, plus the applicable margin of 7,0% (the Interest Rate ), and

(B) Interest will accrue as from the first day of each interest period inclusive and will be payable twice a year on arrears on each interest payment date.

Once HASA has credited the amount of US\$ 2,000 made on April 21, 2006, the mortgage was partially cancelled reducing the original amount to the total of US\$ 6,000. Consequently, the fourth paragraph of such instrument was changed and it was established that the asset mortgaged assure the proper compliance in time of all the Obligations arising from the Modified Loan Contract.

In addition to the Modified Loan Contract entered into with HASA and its financial creditor CSI, two credit default swaps were subscribed. One between IRSA and CSI for 80% of the restructured debt value, this being an amendment of the previous one signed, and the other one is a credit default swap between Starwood Hotels and Resorts Worldwide Inc. (Starwood) indirect minority shareholder of HASA and CSI for 20% of the restructured debt value.



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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 16:** (Continued)

In line with IRSA Inversiones y Representaciones Sociedad Anonima's labor and experience in financial matters and in debt restructuring and having already acted in favor of HASA in the negotiations with the previous creditors of the Original Loan- HASA hired the services of IRSA for advising, consulting, defending and negotiating the interests of HASA in respect of the debt restructuring. As payment for this professional service, HASA will pay IRSA a fee of US\$ 1,377.

In its capacity as shareholder of HASA, Hoteles Sheraton de Argentina S.A.C. has agreed HASA to pay to IRSA a valuable consideration for its management of the debt restructuring process. To such end, Sheraton will loan HASA the amount of US\$ 275 (the Sheraton Loan), and immediately after having received this loan, HASA will pay IRSA 20% of the fees for services rendered. The remaining 80% will not be immediately cancelled but it will be a loan of IRSA to HASA (the IRSA Loan).

The parties will define within 30 days from having subscribed the loan agreement to HASA, the terms and conditions of the IRSA and Sheraton loans, which will be equal as related to interest rates and payment terms. In order to agree the terms in which payments will be effective, the parties will take into account and will prioritize the renewal plan of the Sheraton Libertad Hotel, so that the cancellations of the IRSA and Sheraton Loans allow HASA to count with the funds to carry out such plan.

The Company has classified the debt as current and non-current liability in the general consolidated balance sheet as of March 31, 2006 considering the terms and conditions agreed in the debt restructuring occurred subsequent to closing and prior to the issuance of these financial statements.

In April 2006, the Company received US\$ 800 for returning the guarantee of fulfillment of the contract.

Alto Palermo Group - Restricted assets.

- a) Short and long-term debt include Shopping Neuquén S.A.'s liability amounting to Ps. 42, corresponding to a mortgage set up on acquired land for Ps. 3,314.
- b) At March 31, 2006, under other current receivables, APSA has restricted funds according to the following detail:
  - I. Ps. 108 in relation to the case Del Valle Soria, Delicia against New Shopping S.A., claiming unfair dismissal.
  - II. Ps. 21, in relation to the case Saavedra Walter Ricardo against Alto Palermo S.A. and others about dismissal.
  - III. Ps. 20, in relation to the case La Meridional Cía. de Seguros against Alto Palermo S.A. by collecting in pesos.
- c) As of March 31, 2006, Ps 14,119 are pledged corresponding to Emprendimiento Recoleta S.A.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 17: TARSHOP S.A. CREDIT CARD RECEIVABLE SECURITIZATION**

APSA has ongoing revolving period securitization programs through which Tarshop S.A., a majority-owned subsidiary of APSA, transfers a portion of its customer credit card receivable balances to trusts that issues certificates to public and private investors.

Under the securitization programs, Trusts may issue two types of certificates representing undivided interests in Trusts: Títulos de Deuda Fiduciaria ( TDF ) and Certificados de Participación ( CP ), which represent debt, and equity certificates, respectively. Interest and principal services are paid periodically to the TDF holders throughout the life of the security. CPs are subordinated securities which entitle the CP holders to share pro rata in the cash flows of the securitized credit card receivables, after principal and interest on the TDFs and other fees and expenses have been paid. During the revolving period no payments are made to TDF and CP holders. Principal collections of the underlying financial assets are used by the trust to acquire additional credit card receivables throughout the revolving period. Once the revolving period ends, a period of liquidation occurs during which: (i) no further assets are purchased, (ii) all cash collections are used to fulfill the TDF service requirements and (iii) the remaining proceeds are used to fulfill the CPs service requirements.

In consideration of the receivables transferred to the trusts, which have been eliminated from the Company's balance sheet, Tarshop received cash (arising from the placement of the debt securities by the trusts) and CPs issued by the trusts. The latter are recorded at their equity values at the closing of the period on the basis of the financial statements issued by the trusts.

**NOTE 18: SALE IN OWNERSHIP OF BANCO HIPOTECARIO S.A. AMONG SUBSIDIARIES**

On August 9, 2005 Ritelco S.A. sold 335,893 shares of Banco Hipotecario S.A. to Buenos Aires Trade and Finance Center S.A. (at that moment 100% subsidiary of the Company) in the total amount of US\$ 1,536 (equivalent to market value of US\$ 4,57 per share). See Note 18 to the unaudited basic financial statements in connection with the sale of interest in Banco Hipotecario S.A. made by IRSA to Buenos Aires Trade & Finance Center S.A.

As such transactions were made among subsidiaries, in which IRSA holds 100% interest, they do not modify the shareholding and do not affect the unaudited consolidated financial statements.

As of March 31, 2006, total shareholding in Banco Hipotecario S.A. amounted to 17,641,015.

**NOTA 19: INVESTMENT IN IRSA TELECOMUNICACIONES N.V. (ITNV)**

At June 30, 2005, Ritelco held an investment in ITNV representing 49.36% of its common shares. Ritelco had discontinued in prior years the application of the equity method for valuing this investment because there were mandatorily redeemable preferred shares issued by ITNV, as Ritelco had not secured ITNV obligations, nor had it agreed to provide financial support to that company. For this reason, the investment in ITNV was valued at zero.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 19:** (Continued)

On August 19, 2005, a share purchase agreement was entered into by and between ITNV, Ritelco S.A. and Dolphin Fund PLC (another shareholder of ITNV) whereby ITNV acquired all the common shares held by those shareholders (4,106,000 and 1,675,000 shares, respectively) for US\$ 0.1470333852 per share. The amount of this transaction is US\$ 850, of which US\$ 604 correspond to Ritelco S.A.

Considering that the above-mentioned transaction occurred subsequent to year-end, but before the issuance of the annual financial statements, Ritelco took up as of June 30, 2005 the investment in ITNV at its equity value up to the limit of its recoverable value. Consequently, Ritelco recorded an income of US\$ 604 as of June 30, 2005.

**NOTE 20: MORTGAGE RECEIVABLE SECURITIZATION ORIGINATED BY IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANONIMA (IRSA), INVERSORA BOLIVAR S.A. AND BALDOVINOS S.A.**

The Board of Directors of the Company, in the meeting held on November 2, 2001, authorized the setting up of a financial trust for the securitization of Company receivables. The trust program for issuing participation certificates, under the terms of Law No. 24,441, was approved by the National Securities Commission by means of Resolution No. 13,040, dated October 14, 1999, as regards the program and in particular as regards the Trust called IRSA I following a decision of the Board of Directors dated December 14, 2001.

On December 17, 2001, the Company, Inversora Bolívar S.A. and Baldovinos S.A. (indirect subsidiaries) on one side (hereinafter the Trustors ) and Banco Sudameris Argentina S.A. (hereinafter the Trustee ) agreed to set up the IRSA I Financial Trust under the Global Program for the Issuance of FIDENS Trust Values, pursuant to the contract entered into on November 2, 2001.

Under the above-mentioned program, the trustors sold their personal and real estate receivables, secured with mortgages or arising from bills of sale with the possession of the related properties, for the total amount of US\$ 26,586 to the Trustee, in exchange for cash and a part of the issuance by the Trustee of Participation Certificates. The different types of Participation Certificates issued by the Trustee are set out as follows:

Class A Participation Certificates ( CPA ): Nominal value of US\$ 13,300 with a 15% fixed annual nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following business day. These certificates grant the right to collect the following Services: (a) a fixed yield calculated on the Class principal balance, with monthly capitalization, payable monthly as from the total settlement of the CPAs, and (b) an amortization.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 20:** (Continued)

Class B Participation Certificates ( CPB ): Nominal value of US\$ 1,000 with a 15.50% fixed annual, nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following business day. These certificates grant the right to collect the following Services: (a) a fixed yield calculated on the Class principal balance, with monthly capitalization, payable monthly as from the total settlement of the CPAs, and (b) an amortization equivalent to the sums paid as from the Last Service Payment Date on which the total settlement of the CPA Certificates may have taken place, net of their fixed yield.

Class C Participation Certificates ( CPC ): Nominal value of US\$ 1,600 with a 16% fixed annual nominal yield, with monthly Service payments due on the 15th of each month or on the immediately following business day. These certificates grant the right to collect the following Services: (a) a fixed yield calculated on the Class principal balance, with monthly capitalization, payable monthly as from the total settlement of the CPBs, and (b) an amortization equivalent to the sums paid as from the Last Service Payment Date on which the total settlement of the CPBs may have taken place, net of their fixed yield. The fixed yield will accrue as from the Cut-Off Date and will be capitalized on a monthly basis.

Class D Participation Certificates ( CPD ): Nominal Value of US\$ 10,686. These grant the right to collect monthly sums arising from the Cash Flows, net of the contributions made to the Expense Fund, once the remaining classes have been fully settled. The period for placing the Participation Certificates was from December 27, 2001 to January 15, 2002.

Pursuant to Decree No. 214/02, receivables and debts in U.S. dollars in the Argentine financial system as of January 6, 2002, were converted to pesos at the rate of exchange of Ps. 1 per US\$ 1 and are adjusted by a reference stabilization index (CER) / coefficient of salary fluctuation (CVS).

On July 21, 2003 an amendment was signed to the trust contract by which, among other conditions, a system of proportional adjustment to the Participation Certificates was established to recognize the CER and CVS, and also nominal value of the Participation Certificates Class D was modified. New nominal value amounted to Ps. 10,321.

At March 31, 2006, the value of Class D Participation Certificates amounted to Ps. 2,233 in IRSA, Ps. 356 in Inversora Bolívar S.A., and Ps. 92 in Baldovinos S.A. Class A, B, and C Certificates have been totally amortized at the end of the period.

**NOTE 21: SALE OF THE ALCORTA PLAZA PLOT**

On December 22, 2005, Alto Palermo S.A. (APSA) subscribed a preliminary purchase contract with possession, by which APSA sold to RAGHSA S.A. the plot denominated Alcorta Plaza for a total price of US\$ 7.7 million.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 21:** (Continued)

On March 13, 2006, the deed of the property was subscribed and a mortgage guarantee was furnished on certain units to be used for offices and garage of the building owned by RAGHSA S.A., located at San Martín street 338, 344, 350 and 360, and Florida street 343 and 347 of the City of Buenos Aires. The amount of the mortgage was US\$ 4,374. Payment terms and conditions were as follows:

US\$ 1,925 with the preliminary purchase contract.

US\$ 1,925 on July 4, 2006.

US\$ 1,925 on July 4, 2007 and US\$ 1,925 on July 4, 2008.

**NOTE 22: DERIVATIVE INSTRUMENTS**

**Interest rate swaps**

Alto Palermo S.A. (APSA) has used certain financial instruments to reduce its financing costs. Major financing institutions have been the counterparties of such instruments. APSA has not used derivative instruments with speculative purposes. APSA managed the risk of possible counterparties inability to fulfill instrument clauses.

In order to minimize its financing costs, the Company entered into an interest rate swap agreement to effectively convert a portion of its peso-denominated fixed-rate debt to dollar-denominated floating rate debt.

During the period ended March 31, 2005, the Company recorded profits amounting to Ps. 5.22 million related with this contract. This contract expired on 4 April, 2005.

**Future contracts to purchase metals**

During the present period, Ritelco S.A. entered into future contracts for the purchase of silver and gold and launched call options in Euros. In accordance with its risk management policies, Ritelco S.A. uses future metal contracts for speculative purposes.

As of March 31, 2006 the Company has 27 future contracts for the purchase of 5,000 ounces of silver due in May 2006 at an average market price of U\$S 11.52. As collateral for these contracts, the Company has deposits amounting to U\$S 91.1 (equivalent to Ps. 277.2).

The difference between the market value and the agreed amount of derived financial instruments outstanding as of March 31, 2006 amounts to U\$S 3.2 (equivalent to Ps.9.8). As of March 31, 2006, the Company recorded a realized and non-realized profit for such transactions amounting to U\$S 772.7 (equivalent to Ps.2.3) and U\$S 34.4 (equivalent to Ps. 98.6), respectively.

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 23: ALTO PALERMO - ISSUANCE OF NEGOTIABLE OBLIGATIONS CONVERTIBLE INTO COMMON SHARES**

On July 19, 2002, Alto Palermo S.A. issued Series I of Negotiable Obligations up to US\$ 50,000 convertible into common shares, par value of Ps. 0.10 each. This serie 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.

Main issue terms and conditions of the Convertible Negotiable Obligations are as follows:

Issue currency: US dollars.

Due date: July 19, 2006.(1)

Interest: at a fixed nominal rate of 10% per annum. Interest is payable semi-annually.

Payment currency: US dollars or its equivalent in pesos.

Conversion right: the notes can be converted at any time at the option of each holder into ordinary shares at a conversion price equivalent to the higher of the result from dividing the nominal value of the Company's shares (Ps. 0.1) by the exchange rate and US\$ 0.0324, which means that each Note is potentially exchangeable for 30.864 shares of Ps. 0.1 par value each.

Right to collect dividends: the shares underlying the conversion of the negotiable obligations 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.

(1) On May 2, 2006, the Meeting of Shareholders decided to postpone the date of original maturity to July 19, 2014 this being the reason for the Convertible Negotiable Obligations (CNO) to be classified as non-current in these financial statements. The Company is currently analyzing the impact of this operation.

At March 31, 2006, certain holders of Negotiable Obligations convertible into APSA common shares, have exercised their right to convert them for a total amount of US\$ 2.72 million. As of March 31, 2006, the outstanding balance of APSA Convertible Negotiable Obligations amounted to US\$ 47.28 million, of which US\$ 31.74 million correspond to IRSA's holding which is eliminated in the consolidation process.

**NOTE 24: ALTO PALERMO - OPTIONS GRANTED IN RELATED COMPANIES**

E-Commerce Latina S.A. has granted Consultores Internet Managers Ltd., a Cayman Islands corporation created to act on behalf of Altocity.com's management and represented by an independent attorney-in-fact, an irrevocable option to purchase Class B shares of Altocity.com S.A. representing 15% of the latter's capital, for an eight-year period beginning on February 26, 2000 at a price equal to the present and future contributions to Altocity.com S.A. plus a rate of 14% per year, capitalizable annually.



**IRSA Inversiones y Representaciones Sociedad Anónima****and subsidiaries****Notes to the Unaudited Consolidated Financial Statements (Continued)****NOTE 25: 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. The latter has been determined considering the number of additional common shares that would have been outstanding if the holders had exercised their right to convert the convertible negotiable obligations held by them into common shares, up to nominal amount of US\$ 100,000, described in Note 13 to the unaudited basic financial statements.

In thousands:

|  | March 31,<br>2006 | March 31,<br>2005 |
|--|-------------------|-------------------|
| Weighted - average outstanding shares    | 367,292           | 258,854           |
| Conversion of negotiable obligations     | 200,262           | 239,722           |
| Weighted - average diluted common shares | 567,554           | 498,576           |

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:

|  | March 31,<br>2006 | March 31,<br>2005 |
|--|-------------------|-------------------|
| Net income for calculation of basic earnings per share   | 40,905            | 78,205            |
| Exchange difference                                      | 11,023            | (3,421)           |
| Interest   | 10,034            | 14,595            |
| Income tax   |                   |                   |
| Net income for calculation of diluted earnings per share | 61,962            | 89,379            |
| Net basic earnings per share                             | 0.111             | 0.302             |
| Net diluted earnings per share                           | 0.110             | 0.179             |

**NOTE 26: PROVISION FOR UNEXPIRED CLAIMS AGAINST LLAO LLAO HOLDING S.A.**

The company Llao Llao Holding S.A. (in the process of dissolution due to merger with IRSA Inversiones y Representaciones Sociedad Anónima), predecessor of Llao Llao Resorts S.A. in the operation of the hotel complex Hotel Llao Llao, which was awarded by Resolution No. 1/91 issued by the National Parks Administration, was sued in 1997 by that Administration to obtain collection of the unpaid balance of the additional sale price, in Argentine external debt securities amounting to US\$ 2,870. 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 the mentioned amount in Argentine external debt securities available at the date of the ruling, plus interest accrued through payment, and compensatory and punitive interest and lawyers' fees.

The unpaid balance approved in the court records, carried out by the plaintiff as of March 31, 2001, includes face value bonds of US\$ 4,127, plus compensatory and punitive interest, payable in cash, in a total amount of US\$ 3,800.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 26:** (Continued)

On March 2, 2004, the Company made a deposit of Ps. 7,191 in Banco de la Ciudad de Buenos Aires in favor of the National Parks Administration and a transfer of Argentine external debt securities class FRB - FRB L+13/16 2005 for a total nominal value of US\$ 4,127, equivalent to Ps. 1,964. The total amount settled on that date was Ps. 9,155.

The intervening court served notice to the plaintiff of payment made, and on June 30, 2004 the plaintiff presented a writing rejecting that payment, considering it partial settlement of the debt arising from the firm judgement filed in the records of the case, and requested the setting up of a time deposit with the funds paid, automatically renewable every thirty days, until final payment of the total debt.

The Court resolved the matter by considering notice to have been served; as regards the amount due, the plaintiff must conform the claim to current regulations. Until final resolution of the matter, Banco de la Ciudad de Buenos Aires was instructed to appropriate the funds to a renewable time deposit.

A report of the legal advisors states that the balance remains unpaid and outlines that the Company has deposited with the court the debt titles determined in the unpaid balance, and an amount in cash of Ps. 7,191, whereas the unpaid balance approved in the court records was US\$ 3,780.

In line with the matters reported by the lawyers in respect of this suit, the Company management recorded a reserve for an amount Ps. 4,519 as of March 31, 2006, which was determined according to the difference between the amount claimed for compensatory and punitive interest of US\$ 3,800 and the amount deposited in the court of Ps. 7,191.

The plaintiff's lawyers (five complainants) filed a motion in relation to their fees in the case, as they understood that the amount agreed should have been paid in U.S. dollars and not in pesos, estimating the difference, in comparison with the amount already paid, in US\$ 384. In a provisional remedy, due to the unpaid balance carried out in the court records under the claims of two of the lawyers, an order was issued to attach the Company's current accounts, which occurred in March 2005 in the amount of Ps. 788. As of March 31, 2006, such attached funds amounts to Ps. 861.

The Company legal advisors challenged the unpaid balance carried out in the court records based on several reasons (payments performed prior to the pesification, unlawful and exorbitant interest, etc.). The Company is currently awaiting the resolution of the challenges submitted by means of request. In accordance with the probable contingency reported by the lawyers as of March 31, 2006, the Company management has reserved the amount of Ps. 1,942.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

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

**NOTE 27: OPTION FOR THE ACQUISITION OF BENAVIDEZ**

On December 3, 2003, Inversora Bolívar S.A. (indirect subsidiary company) and Desarrolladora El Encuentro S.A. (DEESA) signed a revocable option agreement for the acquisition of real property, whereby Inversora Bolívar S.A. granted DEESA an option to acquire land in Benavídez.

In March 2004, DEESA notified Inversora Bolívar S.A. and the latter accepted the exercise of the mentioned option. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US\$ 3,980 to Inversora Bolívar S.A., of which US\$ 980 were paid during the previous quarter and the balance of US\$ 3,000 will be paid through the exchange of 110 residential plots already chosen and identified in the option contract mentioned in the first paragraph of this note. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar S.A. on real property amounting to US\$ 3,000 in guarantee of compliance with the operation and delivered US\$ 500 to Inversora Bolívar S.A. corresponding to a deposit in guarantee of performance on the obligations undertaken. This balance will not accrue interest in favor of DEESA, and will be returned as follows: 50% at the time of certification of 50 % of the progress of work and the remaining upon certification of 90% of work progress.

**NOTE 28: ACQUISITION OF SHARES IN MENDOZA PLAZA SHOPPING (formerly Pérez Cuesta S.A.C.I.)**

On September 29, 2004, Alto Palermo S.A. (APSA) entered into a purchase-sale contract covering 49.9% of the capital stock of Mendoza Plaza Shopping S.A. (formerly Pérez Cuesta S.A.C.I.) for US\$ 5.3 million, of which US\$ 3.54 million were paid, two installments of US\$ 1.77 million each (which due date operated on December 2, 2004 and on September 29, 2005). The remaining of the purchase price will be paid in an installment of US\$ 1.77 million on September 29, 2006.

Through this acquisition, APSA became holder of 68.8% of the capital stock of the above company, the main activity of which is the operation of the Mendoza Plaza Shopping center in the city of Guaymallen, Mendoza.

The operation was notified to the National Commission for the Defense of Competition in compliance with the regulations of the Ministry of Economy, having obtained its approval on November 17, 2004.

On December 2, 2004 a final purchase agreement was signed, the shares were transferred and an Extraordinary Shareholders Meetings was held, which decided the amendment of the by-laws to change the corporate name from Pérez Cuesta S.A.C.I. to Mendoza Plaza Shopping S.A.

At March 31, 2005 the deed implementing the changes in the Company s by-laws had been signed before Public Notary; this amendment is approved by the enforcement agencies.

Additionally, during the fiscal year ended on June, 30, 2005, APSA entered into the following contracts:



**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 28:** (Continued)

Put option with Banco de Chile, whereby the latter was entitled, although not obliged, to assign a mortgage loan agreement to APSA originally granted to Mendoza Plaza Shopping S.A. amounting to US\$ 15.5 million and a credit line fully disbursed to that company amounting to US\$ 2.5 million; Mendoza Plaza Shopping S.A. had failed to comply with its payment obligations. The loans were secured by the assignment in guarantee of rental payments to be made by Falabella S.A. to Mendoza Plaza Shopping S.A.

The documentation was notarized on March 30, 2005 by which Banco de Chile transferred all the mortgage rights to APSA and the latter acquired the credit for US\$ 8.5 million.

Call option with HSBC Bank Argentina S.A., whereby APSA was entitled, although not obliged, to acquire, and HSBC Bank Argentina S.A. assumed an irrevocable obligation to transfer, a loan agreement originally granted to Mendoza Plaza Shopping S.A. amounting to US\$ 7.0 million which the latter failed to pay. The loan was secured through the assignment in guarantee of rental payments to be made by Angulo Hermanos S.A. and Garbarino S.A.

On March 29, 2005 APSA transferred the purchase option entered into with HSBC Bank Argentina S.A. to Mendoza Plaza Shopping S.A. for the same value as originally agreed and on the same day Mendoza Plaza Shopping S.A. exercised the option, paying Ps. 6.1 million for the settlement of the loan, (corresponding to the exercise price of Ps. 7.2 million, net of the premium paid of Ps. 0.7 million and rental fees collected by HSBC Bank Argentina S.A. amounting to Ps. 0.4 million).

Agreement with Inversiones Falabella Argentina S.A. establishing as the following:

1. Capitalization terms were agreed in the event that APSA or one of its subsidiaries is assigned the loan from Banco de Chile or other bank loan and propose its capitalization through APSA's contributions.
2. Upon maturity of the lease agreement currently in force between Mendoza Plaza Shopping S.A. and Inversiones Falabella Argentina S.A., APSA will provide for the granting of an option to the latter for the renewal of the contract under the same terms as the current contract, with certain changes expressly established in the contract in force.
3. In its capacity as surety, APSA will ensure payment by Mendoza Plaza Shopping S.A. to Falabella S.A. of the loan held by the former amounting to US\$ 1.05 million, under the terms established in the contract.
4. Inversiones Falabella Argentina S.A. will have an irrevocable right to sell its shares in Mendoza Plaza Shopping S.A. (put option) to APSA, which may be exercised until the last business day of October 2008, for a total consideration of US\$ 3 million according to the conditions expressly established in the contract.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 28:** (Continued)

The Extraordinary Shareholders Meeting of Mendoza Plaza Shopping S.A. was held on May 31, 2005, in which the following issues were unanimously decided:

Approve a due bill agreement that Mendoza Plaza Shopping S.A. had with the Company in a total amount of Ps. 36,058 resulting from the payments of the above-mentioned agreements.

Approve the Alto Palermo S.A. (APSA) request that such loans be considered as irrevocable contributions to account of future capital increased.

Approve the capitalization of the irrevocable contributions account for Ps. 36,058. Through such capitalization of irrevocable contributions, the Company increased its holds to 85.40% of the shareholding of Mendoza Plaza Shopping.

**NOTE 29: DAMAGES IN ALTO AVELLANEDA**

On March 5, 2006 there was a fire in the Alto Avellaneda Shopping produced by an electrical failure in one of the stores. Although there were neither injured persons nor casualties, there were serious property damages and the area as well as certain stores had to be closed for repairs. The total damaged area covered 36 stores and represented 15.7% of the total square meters built. Repair works are currently being carried out in order to re-open the area in two stages, one in June and the other one in August of the current year.

APSA has an all risk insurance coverage for this kind of damage. As of March 31, 2006 the Company has eliminated the proportional part of fixed assets damaged with an estimated book value of Ps 6.4 million. As of closing, a receivable of Ps. 7.4 million has been recorded related to re-opening works of the damaged areas of the Commercial Center and to rents lost due to the closing of stores. At the date of issuance of these financial statements, Ps. 2.1 million have been collected as advance-payment. This claim is currently undergoing adjustment process.

**NOTE 30: CONTRIBUTED LEASEHOLD IMPROVEMENT AND UNREALIZED GAINS**

Operadora de Estaciones de Servicios S.A. (O.P.E.S.S.A.) made leasehold improvements on Mendoza Plaza Shopping S.A.'s property, which were capitalized as fixed assets in Mendoza Plaza Shopping S.A.'s, recognizing the related gain over the term of the contract. At period end, the amount of Ps. 238 was pending of accrual.

In March 1996 Village Cinema S.A. opened ten theatres with the multiplex cinema system, with an approximate surface of 4,100 sq. m. This improvement of a building of Mendoza Plaza Shopping, was capitalized as a fixed asset, with a balancing entry as unrealized gains, recognizing the depreciation charges and the profits over a 50-year period. At period end, the amount of Ps. 10,835 was pending of accrual.

Also, gains to be accrued related to the construction of installations by a lessee in the Abasto Shopping Center area, are included. APSA has recorded such installations as fixed assets based on the construction costs with the liability. Improvements by third

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 30:** (Continued)

parties are depreciated in net income accounts during the term of the rental. Such net depreciation of the improvement by third parties was not significant during the nine-month periods ended March 31, 2006 and 2005.

On February 2, 1999 Mendoza Plaza Shopping S.A. entered into a contract with Riocruz S.C.S. (C&A Shop), granting the latter a mutual right of way in perpetuity, for valuable consideration for the first ten years and subsequently free of charge. The price agreed for this easement is US\$ 2,926 which was accrued over the amortization period of the property, as from April 1999, date on which it was registered with the Real Estate Record Office. On September 16, 2005 Mendoza Plaza Shopping S.A. acquired the real estate that belonged to Riocruz S.C.S. (C & A Shop) and the easement right was left ineffective. Therefore, Mendoza Plaza Shopping S.A. reflected for this operation an income of \$2,428 as accelerated amortization which is shown in Other income and expenses, net of the statement of income.

**NOTE 31: PROPOSAL TO TRANSFER THE MANAGEMENT OF ABRIL**

The Company, Inversora Bolívar S.A. and Baldovinos S.A. are currently analyzing a proposal to be submitted to the Commission of Residents of Abril Club de Campo for passing the administration of the Club and the subsequent transference of the shares of Abril S.A. This proposal will replace the one dated May 4, 2005.

In principle, for bidders to consider the accepted proposal, the approval of the owners of two thirds of the land sold at the signing the proposal is required. It includes monetary and non-monetary renderies, among which the following can be outlined:

1. The Company and Inversora Bolívar S.A. will contribute to Abril S.A. the amount of Ps. 650.
2. The Company and Inversora Bolívar S.A. will repair all the roadways of Abril Club de Campo.
3. The Company and Inversora Bolívar S.A. will transfer to Abril S.A. a plot of land of the Abril establishment (to be assigned to the building of sleeping rooms ) including their pertinent shareholding titles.
4. The Company and Inversora Bolívar S.A. will transfer to Abril S.A. a plot of land of the Abril establishment (commercial stores, small theatre and administration) including their pertinent shareholding titles.
5. Baldovinos S.A. will establish in favor of Abril S.A. a perpetual easement that no buildings will be constructed in relation of the Big House and four plots of land adjacents to the Main House located in Abril Club de Campo.
6. The Company and Inversora Bolívar S.A. will be responsible for all severance payment (including salary) of a former employee of the Club.
7. The Company and Inversora Bolívar S.A. will pay the dues for lightning, cleaning and maintenance of public roads to the Municipality of Berazategui if such amount is higher to the amount recorded in the financial statements of Abril S.A. as of

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September 30, 2005 as well as of any related legal fee.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 32: NEUQUEN PROJECT**

On July 6, 1999 APSA acquired a 94.6% share in Shopping Neuquén S.A. amounting to Ps. 4.2 million. APSA paid Ps. 0.9 million on September 1, 1999 and the remaining Ps. 3.3 million were to be paid on July 5, 2001 or at the time of the opening of the shopping center to be constructed in the building owned by Shopping Neuquén S.A., whichever happened first. As of March 31, 2006 the remaining amount had not been paid yet.

The only asset of Shopping Neuquén S.A. is a plot of land of 50,000 square meters approximately, in which a shopping center would be built. The project included the building of a shopping center, a hypermarket, hotel and housing building. During June 2001 Shopping Neuquén S.A. requested to the Municipality of Neuquén an extension of the original construction schedule, and an authorization to transfer to third parties certain plots in which the land is divided so that each participant of the commercial development to be constructed would be able to build on its own land.

The time extension should be approved by the Legislative Council of the Municipality of Neuquén.

On December 20, 2002 the Municipality of Neuquén issued Decree 1,437/02 by which the request of Shopping Neuquén S.A., in respect of extending the time term to build the development and the authorization to transfer a part of the plots to third parties, was denied. Also, the extinction of the rights arising from Ordinance 5,178 was stated, terminating the purchase-sale contracts of land with loss both of improvements carried out and expenses incurred, in favor of the Municipality of Neuquén, having Shopping Neuquén S.A. no right to claim any indemnities.

Shopping Neuquén S.A. submitted a response to the above-mentioned Decree and requested on January 21, 2003 that the administrative action be revoked, and offered and attached a proof document including the reasons to request such annulment.

It also requested to be allowed to submit a new schedule of time terms, which would be prepared in line with the current scenario and including reasonable short and medium term projections.

The Municipal Executive rejected the recourse referred to above through Decree 585/2003. Consequently, on June 25, 2003 Shopping Neuquén S.A. filed an Administrative Procedural Action with the High Court of Neuquén requesting among other issues, the annulment of Decrees 1,437/2002 and 585/2003 that the Municipal Executive issued.

On December 21, 2004 Shopping Neuquén was notified of a resolution of the High Court of Neuquén communicating the expiry of the administrative procedural action that the Company had filed against the Municipality of Neuquén. Such Court decision is not final.

As of March 31, 2006 Shopping Neuquén S.A. is negotiating with the Municipality of Neuquén an agreement to establish the terms and conditions to re-activate the

**IRSA Inversiones y Representaciones Sociedad Anónima**

**and subsidiaries**

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

**NOTE 32:** (Continued)

development and construction of the commercial business. Such terms and conditions will be incorporated in a new Municipal Ordinance that will either modify or annul the original one.

If the extension is not approved, the Municipality of Neuquén would be entitled to request that the real estate sold on a timely basis be returned and if such is the case Shopping Neuquén would not recover its original investment.

In turn, on August 15, 2003 APSA was acknowledged that 85.75% of the old shareholders of Shopping Neuquén S.A. filed a claim requesting the collection of the price balance plus interest and legal costs.

The Company management considers that the current undergoing negotiations will be favorable to the Company interest.

**NOTE 33: ACQUISITION OF REAL STATE**

On December 29, 2005, APSA subscribed a preliminary purchase contract for acquiring a building located in the Autonomous City of Buenos Aires. The price agreed for this transaction amounts to US\$ 17.9 million. At present, the amount of US\$ 5.4 million has been paid as pre-payment and is shown in Fixed Assets. The remaining amount, that is US\$ 12.5 million will be cancelled at the time of signing the deed for final transference, which will happen within 180 days (such term can be postponed) counted as from the date in which the preliminary contract will be signed.

**IRSA Inversiones y Representaciones**

**Sociedad Anónima**

**Free translation of the Unaudited**

**Financial Statements**

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

**IRSA Inversiones y Representaciones Sociedad Anónima**

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

Principal activity: Real estate investment and development

Unaudited Financial Statements for the nine-month period

ended March 31, 2006

compared with the same period of previous year

Amounts stated in thousands of Pesos

Fiscal year No. 63 beginning July 1°, 2005

DATE OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE

Of the By-laws: June 25, 1943

Of last amendment: July 2, 1999

Registration number with the

Superintendence of Corporations: 4,337

Duration of the Company: Until April 5, 2043

Information related to subsidiary companies is shown in Exhibit C.

**CAPITAL COMPOSITION (Note 11)**

| Type of share             | Authorized for Public Offer of |            |         | In thousand of pesos |
|---------------------------|--------------------------------|------------|---------|----------------------|
|                           | Shares (*)                     | Subscribed | Paid in |                      |
| Common share, 1 vote each | 384,302,779                    | 384,302    | 384,302 |                      |

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



**IRSA Inversiones y Representaciones Sociedad Anónima****Unaudited Balance Sheets as of March 31, 2006 and June 30, 2005**

In thousand of pesos (Note 1)

|   | March 31,        | June 30,         |
|---|------------------|------------------|
|   | 2006             | 2005             |
| <b><u>ASSETS</u></b>  |                  |                  |
| <b><u>CURRENT ASSETS</u></b>                                  |                  |                  |
| Cash and banks (Note 2 and Exhibit G)                         | 6,187            | 38,782           |
| Investments (Exhibits C, D and G)                             | 41,152           | 19,476           |
| Mortgages and leases receivables, net (Note 3 and Exhibit G)  | 4,366            | 3,521            |
| Other receivables and prepaid expenses (Note 4 and Exhibit G) | 7,230            | 4,042            |
| Inventories (Note 5)  | 50,522           | 22,157           |
| <b>Total Current Assets</b>                                   | <b>109,457</b>   | <b>87,978</b>    |
| <b><u>NON-CURRENT ASSETS</u></b>                              |                  |                  |
| Mortgages and leases receivables, net (Note 3, and Exhibit G) | 695              | 35               |
| Other receivables and prepaid expenses (Note 4 and Exhibit G) | 86,067           | 93,517           |
| Inventories (Note 5)  | 43,373           | 201              |
| Investments (Exhibits C, D and G)                             | 1,233,130        | 1,213,344        |
| Fixed assets (Exhibit A)                                      | 286,060          | 291,869          |
| <b>Total Non-Current Assets</b>                               | <b>1,649,325</b> | <b>1,598,966</b> |
| <b>Total Assets</b>   | <b>1,758,782</b> | <b>1,686,944</b> |
| <b><u>LIABILITIES</u></b>                                     |                  |                  |
| <b><u>CURRENT LIABILITIES</u></b>                             |                  |                  |
| Trade accounts payable (Exhibit G)                            | 6,577            | 5,297            |
| Mortgages payable (Note 6 and Exhibit G)                      | 18,043           | 25,462           |
| Customer advances (Exhibit G)                                 | 15,806           | 2,472            |
| Short term-debt (Note 7 and Exhibit G)                        | 29,071           | 29,871           |
| Salaries and social security payable                          | 866              | 1,214            |
| Taxes payable (Exhibit G)                                     | 9,187            | 6,255            |
| Other liabilities (Note 8 and Exhibit G)                      | 28,608           | 22,795           |
| <b>Total Current Liabilities</b>                              | <b>108,158</b>   | <b>93,366</b>    |
| <b><u>NON-CURRENT LIABILITIES</u></b>                         |                  |                  |
| Mortgages payables (Note 6 and Exhibit G)                     | 18,519           | 27,627           |
| Customer advances   | 164              | 657              |
| Long term-debt (Note 7 and Exhibit G)                         | 289,914          | 311,273          |
| Taxes payable   | 672              | 736              |
| Other liabilities (Note 8 and Exhibit G)                      | 587              | 1,056            |
| <b>Total Non-Current Liabilities</b>                          | <b>309,856</b>   | <b>341,349</b>   |
| <b>Total Liabilities</b>                                      | <b>418,014</b>   | <b>434,715</b>   |

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|   |                  |                  |
|---|------------------|------------------|
| SHAREHOLDERS' EQUITY (according to the corresponding statement) | 1,340,768        | 1,252,229        |
| <b>Total Liabilities and Shareholders' Equity</b>               | <b>1,758,782</b> | <b>1,686,944</b> |

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

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos (Note 1)

|   | <b>March 31,</b> | <b>March 31,</b> |
|---|------------------|------------------|
|   | <b>2006</b>      | <b>2005</b>      |
| Revenues  | 26,885           | 14,136           |
| Costs (Exhibit F)   | (13,429)         | (7,189)          |
| <b>Gross profit</b>   | <b>13,456</b>    | <b>6,947</b>     |
| Gain from valuation of inventories at fair market value (Note 1.5.h.) | 4,914            |                  |
| Selling expenses (Exhibit H)  | (1,479)          | (1,039)          |
| Administrative expenses (Exhibit H)                                   | (13,623)         | (10,702)         |
| <b>Subtotal</b>   | <b>(10,188)</b>  | <b>(11,741)</b>  |
| Gain from operations and holding of real estate assets                |                  |                  |
| <b>Operating income</b>   | <b>3,268</b>     | <b>(4,794)</b>   |
| Financial results generated by assets:                                |                  |                  |
| Interest income   | 7,755            | 7,196            |
| Exchange gain   | 11,419           | (1,425)          |
| Financial gain  | 7,571            | 5,119            |
| Interest on discount by assets  | (139)            | (117)            |
| <b>Subtotal</b>   | <b>26,606</b>    | <b>10,773</b>    |
| Financial results generated by liabilities:                           |                  |                  |
| Exchange loss   | (26,263)         | 5,719            |
| Interest on discount by liabilities                                   | (1)              | (8)              |
| Financial expenses (Exhibit H)  | (24,977)         | (24,451)         |
| <b>Subtotal</b>   | <b>(51,241)</b>  | <b>(18,740)</b>  |
| <b>Total financial results, net</b>                                   | <b>(24,635)</b>  | <b>(7,967)</b>   |
| Equity gain from related companies (Note 10.c.)                       | 69,982           | 98,174           |
| Other income and expenses, net (Note 9)                               | (4,900)          | (4,932)          |
| <b>Net income before tax</b>  | <b>43,715</b>    | <b>80,481</b>    |
| Asset tax (Note 1.5.n.)   | (2,810)          | (2,276)          |
| <b>Net income for the period</b>                                      | <b>40,905</b>    | <b>78,205</b>    |

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

Eduardo Sergio Elsztain

President

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Unaudited Statements of Changes in Shareholders Equity**

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos (Note 1)

|   | Common<br>Stock | Shareholders<br>Inflation<br>adjustment<br>of common<br>stock | contributions<br>Additional<br>paid-in<br>capital | Total     | Reserved<br>earnings<br>Legal reserve | (Accumulated<br>deficit)<br>retained<br>earnings | Total as of<br>March 31,<br>2006 | Total as of<br>March 31,<br>2005 |
|---|-----------------|---|---|-----------|---------------------------------------|--|----------------------------------|----------------------------------|
| Balances as of beginning of year  | 357,267         | 274,387   | 676,171   | 1,307,825 | 19,447                                | (75,043)   | 1,252,229                        | 959,854                          |
| Capital increase  | 27,035          |   | 20,599  | 47,634    |                                       |  | 47,634                           | 156,478                          |
| Accumulated losses absorption of<br>approved by shareholders meeting<br>held 11/29/05 |                 |   | (75,043)  | (75,043)  |                                       | 75,043   |                                  |                                  |
| Net income for the period   |                 |   |   |           |                                       | 40,905   | 40,905                           | 78,205                           |
| Balances as of March 31, 2006   | 384,302         | 274,387   | 621,727   | 1,280,416 | 19,447                                | 40,905   | 1,340,768                        |                                  |
| Balances as of March 31, 2005   | 338,373         | 274,387   | 662,413   | 1,275,173 | 19,447                                | (100,083)  |                                  | 1,194,537                        |

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

Eduardo Sergio Elstain

President

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Unaudited Statements of Cash Flows (1)**

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos (Note 1)

|   | March 31,<br>2006 | March 31,<br>2005 |
|---|-------------------|-------------------|
| <b>CHANGES IN CASH AND CASH EQUIVALENTS</b>   |                   |                   |
| Cash and cash equivalents as of the beginning of year                                 | 41,006            | 9,864             |
| Cash and cash equivalents as of the end of period                                     | 31,826            | 66,594            |
| <b>Net (decrease) increase in cash and cash equivalents</b>                           | <b>(9,180)</b>    | <b>56,730</b>     |
| <b>CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS</b>                                 |                   |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                   |                   |
| Net income for the period   | 40,905            | 78,205            |
| Plus asset tax accrued for the period   | 2,810             | 2,276             |
| <b>Adjustments to reconcile net income to cash flows from operating activities:</b>   |                   |                   |
| Equity gain from related companies  | (69,982)          | (98,174)          |
| Gain from valuation of inventories at fair market value                               | (4,914)           |                   |
| Allowances and reserves   | 3,742             | 4,089             |
| Amortization and depreciation   | 5,123             | 4,230             |
| Sundry provisions and allowances  | 4,665             | 3,570             |
| Results from the sale of shares of Banco Hipotecario S.A.                             | (1,858)           |                   |
| Financial results   | 5,854             | (16,221)          |
| <b>Changes in operating assets and operating liabilities:</b>                         |                   |                   |
| Decrease in current investments   | 16,001            | 9,077             |
| (Increase) Decrease in receivables from sales and leases                              | (1,514)           | 2,103             |
| Decrease in other receivables   | 769               | 5,189             |
| Decrease (Increase) in inventory  | 3,328             | (4,860)           |
| Decrease in taxes payable, salaries and social security payable and customer advances | (1,815)           | (4,874)           |
| (Decrease) Increase in trade accounts payable   | (327)             | 275               |
| Increase in accrued interest  | 4,843             | 7,839             |
| Increase (Decrease) in other liabilities  | 1,646             | (8,158)           |
| <b>Net cash provided by (used in) operating activities</b>                            | <b>9,276</b>      | <b>(15,434)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                   |                   |
| Decrease from equity interest in subsidiary companies                                 | 709               | 491               |
| Increase interest in subsidiary companies   | (279)             | (1,382)           |
| Purchase of shares Canteras Natal Crespo S.A.   | (4,249)           |                   |
| Purchase of shares of Alto Palermo S.A.   | (4,149)           | (21,755)          |
| Sale of shares of Alto Palermo S.A.   |                   | 5,029             |
| Purchase of Alto Palermo S. A. Convertible Note                                       |                   | (29,715)          |
| Sale of negociable obligations of Alto Palermo S.A.                                   |                   | 9,876             |
| Loan granted to related parties   | (3,325)           | 4,980             |
| Purchase and improvements of undeveloped parcels of lands                             | (155)             | (338)             |
| Purchase and improvements of fixed assets   | (2,048)           | (413)             |

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|   |                 |                 |
|---|-----------------|-----------------|
| Dividends collected   | 17,794          | 12,372          |
| Cash from merger  | 20              |                 |
| <b>Net cash provided by (used in) investing activities</b>  | <b>4,318</b>    | <b>(20,855)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                |                 |                 |
| Increase in loans   | 42              | 12,047          |
| Repayment of debt   | (23,286)        | (4,407)         |
| Settlement in mortgages payable                             | (22,280)        |                 |
| Guarantee for defaulted of credits                          |                 | (5,822)         |
| Proceeds from settlement of swap                            | 1,190           |                 |
| Loans granted by controlled subsidiary                      |                 | 4,412           |
| Issuance of common stock (exercise of options)              | 21,560          | 86,789          |
| <b>Net cash (used in) provided by financing activities</b>  | <b>(22,774)</b> | <b>93,019</b>   |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b> | <b>(9,180)</b>  | <b>56,730</b>   |

(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.

Eduardo Sergio Elsztain

President

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

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos (Note 1)

|   | March 31,        | March 31,        |
|---|------------------|------------------|
|   | 2006             | 2005             |
| <b>Supplemental cash flow information</b>   |                  |                  |
| Interest paid   | 18,352           | 15,179           |
| <b>Non-cash activities:</b>   |                  |                  |
| Increase in inventories through a decrease in fixed assets  |                  | 123              |
| Increase in fixed assets through a decrease in inventories  | 1,422            | 2,665            |
| Increase in undeveloped parcels of lands through a decrease in fixed assets                             | 1,626            |                  |
| Increase in inventories through a decrease in undeveloped parcels of land                               | 10,675           |                  |
| Conversion of IRSA negotiable obligations into common shares  | 26,074           | 69,207           |
| Conversion of APSA convertible notes  |                  | 3,676            |
| Increase in shareholders equity through an increase in other receivables                                |                  | 482              |
| Increase in others receivables through a increase in other liabilities                                  |                  | 4,069            |
| Increase in non current investment through a decrease in other receivables                              | 118              |                  |
| Decrease in non current investment through an increase in other receivables                             | 22,173           |                  |
| Decrease in non current investment through a decrease in other liabilities                              | 6,250            |                  |
|   | <b>March 31,</b> | <b>March 31,</b> |
|   | <b>2006</b>      | <b>2005</b>      |
| <b>Acquisition of subsidiary companies (by merger)</b>  |                  |                  |
| Cash and banks  | 20               |                  |
| Others receivables  | 1,503            |                  |
| Inventories   | 57,223           |                  |
| Investments   | 37,718           |                  |
| Trade accounts payable  | (3)              |                  |
| Customers advances  | (6,377)          |                  |
| Taxes payable   | (12,221)         |                  |
| Other liabilities (includes Ps. 24,809 payable to IRSA Inversiones y Representaciones Sociedad Anónima) | (30,078)         |                  |
| <b>Net value of the acquired assets</b>   | <b>47,785</b>    |                  |
| Equity value before the acquisition (includes the higher value of incorporated inventories of Ps.99)    | (47,785)         |                  |
| Cash and banks acquired   | 20               |                  |
|   | <b>20</b>        |                  |

Eduardo Sergio Elsztain

President





**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

For the nine-month periods beginning on July 1, 2005 and 2004

and ended March, 2006 and 2005

Amounts expressed in thousand

**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 Argentine pesos and were prepared in accordance with disclosure and valuation criteria contained in the Technical Resolutions issued by the Argentine Federation of Professional Councils in Economic Sciences, approved with certain amendments by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, in accordance with the resolutions issued by the National Securities Commission.

The Unaudited Financial statements corresponding to the nine-month periods ended March 31, 2006 and 2005 have not been audited. The Company's management considers they include all necessary adjustments to reasonably show the results of each period.

Results for the nine-month periods ended March 31, 2006 and 2005 do not necessarily reflect the proportion of the Company's results for the fiscal years.

**Unification of professional accounting standards**

The National Securities Commission has issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively.

Such resolutions have adopted, with certain modifications, the new accounting standards recently issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires through its Resolution CD 93/2005. These standards are to be obligatorily applied for fiscal years or interim periods corresponding to fiscal years started as from January 1, 2006.

The principal change that the application of these new standards has generated relates to the treatment of the adjustment for inflation in calculating the deferred tax which can be taken as a temporary difference, according to the Company's criteria. At present the adjustment for inflation is considered as a permanent difference in the deferred income tax calculation. The Company in accordance with the new accounting standards, has decided not to recognize the deferred liability generated by the effect of the adjustment for inflation on the fixed assets and other non-monetary assets. The estimated effect as of March 31, 2006 that the adoption of the new criteria would have generated would be a decrease in shareholders' equity of approximately Ps. 186,239 with an impact in retained earnings.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

The Company is evaluating the potential impact that the new accounting standards would have in its subsidiary Banco Hipotecario S.A.

1.2. Use of estimates

The preparation of unaudited financial statements requires 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 unaudited financial statements, and the reported amounts of revenues and expenses for the period. Company's Management makes estimates for example when accounting for allowance for doubtful accounts, depreciation, amortization, impairment of long-lived assets, income taxes and contingencies. Future actual results could differ from the estimates and assumptions made at the date of these unaudited financial statements.

1.3. Recognition of the effects of inflation

The unaudited financial statements have been prepared in constant currency, 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 unaudited 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 unaudited financial statements was discontinued.

This criterion is not in line with current professional accounting standards, which establish that the unaudited 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 unaudited 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

Balance sheet items at June 30, 2005 shown in these unaudited financial statements for comparative purposes arise from the audited annual financial statements corresponding to the year then ended.

The balances at March 31, 2006 of the Statements of Income, Changes in Shareholders' Equity and Cash Flows are disclosed in comparative format with the same period of the previous fiscal year.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE1:** (Continued)

Certain amounts of the financial statements for the year ended June 30, 2005 have been reclassified for the purpose of comparison with the figures of the current period.

1.5. Valuation criteria

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-end exchange rates.

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

c. Current investments

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

d. Mortgages and lease receivables and trade accounts payable

Mortgages and lease receivables and trade accounts payable have been valued at the 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 liabilities

Financial receivables and payables have been valued at the amount deposited and collected, respectively, net of operating costs, plus financial results accrued based on the internal rate of return estimated at that time.

f. Other receivables and payables

Sundry current assets and liabilities have been valued at face value plus the financial results accrued at the closing of the corresponding period.

Sundry receivables and payables (asset tax, value added tax, deposits in guarantee, and accounts receivable in trust) disclosed under other current and other non-current receivables and payables, were valued based on the best estimate of the amount receivable and payable, respectively, discounted at the interest rate applicable to freely available savings accounts published by the Argentine Central Bank in effect at the time of incorporation to assets and liabilities, respectively.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

As established by the regulations of the National Securities Commission, deferred tax assets and liabilities have not been discounted. This criterion is not in accordance with current accounting standards in effect in the Autonomous City of Buenos Aires, which require those balances to be discounted. However, the effect resulting from this difference has not had a material impact on the unaudited financial statements.

Liabilities in kind:

The Company records a liability in kind corresponding to an obligation to deliver units to be built in relation to the San Martín de Tours property. This liability was valued at the higher of amounts received or the estimated cost of building of the units plus additional costs to transfer the assets to the creditor, and is shown as a current liability under Mortgages payable .

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 net realizable value, whichever is lower. The Company maintains allowances for impairment of certain inventories for those ones which market value is lower than cost (See Exhibit E). Costs include land and land improvements, direct construction costs, construction overhead costs, interest on indebtedness and real estate taxes. During the period ended March 31, 2006 and the fiscal year June 30, 2005 interest costs of the property called San Martín de Tours were capitalized for Ps. 222 and Ps. 418, respectively.

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 fair market value.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5. (Continued)

h. (Continued)

Profits arising from such valuation are shown in the Gain from valuation of inventories at fair market value caption of the Statement 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.

Credits in kind:

The units relating to the buildings called Edificios Cruceros and Dique III have been valued according to the accounting measuring standards corresponding to inventories receivable and there have been disclosed under Inventories .

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, as the Company will hold them to maturity. The value thus obtained does not exceed the respective estimated recoverable value at the end of the period.

Investments in subsidiaries and related companies:

Non-current investments in subsidiaries and related companies detailed in Exhibit C, have been valued by using the equity method of accounting based on the unaudited financial statements at March 31, 2006 issued by them. The accounting standards used by the subsidiaries to prepare their financial statements are the same as those used by the Company. The accounting standards used by the related companies to prepare their financial statements are those currently in effect.

This item also includes the lower or higher value paid for the purchase of shares in subsidiaries and related companies assignable to the assets

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5. (Continued)

i. (Continued)

acquired, and goodwill related to the subsidiary Alto Palermo S.A. and the related company, Banco Hipotecario S.A.

The Company has an important investment in Banco Hipotecario S.A. This investment is valued according to the equity method due to the significant influence of the economic group on the decisions of Banco Hipotecario S.A., and to the intention of keeping said investment on a permanent basis.

In accordance with the regulations of the BCRA and the contracts signed as a result of Banco Hipotecario S.A.'s financial debt restructuring process, there are certain restrictions on the distribution of profits by Banco Hipotecario S.A. to the Company.

Certificates of participation in IRSA financial trust:

The certificates of participation in IRSA I financial trust have been valued at the amount resulting from apportioning the participation certificate holding to the trust assets.

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. The Company maintains allowances for impairment of certain parcels of undeveloped land for which their market value is lower than cost. (See Exhibit E).

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

The values thus obtained, net of the allowances recorded, do not exceed their respective estimated recoverable values at the end of period.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5. (Continued)

j. Fixed assets

Fixed assets comprise primarily of rental properties and other property 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.

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. The Company capitalizes accrued interest costs on indebtedness associated with long-term construction projects. However, as of March 31, 2006 and the fiscal year ended June 30, 2005 no interest costs were capitalized, as the Company considered that there are no work in progress.

Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which generally are estimated to be 50 years for buildings. Expenditures for ordinary maintenance and repairs are charged to results in the period incurred.

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 renovations 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 statement of income.

Software obtained or developed for internal use

The Company capitalizes certain costs associated with the development of computer software for internal use. Such costs are being amortized on a straight-line basis since its implementation .



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5. (Continued)

j. (Continued)

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. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

| Asset                                       | Estimated useful life (years) |
|---|-------------------------------|
| Leasehold improvements                      | On contract basis             |
| Furniture and fixtures                      | 5                             |
| Machinery, equipment and computer equipment | 3                             |
| Vehicles                                    | 5                             |

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.

k. Deferred financing cost

Expenses incurred in connection with the issuance of negotiable obligations and proceeds of loans are amortized over the life of the related issuances. In the case of redemption of these notes, the related expenses are amortized using the accelerated depreciation method.

Amortization has been recorded under Financial results, net in the statements of income as a greater financing expense.

l. Customer advances

Customer advances represent payments received in advance in connection with the sale and rent of properties.

m. 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 14).

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5. (Continued)

m. (Continued)

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 carry forwards, considering the legal regulations approved at the date of issuance of these unaudited financial statements.

Since it is unlikely that future taxable income will fully absorb tax loss carry forwards, the Company has recorded an impairment on a portion of that credit.

n. Asset tax

The Company calculates asset tax by applying the current 1% rate on computable assets at the end of the period. This tax complements income tax. The Company's tax obligation in each period will coincide with the higher of the two taxes. However, if asset tax 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.

At March 31, 2006, the Company has estimated the asset tax, recognizing under Other receivables (non-current) the amount estimated to be offset as payment on account of income tax in future years in accordance with current regulations, and expensing the remaining balance.

o. Allowances and Provisions

Allowance for doubtful accounts: the Company provides for losses relating to mortgages, lease and other accounts receivable. 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 one-by-one basis considering the present value of expected future cash flows. 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 unaudited financial statements reflect that consideration.

For impairment of assets: the Company regularly assess its non-current assets for recoverability whenever there is an indication that the carrying amount of an asset may exceed its recoverable value.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5 (Continued)

o. (Continued)

In such cases, for rental properties, the Company first makes a comparison between the asset carrying amount and its undiscounted value in use. If, as a result of that comparison, the carrying amount of an asset exceeds its value in use, in order to measure the loss impairment, a second comparison is made with the higher of discounted value in use and market value (recoverable value). Value in use is determined based on estimated future cash flows. 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 will record the corresponding reversals of impairment loss as required by accounting standards.

Increases and decreases of allowances for impairment of assets during the nine-month period ended March 31, 2006 and fiscal year ended June 30, 2005 are detailed in Exhibit E.

For lawsuits: the Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. 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 a effect on the Company's future results of operations and financial condition or liquidity.

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

p. 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.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5. (Continued)

p. (Continued)

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 forming part of the shareholders equity.

q. Results for the period

The results for the period are shown as follows:

Amounts included in Income Statement 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 affiliated companies was 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 21.

r. Advertising expenses

The Company generally charges the advertising and publicity expenses to results when they are incurred. Advertising and promotion expenses were approximately Ps. 231 and Ps. 211 for the nine-months periods ended March 31, 2006 and 2005, respectively.

s. Pension information

The Company does not maintain any pension plans. Argentine laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed funds plan to which employees may elect to contribute.

t. Derivative financial instruments

The Company has entered into an interest rate swap agreement in order to hedge the risks of fluctuation in interest rates related to its financial debt which accrues interest at variable rate. See Note 16 for details.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 1:** (Continued)

1.5. (Continued)

u. Revenue recognition

u.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; and

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 commence revenue and cost recognition until such time as the decision to proceed with the project is made and 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.

u.2. Leases

Revenues from leases are recognized on a straight line basis over the life of the related lease contracts.

v. 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.

w. Monetary assets and liabilities

Monetary assets and liabilities are stated at their face value plus or minus the related financial gain or loss.

x. Vacation expenses

Vacation expenses are fully accrued in the period in which the employee renders services in order to be able to take such vacation.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 2: CASH AND BANKS**

The breakdown for this item is as follows:

|                           | March 31, | June 30, |
|---------------------------|-----------|----------|
|                           | 2006      | 2005     |
| Cash in local currency    | 26        | 31       |
| Cash in foreign currency  | 57        | 229      |
| Banks in local currency   | 115       | 64       |
| Banks in foreign currency | 619       | 500      |
| Special current accounts  | 1         | 1        |
| Foreign accounts          | 5,109     | 37,823   |
| Checks to be deposited    | 260       | 134      |
|                           | 6,187     | 38,782   |

**NOTE 3: MORTGAGES AND LEASES RECEIVABLES, NET**

The breakdown for this item is as follows:

|  | March 31, 2006 |      | June 30, 2005 |      |
|--|----------------|------|---------------|------|
|  | Current        | Non- | Current       | Non- |
|  | 1,193          | 695  | 1,033         | 35   |
| Mortgages and leases receivables                   | 1,193          | 695  | 1,033         | 35   |
| Debtors under legal proceedings and past due debts | 1,918          |      | 1,708         |      |
| Related parties (Note 10.a.)                       | 1,819          |      | 1,355         |      |
| Less:  |                |      |               |      |
| Allowance for doubtful accounts (Exhibit E)        | (564)          |      | (575)         |      |
|  | 4,366          | 695  | 3,521         | 35   |

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

**NOTE 4: OTHER RECEIVABLES AND PREPAID EXPENSES**

The breakdown for this item is as follows:

|   | March 31, 2006 |             | June 30, 2005 |             |
|---|----------------|-------------|---------------|-------------|
|   | Current        | Non-Current | Current       | Non-Current |
| Asset tax credits (Note 1.5.n.)                 |                | 26,128      |               | 22,669      |
| Value added tax                                 | 3,585          | 3,648       | 3,031         | 4,219       |
| Related parties (Note 10.a.)                    | 193            | 3,350       | 172           | 42          |
| Prepaid expenses                                | 577            |             | 440           |             |
| Guarantee of defaulted credits (1)              | 2,434          | 15,868      |               | 17,128      |
| Trust accounts receivable                       |                | 361         |               | 361         |
| Present value                                   |                | (1,091)     |               | (952)       |
| Deferred income tax (Note 14)                   |                | 37,795      |               | 49,931      |
| Tax on personal assets to be recovered          | 5,793          |             | 5,326         |             |
| Allowance for tax on personal asset (Exhibit E) | (5,793)        |             | (5,326)       |             |
| Other   | 441            | 8           | 399           | 119         |
|   | 7,230          | 86,067      | 4,042         | 93,517      |

(1) See Note 15 to the unaudited financial statements and Note 16 to the unaudited consolidated financial statements.

**NOTE 5: INVENTORIES**

The breakdown for this item is as follows:

|                                   | March 31, 2006 |             | June 30, 2005 |             |
|-----------------------------------|----------------|-------------|---------------|-------------|
|                                   | Current        | Non-Current | Current       | Non-Current |
| Edificios Cruceros                | 8,648          |             | 8,141         |             |
| San Martin de Tours               | 14,075         |             | 11,743        |             |
| Dock 13                           | 1,605          |             | 1,605         |             |
| Dorrego 1916                      | 13             |             | 13            |             |
| Minetti D (1)                     | 65             |             | 65            |             |
| Terrenos de Caballito             |                | 10,675      |               |             |
| Torres Jardin (1)                 | 468            |             | 468           |             |
| V. Celina                         | 43             |             | 43            |             |
| Abril / Baldovinos (1)            | 46             | 61          | 79            | 201         |
| Dique III                         | 25,559         | 9,776       |               |             |
| Credit from Barter transaction of |                |             |               |             |
| Dique III (2)                     |                | 22,861      |               |             |
|                                   | 50,522         | 43,373      | 22,157        | 201         |



- 
- (1) The values recorded are disclosed net of the effect of the allowance for impairment, as detailed in Exhibit E of Ps. 1,021 (Abril / Baldovinos Ps. 407, Stores Ps. 603, Mineti D Ps. 7 and Torres Jardin III Ps. 4).
  - (2) Secured by first degree mortgage in favor of the Company.

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to the unaudited financial statements

**NOTE 6: MORTGAGE PAYABLES**

The breakdown for this item is as follows:

|  | March 31, 2006 |         | June 30, 2005 |         |
|--|----------------|---------|---------------|---------|
|  | Non-           | Non-    | Non-          | Non-    |
|  | Current        | Current | Current       | current |
| Mortgage payable - San Martin de Tours (Note 12) | 3,563          |         | 2,935         |         |
| Mortgage payable - Bouchard 710                  |                |         |               |         |
| (Note 12) (1)                                    | 14,480         | 18,519  | 22,527        | 27,627  |
|  | 18,043         | 18,519  | 25,462        | 27,627  |

- (1) On July 1, 2005 the Company paid the first installment of the mortgage for the purchase of the Bouchard 710 Building for US\$ 422. Also on July 26, 2005 the Company modified one of the contract clauses of such mortgage, by which a partial anticipated cancellation of US\$ 3,203 was made and agreed to pay the remaining price balance of US\$ 13,625 in 34 equal, mensual and consecutive installments of US\$ 452 each (interest according to the French system were included with an annual rate of 8.5%). As of March 31, 2006 the company has cancelled eight principal installments for an amount of US\$ 2,918, being the balance of principal US\$ 10,707.

**NOTE 7: SHORT AND LONG - TERM DEBT**

The breakdown for this item is as follows:

|  | March 31, 2006 |         | June 30, 2005 |         |
|--|----------------|---------|---------------|---------|
|  | Non-           | Non-    | Non-          | Non-    |
|  | Current        | Current | Current       | Current |
| Bank loans (1)                                     | 8,860          | 44,749  | 6,641         | 48,557  |
| Bank loans- Accrued interest (1)                   | 443            | 7,266   | 353           | 5,987   |
| Negotiable Obligations - 2009 principal amount (2) | 14,401         | 72,727  | 10,792        | 78,917  |
| Negotiable Obligations - 2009 accrued interest (2) | 720            | 11,849  | 572           | 9,753   |
| Convertible Negotiable Obligations - 2007 (3)      | 4,647          | 153,323 | 1,726         | 168,059 |
| Other financial loans (4)                          |                |         | 9,787         |         |
|  | 29,071         | 289,914 | 29,871        | 311,273 |

- (1) Corresponds to an unsecured loan for a total amount of US\$ 51 million, which falls due on 20 November 2009, with the principal being amortized in 20 quarterly installments with a two-year grace period. US\$ 35 million of the principal accrue interest at the LIBO rate over three months plus 200 basis points, and US\$ 16 million accrue interest at a fixed rate that is progressively increased. On July 25, 2003 the Company redeemed the mentioned US\$ 16 million for US\$ 10.9 million. In addition, on March 17, 2004, the Company redeemed US\$ 12 million for a total amount of US\$ 8.6 million. Additionally, the Company settled five first installments amounting to US\$ 2.9 million. Therefore, at March 31, 2006 the balance of principal amounts to US\$ 17.4 million which matches the US\$ 20.1 million discounted considering a market rate equivalent to 8% per year.

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The terms of the loan require the Company to maintain certain financial ratios and conditions, specific debt/equity ratios, moreover, they also restrict certain investments, the making of payments, the procurement of new loans and the sale of certain assets and other capital investments.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 7:** (Continued)

- (2) Corresponds to Negotiable Obligations secured by the assets described in Note 12.b. for US\$ 37.4 million, which mature on 20 November 2009 with partial periodic amortization, and have quarterly interest payments at the LIBO rate over three months plus 200 basis points. At this date, the Company has settled five first installments amounting to US\$ 4.7 million. Consequently, at March 31, 2006 the Company recorded a total balance of US\$ 28.3 million, which corresponds to US\$ 32.7 million discounted at a market rate equivalent to 8% per year.

The terms of the loan require the Company to maintain certain financial ratios and conditions, specific debt/equity ratios; they also restrict certain investments, the making of payments, the procurement of new loans and the sale of certain assets and other capital investments.

- (3) According to Note 13, these relate to convertible negotiable obligations (CNB) issued for a total amount of US\$ 100 million, which at period end amounted to US\$ 49.9 million, net of issue expenses amounting to Ps. 0.44 million. Part of convertible negotiable obligations are held by shareholders and related parties. (See Note 10).

- (4) Corresponds to bank overdrafts mainly with Bank Boston.

**NOTE 8: OTHER LIABILITIES**

The breakdown for this item is as follows:

|  | March 31, 2006 |             | June 30, 2005 |             |
|--|----------------|-------------|---------------|-------------|
|  | Current        | Non-Current | Current       | Non-Current |
| Related parties (Note 10.a.)               | 22,062         |             | 19,281        | 5           |
| Guarantee deposits                         | 1,225          | 582         | 656           | 1,047       |
| Provision for lawsuits (Exhibit E)         | 268            |             | 290           |             |
| Directors' fees provision (Note 10.a.)     | 4,665          |             | 5,361         |             |
| Directors' fees advances (Note 10.a.)      | (250)          |             | (3,327)       |             |
| Directors' guarantee deposits (Note 10.a.) |                | 8           |               | 8           |
| Administration and reserve funds           | 131            |             | 118           |             |
| Trust account payables                     | 92             |             | 92            |             |
| Present value                              |                |             | (3)           | (4)         |
| Other                                      | 415            |             | 324           |             |
|  | 28,608         | 587         | 22,795        | 1,056       |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to the unaudited financial statements

**NOTE 9: OTHER INCOME AND EXPENSES, NET**

The breakdown for this item is as follows:

|   | March 31,<br>2006 | March 31,<br>2005 |
|---|-------------------|-------------------|
| <b>Other income:</b>                        |                   |                   |
| Results from sale of fixed assets           |                   | 6                 |
| Other                                       | 460               | 65                |
|   | 460               | 71                |
| <b>Other expenses:</b>                      |                   |                   |
| Unrecoverable VAT                           | (807)             | (233)             |
| Donations                                   | (256)             | (137)             |
| Debit and credit tax                        | (547)             | (465)             |
| Lawsuits                                    | (12)              | (20)              |
| Tax on shareholders personal assets         | (3,721)           | (4,057)           |
| Other                                       | (17)              | (91)              |
|   | (5,360)           | (5,003)           |
| <b>Total other income and expenses, net</b> | <b>(4,900)</b>    | <b>(4,932)</b>    |

**NOTE 10: BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

- a. The balances as of March 31, 2006 and June 30, 2005, with subsidiaries, shareholders, affiliated and related companies are as follows:

|  | March 31,<br>2006 | June 30,<br>2005 |
|--|-------------------|------------------|
| <b><u>Abril S.A. (1)</u></b>                   |                   |                  |
| Current mortgages and leases receivables       | 2                 |                  |
| <b><u>Alto Palermo S.A. (APSA) (1)</u></b>     |                   |                  |
| Current mortgages and leases receivables       | 163               | 470              |
| Other current receivables and prepaid expenses | 9                 | 79               |
| Current investments                            | 1,983             | 4,117            |
| Non-current investments                        | 97,817            | 91,628           |
| Current accounts payable                       | 906               | 154              |
| Other current liabilities                      | 20                | 20               |
| <b><u>Altocity.Com S.A. (3)</u></b>            |                   |                  |
| Current mortgages and leases receivables       | 23                | 10               |
| Current accounts payable                       | 7                 | 11               |

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|  |     |       |
|--|-----|-------|
| <b><u>Baldovinos S.A. (1)</u></b>                            |     |       |
| Current mortgages and leases receivables                     | 90  | 8     |
| Current accounts payable                                     | 64  | 472   |
| <b><u>Banco Hipotecario S.A. (3)</u></b>                     |     |       |
| Current investments  | 576 | 681   |
| <b><u>Banco de Crédito y Securitización S.A. (3)</u></b>     |     |       |
| Current mortgages and leases receivables                     | 15  |       |
| <b><u>Buenos Aires Trade and Finance Center S.A. (5)</u></b> |     |       |
| Other current liabilities                                    |     | 6,239 |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to the unaudited financial statements

**NOTE 10:** (Continued)

|  | March 31,   | June 30, |
|--|-------------|----------|
|  | 2006        | 2005     |
| <b><u>Consultores Assets Management S.A. (4)</u></b> |             |          |
| Current mortgages and leases receivables             | 55          | 25       |
| <b><u>Cresud S.A.C.I.F. y A (2)</u></b>              |             |          |
| Current mortgages and leases receivables             | 173         | 51       |
| Current accounts payable                             | 293         | 7        |
| Short-term debt -Convertible Negotiable Obligations  | 2,604       | 1,078    |
| Long -term debt -Convertible Negotiable Obligations  | 86,167      | 105,488  |
| <b><u>ECIPSA Holding S.A. (4)</u></b>                |             |          |
| Current mortgages and leases receivables             | 8           |          |
| <b><u>Canteras Natal Crespo S.A. (1)</u></b>         |             |          |
| Other current liabilities                            | 52          |          |
| <b><u>Dolphin Fund PLC (4)</u></b>                   |             |          |
| Current investment                                   | 9,271       | 8,776    |
| <b><u>Fibesa (1)</u></b>                             |             |          |
| Other current liabilities                            | 4           |          |
| <b><u>Hoteles Argentinos S.A. (1)</u></b>            |             |          |
| Other current liabilities                            | 2,927       |          |
| <b><u>Inversora Bolívar S.A. (1)</u></b>             |             |          |
| Current mortgages and leases receivables             | 1,248       | 697      |
| Other current receivables and prepaid expenses       |             | 49       |
| Current accounts payable                             | 219         | 9        |
| <b><u>Llao Llao Resorts S.A. (1)</u></b>             |             |          |
| Current mortgages and leases receivables             | 4           | 1        |
| Other current receivables and prepaid expenses       | 71          |          |
| Current accounts payable                             | 3,325       |          |
| Others current liabilities                           | 5           |          |
| Others non-current liabilities                       |             | 5        |
| <b><u>Nuevas Fronteras S.A. (1)</u></b>              |             |          |
| Current accounts payable                             | 1           | 2        |
| <b><u>Advances to employees (4)</u></b>              |             |          |
| Managers, Directors and other Staff of the Company   | Current     | 57       |
|  | Non-current | 44       |
| Managers, Directors and other Staff of the Company   | 25          | 42       |
| <b><u>Red Alternativa S.A. (3)</u></b>               |             |          |
| Current mortgages and leases receivables             |             | 9        |
| <b><u>Ritelco S.A. (1)</u></b>                       |             |          |
| Other current liabilities                            | 19,110      | 13,022   |
| <b><u>Tarshop S.A. (1)</u></b>                       |             |          |
| Current mortgages and leases receivables             | 26          | 84       |

**Estudio Zang, Bergel & Viñes (4)**

Current accounts payable

71



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 10:** (Continued)

|  |       |       |
|--|-------|-------|
| <b><u>Directors (4)</u></b>                    |       |       |
| Current mortgages and leases receivables       | 5     |       |
| Other current liabilities                      | 4,415 | 2,034 |
| Other non-current liabilities                  | 8     | 8     |
| <b><u>Emprendimiento Recoleta S.A. (1)</u></b> |       |       |
| Current mortgages and leases receivables       | 1     |       |
| <b><u>Shopping Alto Palermo S.A. (1)</u></b>   |       |       |
| Current mortgages and leases receivables       | 1     |       |
| <b><u>Puerto Retiro S.A. (1)</u></b>           |       |       |
| Current mortgages and leases receivables       | 5     |       |

- (1) Subsidiary (direct or indirect).  
 (2) Shareholder.  
 (3) Affiliated (direct or indirect).  
 (4) Related party  
 (5) Merged with effect after December 1<sup>st</sup>, 2005. (See Note 19)

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to the unaudited financial statements

**NOTE 10:** (Continued)

b. Results on subsidiary, shareholder, affiliated and related companies during the nine-month periods ended March 31, 2006 and 2005 are as follows:

|  | Year | Sales and<br>service fees | Leases<br>earned | Holding<br>results | Cost of<br>services | Leases<br>Lost | Interest<br>Earned | Fees       | Donations | Interest<br>Lost |
|--|------|---------------------------|------------------|--------------------|---------------------|----------------|--------------------|------------|-----------|------------------|
| <b>Related parties</b>                     |      |                           |                  |                    |                     |                |                    |            |           |                  |
| Alto Palermo S.A. (APSA)                   | 2006 |                           |                  |                    |                     |                | 11,794             |            |           |                  |
|  | 2005 | 836                       |                  |                    | 263                 |                | 6,506              |            |           |                  |
| Altocity.Com S.A.                          | 2006 | 2                         |                  |                    |                     |                |                    |            |           |                  |
|  | 2005 | 24                        | 19               |                    |                     |                |                    |            |           |                  |
| Alternativa Gratis S.A.                    | 2006 |                           |                  |                    |                     |                |                    |            |           |                  |
|  | 2005 | 29                        |                  |                    |                     |                |                    |            |           |                  |
| Cresud S.A.C.I.F. y A.                     | 2006 |                           |                  |                    |                     |                |                    |            |           | 6,239            |
|  | 2005 | 140                       |                  |                    | 35                  |                |                    |            |           | 7,994            |
| Red Alternativa S.A.                       | 2006 |                           |                  |                    |                     |                |                    |            |           |                  |
|  | 2005 | 21                        | 127              |                    |                     |                |                    |            |           |                  |
| Tarshop S.A.                               | 2006 |                           | 200              |                    |                     |                | 17                 |            |           |                  |
|  | 2005 | 60                        | 52               |                    |                     |                |                    |            |           |                  |
| Dolphin Fund PLC                           | 2006 |                           |                  | (67)               |                     |                |                    |            |           |                  |
|  | 2005 |                           |                  | 3,487              |                     |                |                    |            |           |                  |
| Abril S.A.                                 | 2006 | 13                        |                  |                    |                     |                |                    |            |           |                  |
|  | 2005 | 13                        |                  |                    |                     |                |                    |            |           |                  |
| Llao Llao Resorts S.A.                     | 2006 |                           | 47               |                    | 72                  |                | 71                 |            |           |                  |
|  | 2005 |                           | 47               |                    |                     |                |                    |            |           |                  |
| Inversora Bolívar S.A.                     | 2006 | 1,635                     |                  |                    |                     | 159            |                    |            |           |                  |
|  | 2005 | 745                       | 126              |                    |                     | 237            |                    |            |           |                  |
| Shopping Alto Palermo S.A.                 | 2006 |                           |                  |                    |                     |                |                    |            |           |                  |
|  | 2005 |                           |                  |                    |                     |                | 111                |            |           | 3                |
| Banco Hipotecario S.A.                     | 2006 |                           |                  | (22)               |                     |                |                    |            |           |                  |
|  | 2005 |                           |                  |                    |                     |                |                    |            |           |                  |
| Buenos Aires Trade and Finance Center S.A. | 2006 |                           |                  |                    |                     |                | 372                |            |           | 28               |
|  | 2005 |                           |                  |                    |                     |                |                    |            |           |                  |
| Ritelco S.A.                               | 2006 |                           |                  |                    |                     |                |                    |            |           | 511              |
|  | 2005 |                           |                  |                    |                     |                |                    |            |           | 18               |
| Advances to employees                      | 2006 |                           |                  |                    |                     |                | 6                  |            |           |                  |
|  | 2005 |                           |                  |                    |                     |                | 4                  |            |           |                  |
| Fundación IRSA                             | 2006 |                           |                  |                    |                     |                |                    |            | 20        |                  |
|  | 2005 |                           |                  |                    |                     |                |                    |            | 30        |                  |
| Estudio Zang, Bergel & Viñes               | 2006 |                           |                  |                    |                     |                |                    | 523        |           |                  |
|  | 2005 |                           |                  |                    |                     |                |                    | 380        |           |                  |
| <b>Total 2006</b>                          |      | <b>1,650</b>              | <b>247</b>       | <b>(89)</b>        | <b>72</b>           | <b>159</b>     | <b>12,260</b>      | <b>523</b> | <b>20</b> | <b>6,778</b>     |
| <b>Total 2005</b>                          |      | <b>1,868</b>              | <b>371</b>       | <b>3,487</b>       | <b>298</b>          | <b>237</b>     | <b>6,621</b>       | <b>380</b> | <b>30</b> | <b>8,015</b>     |



## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to the unaudited financial statements

**NOTE 10:** (Continued)

- b. The composition of equity gain from related companies is as follows:

|  | March 31,<br>2006 | March 31,<br>2005 |
|--|-------------------|-------------------|
| Gain on equity investments                       | 67,535            | 98,086            |
| Amortization of goodwill and lower/higher values | 2,447             | 1,962             |
| Tax on dividends from APSA                       |                   | (1,874)           |
|  | <b>69,982</b>     | <b>98,174</b>     |

**NOTE 11: COMMON STOCK**

- a. Common stock

As of March 31, 2006, IRSA's common stock was as follows:

|                        | Par<br>Value | Approved by<br>Body                    | Date       | Date of record with<br>the Public Registry of<br>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 | Pending   |
| Shares issued for cash | 27           | Board of Directors' Meeting (1)        | 08.22.2003 | Pending   |
| Shares issued for cash | 918          | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 22           | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 92           | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 6,742        | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 662          | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 46           | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 26           | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 77           | Board of Directors' Meeting (1)        | 12.31.2003 | Pending   |
| Shares issued for cash | 8,493        | Board of Directors' Meeting (2)        | 12.31.2003 | Pending   |
| Shares issued for cash | 23           | Board of Directors' Meeting (1)        | 03.31.2004 | Pending   |

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|                        |       |                                 |            |         |
|------------------------|-------|---------------------------------|------------|---------|
| Shares issued for cash | 6     | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 1,224 | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 999   | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 1     | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 968   | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 4     | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 1,193 | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 512   | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 20    | Board of Directors' Meeting (1) | 03.31.2004 | Pending |
| Shares issued for cash | 4,013 | Board of Directors' Meeting (2) | 03.31.2004 | Pending |
| Shares issued for cash | 275   | Board of Directors' Meeting (1) | 06.30.2004 | Pending |
| Shares issued for cash | 9,175 | Board of Directors' Meeting (1) | 06.30.2004 | Pending |
| Shares issued for cash | 550   | Board of Directors' Meeting (1) | 06.30.2004 | Pending |
| Shares issued for cash | 550   | Board of Directors' Meeting (2) | 06.30.2004 | Pending |
| Shares issued for cash | 9,450 | Board of Directors' Meeting (2) | 09.30.2004 | Pending |
| Shares issued for cash | 4     | Board of Directors' Meeting (1) | 12.31.2004 | Pending |
| Shares issued for cash | 229   | Board of Directors' Meeting (1) | 12.31.2004 | Pending |
| Shares issued for cash | 688   | Board of Directors' Meeting (1) | 12.31.2004 | Pending |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to the unaudited financial statements

**NOTE 11:** (Continued)

|                        | Par<br>Value | Approved by                     |            | Date of record with<br>the Public Registry of<br>Commerce |
|------------------------|--------------|---------------------------------|------------|---|
|                        |              | Body                            | Date       |   |
| Shares issued for cash | 45           | Board of Directors' Meeting (1) | 12.31.2004 | Pending   |
| Shares issued for cash | 46           | Board of Directors' Meeting (1) | 12.31.2004 | Pending   |
| Shares issued for cash | 363          | Board of Directors' Meeting (1) | 12.31.2004 | Pending   |
| Shares issued for cash | 249          | Board of Directors' Meeting (1) | 12.31.2004 | Pending   |
| Shares issued for cash | 1,643        | Board of Directors' Meeting (2) | 12.31.2004 | Pending   |
| Shares issued for cash | 18           | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 18           | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 2,294        | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 139          | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 9,496        | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 11           | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 917          | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 128          | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 38           | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 2,340        | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 9,174        | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 16,457       | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 37           | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 749          | Board of Directors' Meeting (1) | 03.31.2005 | Pending   |
| Shares issued for cash | 35,037       | Board of Directors' Meeting (2) | 03.31.2005 | Pending   |
| Shares issued for cash | 53           | Board of Directors' Meeting (1) | 06.30.2005 | Pending   |
| Shares issued for cash | 8,927        | Board of Directors' Meeting (1) | 06.30.2005 | Pending   |
| Shares issued for cash | 6            | Board of Directors' Meeting (1) | 06.30.2005 | Pending   |
| Shares issued for cash | 22           | Board of Directors' Meeting (1) | 06.30.2005 | Pending   |
| Shares issued for cash | 9,886        | Board of Directors' Meeting (2) | 06.30.2005 | Pending   |
| Shares issued for cash | 820          | Board of Directors' Meeting (1) | 09.30.2005 | Pending   |
| Shares issued for cash | 2            | Board of Directors' Meeting (1) | 09.30.2005 | Pending   |
| Shares issued for cash | 1,284        | Board of Directors' Meeting (1) | 09.30.2005 | Pending   |
| Shares issued for cash | 95           | Board of Directors' Meeting (1) | 09.30.2005 | Pending   |
| Shares issued for cash | 354          | Board of Directors' Meeting (1) | 09.30.2005 | Pending   |
| Shares issued for cash | 183          | Board of Directors' Meeting (1) | 09.30.2005 | Pending   |
| Shares issued for cash | 8,443        | Board of Directors' Meeting (1) | 09.30.2005 | Pending   |
| Shares issued for cash | 354          | Board of Directors' Meeting (2) | 03.31.2006 | Pending   |
| Shares issued for cash | 9,174        | Board of Directors' Meeting (1) | 03.31.2006 | Pending   |
| Shares issued for cash | 550          | Board of Directors' Meeting (1) | 03.31.2006 | Pending   |
| Shares issued for cash | 550          | Board of Directors' Meeting (1) | 03.31.2006 | Pending   |
| Shares issued for cash | 1,940        | Board of Directors' Meeting (1) | 03.31.2006 | Pending   |
| Shares issued for cash | 795          | Board of Directors' Meeting (1) | 03.31.2006 | Pending   |
| Shares issued for cash | 2,491        | Board of Directors' Meeting (2) | 03.31.2006 | Pending   |

384,302

- (1) Conversion of negotiable obligations mentioned in Note 13.  
(2) Exercise of options mentioned in Note 13.

b. Treasury stock

The Company repurchases outstanding common shares when it considers that their price is undervalued on the market. However, during the period ended March 31, 2006 and the fiscal year ended June 30, 2005 no treasury shares were bought.

c. Restriction on the distribution of profits

In accordance with the Argentine 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.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 12: RESTRICTED ASSETS**

- a. The Labor Court N° 55 decided the distress of units N° 14 and 20 located in Sarmiento 517, property of the Company, in connection with a lawsuit in which the Company is co-defendant, pending in court No. 55.
- b. The Company has mortgaged the following real estate: 13 functional units at Libertador 498, 71 supplementary units at Laminar Plaza and 19 supplementary units at Dique IV, in connection with the secured negotiable obligations referred to in Note 7.2.
- c. The Company has a first grade mortgage on the property identified as San Martín de Tours amounting to US\$ 750, as performance guarantee for the construction of the building and transfer of title on the units to be exchanged in favor of Establecimientos Providence S.A. (See valuation criteria in Note 1.5.f.)
- d. The Company has a first mortgage on the property identified as Bouchard 710 amounting to US\$ 13,625, as guarantee of the amount owed for the purchase of the referred building which matures on May 26, 2008.

**NOTE 13: NEGOTIABLE OBLIGATIONS CONVERTIBLE INTO COMMON SHARES**

On March 8, 2002, the Ordinary and Extraordinary Meeting of Shareholders resolved:

- a) Approving the issuance of Negotiable Obligations Convertible into Common Shares of the company ( CNO ) for up to a face value of US\$ 100,000 (one hundred million dollars), for a term of 5 (five) years, at a fixed interest rate of 6% to 12% per year, payable semi-annually in arrears.
- b) Approving a subscription option for the CNO holders to subscribe common shares of the company at 1 (one) share per Ps.1 (one peso) of CNO face value, paying in cash Ps.1 (pesos one) as subscription price, during 15 days after the conversion term has expired, including the corresponding capital increase.
- c) Suppressing the preferential subscription and accretion rights, or reducing the term to exercise the preference, as provided by section 12 of the Negotiable Obligations Law and other applicable regulations.
- d) Amending Article nine (9) of the bylaws to partially adapt its contents to the market circumstances arising from the amendment approved, by replacing 1) the 20% percentage referred to in the amendment to the bylaws, by the percentage indicated in Decree 677/01, i.e., 35%; and 2) eliminating the negotiable obligations or other convertible debt securities, as well as the warrants, from the calculation mentioned in Article nine (9) of the Bylaws.

The public offering and listing of the above-mentioned negotiable obligations was approved by Resolution No. 14,316 of the National Securities Commission dated September 24, 2002 and the Buenos Aires Stock Exchange, authorizing the issuance for up to US\$ 100,000 of securities consisting of negotiable obligations convertible into common shares, bearing interest at an annual rate of 8% and falling due in 2007 and which, at the time of their conversion, provide the right to options to subscribe 100,000,000 common shares (warrants).





**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 13:** (Continued)

As a result of the distribution of 4,587,285 treasury stock, the Company has adjusted the conversion price of its Convertible Negotiable Obligations and the exercise price of the warrants in accordance with the terms of the issue. Thus, the conversion price of the Negotiable Obligations fell from US\$ 0.5571 to US\$ 0.54505 and the exercise price of the warrants dropped from US\$ 0.6686 to US\$ 0.6541. Said adjustment came into force as from December 20, 2002.

The holder is entitled to exchange each Negotiable Obligation issued by IRSA for 1.8347 shares (0.1835 GDS) and has an option to purchase the same number of shares at the exercise price set for the warrant.

Convertible Negotiable Obligations and options will fall due on November 14, 2007.

Convertible negotiable obligations were underwritten in full and were paid in cash and the proceeds used to restructure or partially settle the Company's financial debt at the time of such subscription. Consequently, Note 7 to the unaudited financial statements shows the Company's financial debt after the restructuring and placement mentioned above.

As of March 31, 2006, certain holders of Convertible Negotiable Obligations had exercised their right to convert them for a total of US\$ 50.1 million, giving rise to the issuance of 91,943,894 common shares of Ps. 1 par value each as disclosed in Note 11.

Furthermore, as of March 31, 2006, 43,795,461 options to subscribe Company shares amounting to US\$ 52.6 million had been exercised, which gave rise to the issuance of 80,358,611 common shares of Ps. 1 par value each, as mentioned in Note 11.

The total outstanding balance of Convertible Negotiable Obligations as of March 31, 2006 is US\$ 49,891.

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to the unaudited financial statements

**NOTE 14: INCOME TAX DEFERRED TAX**

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

| Items                                       | Balances at the beginning of year | Balances incorporated by merger | Changes for the period | Balances at period-end |
|---|-----------------------------------|---------------------------------|------------------------|------------------------|
| Non-current deferred assets and liabilities |                                   |                                 |                        |                        |
| Investments                                 | (8,170)                           |                                 | (107)                  | (8,277)                |
| Mortgages and leases receivables, net       | (174)                             |                                 | (7)                    | (181)                  |
| Other receivables and prepaid expenses      | 326                               | (6,742)                         | 35                     | (6,381)                |
| Inventories                                 | 2,525                             | (6,947)                         | (392)                  | (4,814)                |
| Fixed assets                                | (3,108)                           |                                 | (814)                  | (3,922)                |
| Tax loss carry forwards                     | 94,573                            | 1,553                           | 7,649                  | 103,775                |
| Short and long terms debts                  | 3,606                             |                                 | (2,784)                | 822                    |
| Mortgage payables                           | 269                               |                                 | 169                    | 438                    |
| Other liabilities                           | 2,267                             |                                 | (605)                  | 1,662                  |
| Allowances and reserves                     | 101                               |                                 | (7)                    | 94                     |
| Allowances for deferred assets              | (42,284)                          |                                 | (3,137)                | (45,241)               |
| <b>Total non-current</b>                    | <b>49,931</b>                     | <b>(12,136)</b>                 |                        | <b>37,795</b>          |
| <b>Total net deferred assets</b>            | <b>49,931</b>                     | <b>(12,136)</b>                 |                        | <b>37,795</b>          |

Net assets at the end of the period derived from the information included in the above table amount to Ps. 37,795.

Deferred tax assets have been impaired in the portion estimated not to be recoverable based on projections of results for future years.

Below is a reconciliation between income tax expensed and that resulting from application of the current tax rate to pre-tax income for the nine-month periods ended March 31, 2006 and 2005, respectively:

| Items  | 03.31.06 | 03.31.05 |
|--|----------|----------|
|  | Ps.      | Ps.      |
| Net income for the period (before income tax)          | 43,715   | 80,481   |
| Current income tax rate                                | 35%      | 35%      |
| Net income for the period at the tax rate              | 15,300   | 28,168   |
| Permanent differences at the tax rate:                 |          |          |
| -Restatement into constant currency                    | 2,755    | (15,198) |
| -Donations   | 51       | 48       |
| -Equity gain from related companies                    | (24,494) | (16,551) |
| -Holding result on Participation Certificates (Trust). | (227)    | (572)    |
| -Tax on personal assets                                | 923      | 1,420    |
| - Sundry permanent differences                         | (222)    | (5)      |
| -Allowance on deferred assets                          | 5,914    | 2,690    |

Total income tax charge for the period

Difference

72

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the unaudited financial statements****NOTE 14:** (Continued)

Unexpired income tax loss carry forwards pending use at the end of the period amount to Ps. 296,501 according to the following detail:

| Generated in                 | Amount  |                    |
|------------------------------|---------|--------------------|
|                              | Ps.     | Year of expiration |
| 2001                         | 549     | 2006               |
| 2002                         | 206,062 | 2007               |
| 2003                         | 259     | 2008               |
| 2004                         | 32,347  | 2009               |
| 2005                         | 28,840  | 2010               |
| 2006                         | 28,444  | 2011               |
| Total tax loss carry forward | 296,501 |                    |

**NOTE 15: CREDIT DEFAULT SWAP CONTRACT WITH CREDIT SUISSE FIRST BOSTON**

On June 2, 2005 a contract called Credit Default Swap was entered into with Credit Suisse International (CSI, formerly Credit Suisse First Boston) by which the Company is committed to acquire in specific circumstances for US\$ 10.0 million, a loan with a mortgage guarantee on an office building in the City of Buenos Aires. This loan has a nominal value of US\$ 12,812, such entity being the creditor. To guarantee the fulfillment of said contract, the Company transferred as guaranty the amount of US\$ 4.0 million. If the debtor of such loan does not pay interest to CSI, the Company should pay quarterly interest at a LIBO rate added 450 basic points on a principal amount of US\$ 6.0 million. Under such contract, on September 30, 2005, December 31, 2005 and March 31, 2006 due to non-compliance by the debtor of the credit, the Company made a payment to CSI of US\$ 126, US\$ 129 and US\$ 135, respectively.

**NOTE 16: SWAP OF INTEREST RATES WITH DEUTSCHE BANK AG**

The Company agreed with the Deutsche Bank AG on June 16, 2005 two LIBO rate swap arrangements aiming at covering the risk of increased interest rates that the Company must pay on the unsecured loan and the non-convertible secured negotiable obligations (both to be due in November 2009, which at June 30, 2005 had a capital balance of US\$ 21,850 and US\$ 35,511 respectively, and which accrue a variable interest rate equivalent to the three month LIBO rate added 200 basic points).

By means of both contracts, the Company was compromised to pay every three months to the Deutsche Bank AG cash flows calculated on the basis of a fixed rate of 4.27% on the balances of each debt. In turn, the Company received quarterly payments calculated on the basis of the three-month LIBO rate on balances established at the beginning of each quarter.

The purpose of such swap arrangements was to fully cover the risk of interest rates of the above-mentioned debts. The amortization scheme, the dates for payment of interest and principal, the dates for determining interest rates, the referential index for calculating interests and the calculation basis for the interest agreed in both swap contracts totally coincided with the issuance conditions of each one of the mentioned liabilities.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 16:** (Continued)

On October 24, 2005 the Company fully cancelled in advance both swap arrangements. Due to the increase shown by the temporary structure of the interest rates, a gain of US\$ 402 was obtained for such cancellations.

**NOTE 17: SHARE ACQUISITION IN CANTERAS NATAL CRESPO S.A.**

During the nine-month period ended March 31, 2006 the Company acquired to Ecipsa Holding S.A. (ECIPSA), 43.18% of the shares of Canteras Natal Crespo S.A. Such shares have equal percentage of votes. The total amount agreed for such purchase was US\$ 1,481.

Additionally, in accordance with the contracts signed by the Company, it has the obligation to buy and ECIPSA has the obligation to sell 50% of the additional shares of Canteras Natal Crespo S.A. that ECIPSA will acquire in the future to the remaining shareholders. The agreed price was US\$ 11.35 per share. In case that ECIPSA acquires the remaining holding of 13.64%, the Company will have to pay US\$ 232 for an additional holding of 6.82%

Canteras Natal Crespo S.A. is a company located in the Province of Cordoba. The main activity of Canteras Natal Crespo S.A. is the development of own or third parties plots, countries, sale or rent of plots of land, sale of arids, real estate and house-building.

**NOTE 18: SALE IN OWNERSHIP OF BANCO HIPOTECARIO S.A.**

On August 9, 2005, the Company sold 2,305,122 shares of Banco Hipotecario S.A to Buenos Aires Trade and Finance Center S.A. (at that moment 100% subsidiary of the Company) in a total amount of US\$ 10,540 (equivalent to a market value of US\$ 4.57 per share) representing Ps. 30,281. For the sale of these shares the Company recognized a gain of Ps. 1,845 included in Financial gain in the Income Statement.

As explained in Note 19, as of December 31, 2005 the Company completed merger procedures to take-over its subsidiary company Buenos Aires Trade and Finance Center S.A. Consequently, as of period-end, the total shareholding in Banco Hipotecario is 10,141,015.

**NOTE 19: MERGER PROCEDURES TO TAKE-OVER BUENOS AIRES TRADE AND FINANCE CENTER S.A.**

The Company completed merger procedures to take-over its subsidiary company Buenos Aires Trade and Finance Center S.A. The previous merger agreement was subscribed on September 21, 2005 and became effective on October 1, 2005. Consequently, as from October 1, 2005 rights and obligations were unified, and as from December 1, 2005 both companies accountings were merged.

The control authorities have still to approve the merger procedure.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the unaudited financial statements**

**NOTE 20: DIOQUE III : BARTER, OPTION CONTRACT AND PRELIMINARY SALE CONTRACT**

On September 7, 2004, Buenos Aires Trade & Finance Center S.A. (at that time 100% subsidiary of the Company) and DYPSA, Desarrollos y Proyectos Sociedad Anónima signed a barter and option contract whereby DYPSA proposed to acquire plots 1c) and 1e) belonging to the Company valued at US\$ 8,030 and US\$ 10,800, respectively, for the construction at its own expense and under its own responsibility of two housing buildings of 37 and 40 floors, parking lots and individual storage spaces. As consideration for the exchange of plot 1c), DYPSA agreed to deliver housing units, parking lots and storage spaces within a maximum term of 36 months, representing in the aggregate 28.50% of the housing unit area built in the first building.

Furthermore, DYPSA has an option to acquire plot 1e) mentioned above through an exchange, within a maximum term of 548 days counted as from the signing of the deed of conveyance of plot 1c) and subject to the progress of work agreed between the parties. In this case, DYPSA agreed to deliver within a maximum term of 36 months housing units, individual storage spaces and parking lots representing in the aggregate 31.50% of the housing unit area built in the second building. These barter transactions were subject to the approval of the project by Corporación Antiguo Puerto Madero (CAPM), which resolved favorably at the closing of the period as of December 31, 2004.

On November 25, 2004 the deed of conveyance of title of the lot 1c) in favor of DYPSA was signed, establishing the consideration in kind and at the same time the option to acquire in barter lot 1e) by such company as explained in the first paragraph above. As a guaranty for this transaction, DYPSA set up a first degree mortgage for US\$ 8,030 on lot 1c).

The option to exchange lot 1e) is subject to the construction of the 13<sup>th</sup> floor of the building to be constructed on lot 1c).

On May 18, 2005 Buenos Aires Trade & Finance Center S.A. approved the offer of DYPSA, Desarrollos y Proyectos Sociedad Anónima, made during such period and signed the preliminary sales contract for the plot of parcel 1d), owned by said company. The amount of US\$ 2,150 was delivered and DYPSA will pay the balance of US\$ 6,350 at the time of signing the pertinent deed and subsequent transfer of property, scheduled originally for November 17, 2005.

After several postponements, on January 2006, DYPSA paid in advance to the Company the amount of US\$ 1,000, remaining the price balance of US\$ 5,350 to be paid in the new deed date and final transfer, which was scheduled after several postponements to June 07, 2006.

**NOTE 21: SUBSEQUENT EVENTS**

**Terrenos de Caballito - Barter contract**

On May 4, 2006 Koad S.A. (Koad) and the Company entered into a barter agreement for US\$ 7,500 by which the Company sold to Koad the plot of land number 36 of Terrenos de Caballito for Koad to build at its exclusive charge, expense and responsibility a building group called Caballito Nuevo. As consideration Koad paid the Company the amount of US\$ 50 and the balance of US\$ 7,450 will be cancelled by delivering 118 apartments and 55 parking units within the maximum term of 1,188 days. The final number of units to be received will depend of the effective date in which Koad will deliver the units, as there are different bonuses according to the date of the delivery.

Furthermore, Koad encumbered with privilege mortgage in first degree in favor of the Company the building subject to this transaction in the amount of US \$ 7,450 and two insurance for US\$ 2,000 and US \$ 500.

## IRSA Inversiones y Representaciones Sociedad Anónima

## Fixed assets, net

For the nine-month period ended March 31, 2006

Compared with the year ended June 30, 2005

In thousand of pesos

|     | Increases                     |                  |                             | Value at<br>period/year end | Accumulated at<br>beginning of year | Depreciation<br>For the period/year<br>Increase,<br>deductions |           |               | Allowances<br>for<br>impairment<br>(2) | Net carrying<br>Value as of<br>March 31,<br>2006 |                                   |
|-----|-------------------------------|------------------|-----------------------------|-----------------------------|-------------------------------------|--|-----------|---------------|--|--|-----------------------------------|
|     | Value at<br>beginning of year | and<br>transfers | Deductions and<br>Transfers |                             |                                     | And<br>Transfers   | Rate<br>% | Amount<br>(1) |  |  | Accumulated at<br>period/year end |
| nd  | 1,548                         | 103              |                             | 1,651                       | 1,521                               |  | 20        | 26            | 1,547                                  | 104  |                                   |
| and | 4,656                         | 1,699            |                             | 6,355                       | 4,446                               | (113)  | 33.33     | 225           | 4,558                                  | 1,797  |                                   |
| nts | 6,536                         | 78               |                             | 6,614                       | 5,284                               |  | 10        | 574           | 5,858                                  | 756  |                                   |
|     | 130                           |                  |                             | 130                         | 28                                  |  | 20        | 20            | 48                                     | 82   |                                   |
| i   | 1,776                         |                  | (1,776)                     |                             | 347                                 | (354)  | 2         | 7             |  |  |                                   |
| vo  | 7,339                         |                  |                             | 7,339                       | 1,780                               |  | 2         | 99            | 1,879                                  | (966)  | 4,494                             |
| o   | 3,277                         |                  |                             | 3,277                       | 575                                 |  | 2         | 36            | 611                                    | (297)  | 2,369                             |
| 10  | 72,459                        | 1                |                             | 72,460                      | 237                                 |  | 2         | 1,077         | 1,314                                  |  | 71,146                            |
| on  | 1,338                         |                  |                             | 1,338                       | 248                                 |  | 2         | 16            | 264                                    | (536)  | 538                               |
| on  | 8,762                         |                  |                             | 8,762                       |                                     |  | 2         |               |  | (7,438)  | 1,324                             |
|     | 23,337                        |                  |                             | 23,337                      | 1,488                               |  | 2         | 285           | 1,773                                  |  | 21,564                            |
| 10  | 21,160                        | 24               |                             | 21,184                      | 1,802                               |  | 2         | 276           | 2,078                                  |  | 19,106                            |
| a   | 33,513                        |                  |                             | 33,513                      | 2,936                               |  | 2         | 403           | 3,339                                  |  | 30,174                            |
| 498 | 51,152                        |                  |                             | 51,152                      | 7,845                               |  | 2         | 615           | 8,460                                  |  | 42,692                            |
| 602 | 3,486                         |                  |                             | 3,486                       | 501                                 |  | 2         | 42            | 543                                    |  | 2,943                             |
| 1   | 1                             |                  |                             | 1                           | 1                                   |  | 2         |               | 1                                      |  |                                   |
| 20  | 2,188                         |                  |                             | 2,188                       | 340                                 |  | 2         | 27            | 367                                    | (180)  | 1,641                             |
| 0   | 52,632                        |                  |                             | 52,632                      | 8,051                               |  | 2         | 639           | 8,690                                  |  | 43,942                            |
| a   | 24,714                        |                  |                             | 24,714                      | 4,613                               |  | 2         | 297           | 4,910                                  | (731)  | 19,073                            |
|     | 334                           |                  |                             | 334                         | 6                                   |  | 2         | 6             | 12                                     | (161)  | 161                               |
| a   | 12,109                        | 30               | (1,626)                     | 10,513                      |                                     |  | 2         |               |  |  | 10,513                            |



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|     |         |        |         |         |        |       |       |         |          |         |
|-----|---------|--------|---------|---------|--------|-------|-------|---------|----------|---------|
| 517 | 485     |        | 485     | 14      | 2      | 9     | 23    | (381)   | 81       |         |
| 52  | 17,010  |        | 17,010  | 3,977   | 2      | 216   | 4,193 | (1,257) | 11,560   |         |
|     | 349,942 | 1,935  | (3,402) | 348,475 | 46,040 | (467) | 4,895 | 50,468  | (11,947) | 286,060 |
| 005 | 260,548 | 94,749 | (5,355) | 349,942 | 41,463 | (647) | 5,224 | 46,040  | (12,033) |         |

- 
- (1) The accounting application of the depreciation for the period is set forth in Exhibit H.
  - (2) Disclosed net of depreciation for the period amounting to Ps. 86 (Exhibit H)

## IRSA Inversiones y Representaciones Sociedad Anónima

## Shares and other securities issued in series

## Interest in other companies

Balance Sheets as of March 31, 2006 and June 30, 2005

In thousand of pesos

| Issuer and types of securities                 | Class    | P.V.  | Amount  | Listing value | Book value as of March 31, 2006 | Book value as of June 30, 2005 | Main activity | Date | Issuer's information (1)<br>Last financial statement |                | Shareholders' equity | Interest in capital stock (1) |
|--|----------|-------|---------|---------------|---------------------------------|--------------------------------|---------------|------|--|----------------|----------------------|-------------------------------|
|  |          |       |         |               |                                 |                                |               |      | Capital  | Income         |                      |                               |
|  |          |       |         |               |                                 |                                |               |      | (par value)  | for the period |                      |                               |
| <b>Current Investment</b>                      |          |       |         |               |                                 |                                |               |      |  |                |                      |                               |
| Boden (2)                                      | Ps./US\$ | 0.001 | 2,275   | 0.0022        | 5                               | 6                              |               |      |  |                |                      |                               |
| Cedro (2)                                      | Ps.      | 0.001 |         |               |                                 | 5                              |               |      |  |                |                      |                               |
| Discounts AR (2)                               | Ps.      | 0.001 |         |               |                                 | 1,074                          |               |      |  |                |                      |                               |
| Mortgage Bonds (2)                             | Ps.      | 0.001 | 573,102 | 0.0010        | 576                             | 681                            |               |      |  |                |                      |                               |
| Total current investments as of March 31, 2006 |          |       |         |               | 581                             |                                |               |      |  |                |                      |                               |
| Total current investments as of June 30, 2005  |          |       |         |               |                                 | 1,766                          |               |      |  |                |                      |                               |

(1) Not informed because the equity interest is less than 5%.

(2) Not considered as cash for statement of cash flows purposes.

Exhibit C

(Continued)

## IRSA Inversiones y Representaciones Sociedad Anónima

## Shares and other securities issued in series

## Interest in other companies

Balance Sheets as of March 31, 2006 and June 30, 2005

In thousand of pesos

| Issuer and types of securities | Class             | P.V.  | Amount     | Listing value | Book value        |                  | Main activity                  | Corporate domicile                | Issuer's information |  |
|--------------------------------|-------------------|-------|------------|---------------|-------------------|------------------|--------------------------------|-----------------------------------|----------------------|--|
|                                |                   |       |            |               | at March 31, 2006 | at June 30, 2005 |                                |                                   | Date                 | Last financial statement Capital stock (par value) |
| Non-current investments        |                   |       |            |               |                   |                  |                                |                                   |                      |  |
| Abril S.A.                     | Common 1 vote     | 5.000 | 1,332      |               | (37,933)          | (37,537)         | Building, development and      | Bolívar 108 floor 1, Buenos Aires |                      |  |
|                                | Irrevoc. Contrib  |       |            |               |                   |                  |                                |                                   |                      |  |
|                                | Higher Inv. Value |       |            |               |                   |                  |                                |                                   | 03.31.06             | 13,320 (5)   |
|                                |                   |       |            |               | 26,374            | 26,374           | administration of country club |                                   |                      |  |
|                                |                   |       |            |               | 14,089            | 14,089           |                                |                                   |                      |  |
| Pereiraola S.A.I.C.I.F.y A     | Common 1 vote     | 0.001 | 1,376,167  |               | 1,331             |                  | Real estate and financing      | Bolívar 108 floor 1, Buenos Aires |                      |  |
|                                | Irrevoc. Contrib. |       |            |               |                   |                  |                                |                                   |                      |  |
|                                | Higher Inv. Value |       |            |               |                   |                  |                                |                                   | 03.31.06             | 2,752  |
|                                |                   |       |            |               | 27                | 1,348            |                                |                                   |                      |  |
|                                |                   |       |            |               | 7,553             | 7,553            |                                |                                   |                      |  |
| Baldovinos S.A.                | Common 1 vote     | 0.001 | 5,173,034  |               | 4,800             | (6,609)          | Real estate and building       | Bolívar 108 floor 1, Buenos Aires | 03.31.06             | 10,346   |
|                                | Irrevoc. Contrib  |       |            |               |                   |                  |                                |                                   |                      |  |
|                                |                   |       |            |               |                   |                  |                                |                                   |                      | 11,564   |
| Palermo Invest S.A.            | Common 1 vote     | 0.001 | 52,169,800 |               | 136,970           | 135,341          | Investment                     | Bolívar 108 floor 1, Buenos Aires |                      |  |
|                                | Lower Value       |       |            |               |                   |                  |                                |                                   |                      |  |
|                                | Purchase expenses |       |            |               |                   |                  |                                |                                   | 03.31.06             | 78,251   |
|                                |                   |       |            |               | (584)             | (592)            |                                |                                   |                      |  |
|                                |                   |       |            |               | 494               | 500              |                                |                                   |                      |  |

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|  |                   |       |            |          |          |                         |                                       |          |                 |
|--|-------------------|-------|------------|----------|----------|-------------------------|---------------------------------------|----------|-----------------|
| Hoteles Argentinos S.A.                    | Common 1 vote     | 0.001 | 7,909,272  | 16,277   | 13,044   | Hotel operations        | Av. Córdoba 680, Buenos Aires         |          |                 |
|  | Irrevoc. Contrib. |       |            |          |          |                         |                                       |          |                 |
|  | Higher Inv. Value |       |            |          |          |                         |                                       |          |                 |
|  | Purchase expenses |       |            |          |          |                         |                                       | 03.31.06 | 9,887           |
|  |                   |       |            | 3,531    | 3,531    |                         |                                       |          |                 |
|  |                   |       |            | 1,840    | 1,904    |                         |                                       |          |                 |
|  |                   |       |            | 44       | 45       |                         |                                       |          |                 |
| Alto Palermo S.A. (2)                      | Common 1 vote     | 0.001 | 48,091,939 | 488,605  | 479,003  | Real estate investments | Moreno 877 floor 22, Buenos Aires     |          |                 |
|  | Goodwill          |       |            |          |          |                         |                                       |          |                 |
|  | Higher Inv. value |       |            |          |          |                         |                                       | 03.31.06 | 78,042          |
|  |                   |       |            | (48,847) | (47,989) |                         |                                       |          |                 |
|  |                   |       |            | 24,904   | 24,904   |                         |                                       |          |                 |
| Buenos Aires Trade and Finance Center S.A. | Common 1 vote     | 0.001 | 125,000    |          | 22,065   | Real estate investments | Bolívar 108 floor 1, Buenos Aires     |          |                 |
|  | Irrevoc..Contrib. |       |            |          |          |                         |                                       |          |                 |
|  | Purchase expenses |       |            |          |          |                         |                                       |          |                 |
|  |                   |       |            |          | 23,259   |                         |                                       |          |                 |
|  |                   |       |            |          | 100      |                         |                                       |          |                 |
| Llao Llao Resort S.A                       | Common 1 vote     | 0.001 | 5,878,940  | 13,169   | 12,250   | Hotel operations        | Florida 537 floor 18, Buenos Aires    |          |                 |
|  | Irrevoc. Contrib. |       |            |          |          |                         |                                       |          |                 |
|  | Purchase expenses |       |            |          |          |                         |                                       | 03.31.06 | 11,757          |
|  |                   |       |            | 2,397    | 2,397    |                         |                                       |          |                 |
|  |                   |       |            | 203      | 211      |                         |                                       |          |                 |
| Banco de Crédito y Securitización S.A.     | Common 1 vote     | 0.001 | 3,187,500  | 4,527    | 4,448    | Banking                 | Tte. Gral Perón 655, Buenos Aires     | 03.31.06 | 62,500 (4)(     |
| Ritelco S.A.                               | Common 1 vote     | 0.001 | 66,970,394 | 160,261  | 136,076  | Investments             | Zabala 1422, Montevideo               | 03.31.06 | 66,970 2        |
|  | Irrevoc. Contrib. |       |            | 27,340   | 27,340   |                         |                                       |          |                 |
| Banco Hipotecario S.A. (3)                 | Common 1 vote     | 0.001 | 10,141,015 | 146,801  | 120,902  | Banking                 | Reconquista 151 floor 1, Buenos Aires | 03.31.06 | 1,500,000 (4) 6 |
|  | Goodwill          |       |            | (2,431)  | (2,807)  |                         |                                       |          |                 |
| Canteras Natal Crespo S.A.                 | Common 1 vote     | 0.001 | 129,333    | 548      |          | Sale of arids           | Caseros 85, Office 33 Córdoba         | 03.31.06 | 300             |
|  | Higher Inv. Value |       |            | 3,809    |          |                         |                                       |          |                 |
| Total as of March 31, 2006                 |                   |       |            | 996,099  |          |                         |                                       |          |                 |
| Total as of June 30, 2005                  |                   |       |            | 972,714  |          |                         |                                       |          |                 |

- 
- (1) These holdings do not include the effects on the equity method for conversion of irrevocable contributions into shares.
  
  - (2) Quotation price of APSA's shares at March 31, 2006 is Ps. 6.8  
Quotation price of APSA's shares at June 30, 2005 is Ps. 6.4
  
  - (3) Quotation price of Banco Hipotecario's shares at March 31, 2006 is Ps. 11.85  
Quotation price of Banco Hipotecario's shares at June 30, 2005 is Ps. 14
  
  - (4) The amounts pertain to the financial statements of Banco Hipotecario S.A. prepared in accordance with the Argentine Central Bank requirements. For the purpose of valuating the Company investment, the necessary adjustments were considered in order to adjust the financial statements to generally accepted accounting principles.
  
  - (5) The amounts pertain to the temporary financial statements of Abril S.A.

## IRSA Inversiones y Representaciones Sociedad Anónima

## Other Investments

Balance Sheets as of March 31, 2006 and June 30, 2005

In thousand of pesos

| Items   | Value as of<br>March 31,<br>2006 | Value as of<br>June 30,<br>2005 |
|---|----------------------------------|---------------------------------|
| <b>Current Investments</b>                          |                                  |                                 |
| Mutual funds (1)                                    | 38,110                           | 12,737                          |
| Convertible Note APSA 2006 Accrued interest (2)     | 1,983                            | 4,117                           |
| Other investments (2)                               | 415                              | 391                             |
| IRSA I FinancialTrust Exchangeable Certificates (2) | 63                               | 465                             |
| Total current investments as of March 31, 2006      | <b>40,571</b>                    |                                 |
| Total current investments as of June 30, 2005       |                                  | <b>17,710</b>                   |
| <b>Non-current investments</b>                      |                                  |                                 |
| Dique IV  | 6,645                            | 6,490                           |
| Padilla 902 (3)                                     | 89                               | 89                              |
| Pilar   | 3,408                            | 3,408                           |
| Santa María del Plata                               | 114,397                          | 112,771                         |
| Caballito lands                                     | 9,223                            | 19,898                          |
| Torres Jardín IV                                    | 3,030                            | 3,030                           |
| <b>Subtotal</b>                                     | <b>136,792</b>                   | <b>145,686</b>                  |
| IRSA I Trust Exchangeable Certificates              | 2,170                            | 2,794                           |
| Convertible Note APSA 2006                          | 97,817                           | 91,628                          |
| Others investments                                  | 212                              | 482                             |
| <b>Subtotal</b>                                     | <b>100,199</b>                   | <b>94,904</b>                   |
| Art works   | 40                               | 40                              |
| Total non-current investments as of March 31, 2006  | <b>237,031</b>                   |                                 |
| Total non-current investments as of June 30, 2005   |                                  | <b>240,630</b>                  |

(1) Includes Ps. 9,271 and Ps. 8,776 corresponding to Dolphin Fund PLC at March 31, 2006 and June 30, 2005, respectively, not considered cash equivalent for purposes of presenting the statement of cash flows and, Ps. 3,200 and Ps. 1,737 corresponding to the NCH Development Partner Fund at March 31, 2006 and June 30, 2005 not considered cash equivalent for purposes of presenting the statements of cash flows.

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- (2) Not considered as cash for statement of cash flows purposes.
- (3) Net of the allowance for impairment at March 31, 2006 and June 30, 2005 amounting to Ps. 272. See comments in Note 1.5.i.

**IRSA Inversiones y Representaciones Sociedad Anónima****Allowances and Reserves**

For the nine-month period ended March 31, 2006

Compared with the year ended June 30, 2005

In thousand of pesos

| Items   | Balances as of<br>beginning of year | Increases     | Decreases       | Carrying value             | Carrying value            |
|---|-------------------------------------|---------------|-----------------|----------------------------|---------------------------|
|   |                                     |               |                 | as of<br>March 31,<br>2006 | as of<br>June 30,<br>2005 |
| <b>Deducted from assets:</b>                            |                                     |               |                 |                            |                           |
| Allowance for doubtful accounts (1)                     | 575                                 | 9             | (20)            | 564                        | 575                       |
| Allowance for Impairment of inventories                 | 1,023                               |               | (2)             | 1,021                      | 1,023                     |
| Allowance for Impairment of fixed assets (2)            | 12,033                              |               | (86)            | 11,947                     | 12,033                    |
| Allowance for Impairment of undeveloped parcels of land | 272                                 |               |                 | 272                        | 272                       |
| Allowance for tax on personal assets (3)                | 5,326                               | 3,721         | (3,254)         | 5,793                      | 5,326                     |
| <b>From liabilities:</b>                                |                                     |               |                 |                            |                           |
| Provision for lawsuits (3)                              | 290                                 | 12            | (34)            | 268                        | 290                       |
| <b>Total as of March 31, 2006</b>                       | <b>19,519</b>                       | <b>3,742</b>  | <b>(3,396)</b>  | <b>19,865</b>              |                           |
| <b>Total as of June 30, 2005</b>                        | <b>27,955</b>                       | <b>15,448</b> | <b>(23,884)</b> |                            | <b>19,519</b>             |

- (1) Increases are disclosed in Exhibit H and decreases correspond to allocations and condonations.  
(2) Decreases correspond to depreciation of the period amounting to Ps. 86 (disclosed in Exhibit H)  
(3) Increases are disclosed in Note 9 and the decreases correspond to condonations.



**IRSA Inversiones y Representaciones Sociedad Anónima****Cost of Sales, Leases and Services**

For the nine-month periods ended March 31, 2006 and 2005

In thousand of pesos

|  | March 31,<br>2006 | March 31,<br>2005 |
|--|-------------------|-------------------|
| <b>I. Cost of sales</b>                                    |                   |                   |
| Stock as of beginning of year                              | 22,358            | 5,663             |
| <b>Plus (less):</b>  |                   |                   |
| Purchases for the period                                   | 2,109             | 6,108             |
| Expenses (Exhibit H)                                       | 517               | 372               |
| Transfers from investment                                  | 67,898            |                   |
| Transfers to fixed assets                                  |                   | (123)             |
| Transfers from fixed assets                                | 1,442             | 2,665             |
| <b>Less:</b>   |                   |                   |
| Stock as of end of the period                              | (93,895)          | (13,064)          |
| <b>Subtotal</b>  | <b>409</b>        | <b>1,621</b>      |
| Capitalized interests                                      | 222               | 260               |
| <b>Plus</b>  |                   |                   |
| Cost of sales Abril S.A.                                   | 709               | 493               |
| Gain from valuation of inventories at net realizable value | 5,543             |                   |
| <b>Cost of sales</b>                                       | <b>6,883</b>      | <b>2,374</b>      |
| <b>II. Cost of leases</b>                                  |                   |                   |
| Expenses (Exhibit H)                                       | 4,780             | 3,738             |
| <b>Cost of leases</b>                                      | <b>4,780</b>      | <b>3,738</b>      |
| <b>III. Cost of services fees</b>                          |                   |                   |
| Expenses (Exhibit H)                                       | 1,776             | 1,077             |
| <b>Cost of services fees</b>                               | <b>1,776</b>      | <b>1,077</b>      |
| <b>Total costs of sales, leases and services</b>           | <b>13,429</b>     | <b>7,189</b>      |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Foreign Currency Assets and Liabilities

Balance Sheets as of March 31, 2006 and June 30, 2005

In thousand of pesos

| Items   | Class  | Amount     | Prevailing<br>exchange<br>rate | Total as of<br>March 31,<br>2006 | Total as of<br>June 30,<br>2005 |
|---|--------|------------|--------------------------------|----------------------------------|---------------------------------|
| <b>Assets</b>                                   |        |            |                                |                                  |                                 |
| <b>Current Assets</b>                           |        |            |                                |                                  |                                 |
| Cash and banks:                                 |        |            |                                |                                  |                                 |
| Cash  | US\$   | 17,327     | 0.003042(1)                    | 53                               | 228                             |
| Cash  | EUR    | 625        | 0.003688(1)                    | 2                                | 1                               |
| Cash  | Pounds | 375        | 0.005154(1)                    | 2                                |                                 |
| Banks   | US\$   | 61,539     | 0.003042(1)                    | 187                              | 216                             |
| Banks   | EUR    | 117,035    | 0.003688(1)                    | 432                              | 284                             |
| Foreign accounts                                | US\$   | 1,679,401  | 0.003042(1)                    | 5,109                            | 37,823                          |
| Investments:                                    |        |            |                                |                                  |                                 |
| Boden 2013                                      | US\$   | 694        | 0.003042(1)                    | 2                                | 2                               |
| Mutual Funds                                    | US\$   | 10,942,324 | 0.003042(1)                    | 33,287                           | 12,737                          |
| Convertible Note APSA 2006                      | US\$   | 643,461    | 0.003082(1)                    | 1,983                            | 4,117                           |
| Banco Ciudad de Bs. As. Bond                    | EUR    | 110,000    | 0.003688(1)                    | 406                              | 378                             |
| Banco Ciudad de Bs. As. Bond - Accrued interest | EUR    | 2,568      | 0.003688(1)                    | 9                                | 13                              |
| Mortgages and leases receivables:               |        |            |                                |                                  |                                 |
| Mortgages receivables                           | US\$   | 156,577    | 0.003042(1)                    | 476                              | 21                              |
| Lease receivable                                | US\$   |            |                                |                                  | 563                             |
| Others receivable:                              |        |            |                                |                                  |                                 |
| Credit default swap                             | US\$   | 800,000    | 0.003042(1)                    | 2,434                            |                                 |
| <b>Total Current Assets</b>                     |        |            |                                | <b>44,382</b>                    | <b>56,383</b>                   |
| <b>Non-Current Assets</b>                       |        |            |                                |                                  |                                 |
| Investments:                                    |        |            |                                |                                  |                                 |
| Convertible Note APSA 2006                      | US\$   | 31,738,262 | 0.003082(1)                    | 97,817                           | 91,628                          |
| Banco Ciudad de Bs. As. Bond                    | EUR    | 57,500     | 0.003688(1)                    | 212                              | 482                             |
| Mortgages and leases receivables:               |        |            |                                |                                  |                                 |
| Mortgages receivables                           | US\$   | 218,606    | 0.003042(1)                    | 665                              |                                 |
| Other receivables:                              |        |            |                                |                                  |                                 |
| Credit default swap                             | US\$   | 1,200,000  | 0.003042(1)                    | 3,650                            | 5,694                           |
| Acquisition of future receivables               | US\$   | 4,016,308  | 0.003042(1)                    | 12,218                           | 11,434                          |
| <b>Total Non-current Assets</b>                 |        |            |                                | <b>114,562</b>                   | <b>109,238</b>                  |
| <b>Total Assets as of March 31, 2006</b>        |        |            |                                | <b>158,944</b>                   |                                 |
| <b>Total Assets as of June 30, 2005</b>         |        |            |                                |                                  | <b>165,621</b>                  |

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**Liabilities**

**Current Liabilities**

|                           |      |           |             |        |        |
|---------------------------|------|-----------|-------------|--------|--------|
| Accounts payable          | US\$ | 297,679   | 0.003082(1) | 917    | 1,128  |
| Mortgages payables        | US\$ | 4,698,192 | 0.003082(1) | 14,480 | 22,527 |
| Customer advances         | US\$ | 4,807,915 | 0.003082(1) | 14,818 | 1,626  |
| Short term debt           | US\$ | 9,432,850 | 0.003082(1) | 29,071 | 20,084 |
| Taxes payable             | US\$ | 34,188    | 0.003082(1) | 105    | 85     |
| <b>Other liabilities</b>  |      |           |             |        |        |
| Related parties           | US\$ | 7,150,438 | 0.003082(1) | 22,037 | 19,261 |
| Guarantee deposits        | US\$ | 319,688   | 0.003082(1) | 985    | 355    |
| Total Current Liabilities |      |           |             | 82,413 | 66,066 |

**Non-current Liabilities**

|                               |      |            |             |         |         |
|-------------------------------|------|------------|-------------|---------|---------|
| Mortgages payable             | US\$ | 6,008,620  | 0.003082(1) | 18,519  | 27,627  |
| Long term debt                | US\$ | 94,209,451 | 0.003082(1) | 290,354 | 312,027 |
| <b>Other liabilities:</b>     |      |            |             |         |         |
| Guarantee deposits            | US\$ | 186,260    | 0.003082(1) | 574     | 993     |
| Total Non-current Liabilities |      |            |             | 309,447 | 340,647 |

**Total Liabilities as of March 31, 2006**

391,860

**Total Liabilities as of June 30, 2005**

405,713

(1) Official selling and buying exchange rate as of March 31, 2006 in accordance with Banco Nación records.

**IRSA Inversiones y Representaciones Sociedad Anónima****Information required by Law 19.550, section 64, paragraph b)**

For the six-month periods beginning on July 1, 2005 and 2004

and ended March 31, 2006 and 2005

In thousand of pesos

| Items                                       | Total as of<br>March 31,<br>2006 | Cost         |                               |                             |                                | Expenses       |              |               | Total as of<br>March 31,<br>2005 |
|---|----------------------------------|--------------|-------------------------------|-----------------------------|--------------------------------|----------------|--------------|---------------|----------------------------------|
|   |                                  | of<br>leases | Cost of<br>properties<br>sold | Cost of<br>services<br>fees | Cost of<br>hotel<br>operations | Administration | Selling      | Financing     |                                  |
| Directors fees                              | 4,665                            |              |                               |                             |                                | 4,665          |              |               | 3,570                            |
| Fees and compensations for services         | 1,837                            |              |                               |                             |                                | 1,837          |              |               | 1,301                            |
| Salaries, bonus and social security charges | 4,415                            |              |                               |                             |                                | 4,415          |              |               | 3,811                            |
| Other expenses of personnel administration  | 149                              |              |                               |                             |                                | 149            |              |               | 106                              |
| Depreciation and amortization               | 5,123                            | 3,964        |                               |                             |                                | 845            |              | 314           | 4,230                            |
| Maintenance of buildings                    | 1,420                            | 816          | 517                           |                             |                                | 87             |              |               | 1,337                            |
| Utilities and postage                       | 7                                |              |                               |                             |                                | 7              |              |               | 11                               |
| Travel expenses                             | 391                              |              |                               |                             |                                | 391            |              |               | 159                              |
| Advertising and promotion                   | 231                              |              |                               |                             |                                | 7              | 224          |               | 211                              |
| Commissions and expenses from property sold | 305                              |              |                               |                             |                                |                | 305          |               | 256                              |
| Traveling, transportation and stationery    | 108                              |              |                               |                             |                                | 108            |              |               | 60                               |
| Taxes, rates and assessments                | 2                                |              |                               |                             |                                | 2              |              |               | 2                                |
| Subscriptions and dues                      | 156                              |              |                               |                             |                                | 156            |              |               | 170                              |
| Interest and indexing adjustments           | 24,303                           |              |                               |                             |                                |                |              | 24,303        | 23,406                           |
| Bank charges                                | 345                              |              |                               |                             |                                |                |              | 345           | 208                              |
| Safety box and stock broking charges        | 441                              |              |                               |                             |                                | 426            |              | 15            | 304                              |
| Doubtful accounts                           | 9                                |              |                               |                             |                                |                | 9            |               |                                  |
| Insurance                                   | 165                              |              |                               |                             |                                | 165            |              |               | 169                              |
| Security                                    | 1                                |              |                               |                             |                                | 1              |              |               |                                  |
| Courses                                     | 13                               |              |                               |                             |                                | 13             |              |               | 32                               |
| Trust Result                                |                                  |              |                               |                             |                                |                |              |               |                                  |
| Rents                                       | 303                              |              |                               |                             |                                | 303            |              |               | 241                              |
| Gross sales tax                             | 897                              |              |                               |                             |                                |                | 897          |               | 353                              |
| Other                                       | 1,856                            |              |                               | 1,766                       |                                | 46             | 44           |               | 1,442                            |
| <b>Total as of March 31, 2006</b>           | <b>47,142</b>                    | <b>4,780</b> | <b>517</b>                    | <b>1,766</b>                |                                | <b>13,623</b>  | <b>1,479</b> | <b>24,977</b> |                                  |
| <b>Total as of March 31, 2005</b>           |                                  | <b>3,738</b> | <b>372</b>                    | <b>1,077</b>                |                                | <b>10,702</b>  | <b>1,039</b> | <b>24,451</b> | <b>41,379</b>                    |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Breakdown by maturity date of receivables and liabilities

as of March 31, 2006 and June 30, 2005

In thousand of pesos

|       | Without term | Falling due | Up to 3 months | From 3 to 6 months | From 6 to 9 months | With maturity date To due |                   |                   |                   |                 | Total to due | Total with term | Total   | No accrued | Interest |            |
|-------|--------------|-------------|----------------|--------------------|--------------------|---------------------------|-------------------|-------------------|-------------------|-----------------|--------------|-----------------|---------|------------|----------|------------|
|       |              |             |                |                    |                    | From 9 to 12 months       | From 1 to 2 years | From 2 to 3 years | From 3 to 4 years | From 4 years on |              |                 |         |            | Accrued  | Fixed rate |
| 31,   |              |             |                |                    |                    |                           |                   |                   |                   |                 |              |                 |         |            |          |            |
| ments | 40,861       |             | 2,158          | 101                | 101                | 101                       | 212               |                   |                   | 97,817          | 100,490      | 100,490         | 141,351 | 42,916     | 98,435   |            |
| ables | 37,636       | 463         | 7,481          | 1,498              | 1,216              | 938                       | 7,486             | 743               | 19,106            | 21,791          | 60,259       | 60,722          | 98,358  | 87,271     | 5,003    |            |
| ties  |              |             | 10,462         | 4,652              | 4,652              | 9,305                     | 190,541           | 46,523            | 52,850            |                 | 318,985      | 318,985         | 318,985 | 1,604      | 289,474  |            |
| es    | 17,555       | 300         | 35,074         | 9,319              | 11,686             | 5,153                     | 16,344            | 2,988             | 87                | 523             | 81,174       | 81,474          | 99,029  | 44,500     | 54,529   |            |
| 0,    |              |             |                |                    |                    |                           |                   |                   |                   |                 |              |                 |         |            |          |            |
| ments | 17,296       |             | 4,689          | 95                 | 95                 | 95                        | 116,910           | 104               |                   |                 | 121,988      | 121,988         | 139,284 | 22,270     | 117,014  |            |
| ables | 56,734       | 140         | 2,972          | 1,509              | 1,150              | 797                       | 2,829             | 1,461             | 11,439            | 22,084          | 44,241       | 44,381          | 101,115 | 101,115    |          |            |
| ties  |              |             | 16,797         | 4,358              | 4,358              | 4,358                     | 26,147            | 202,922           | 52,295            | 29,909          | 341,144      | 341,144         | 341,144 | 1,898      | 168,058  |            |
| es    | 290          | 218         | 23,562         | 30,181             | 3,482              | 5,762                     | 15,375            | 14,089            | 95                | 517             | 93,063       | 93,281          | 93,571  | 24,157     | 50,153   |            |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Information required by Section 68 of the

## Buenos Aires Stock Exchange Regulations

## Balance Sheet as of March 31, 2006

Stated in thousand of pesos

1. None
2. None
3. Receivables and liabilities by maturity date

| Concept                              | Falling due                | Without         | To be due (Point 3.c.) |            |            |            |
|--------------------------------------|----------------------------|-----------------|------------------------|------------|------------|------------|
|                                      | (Point 3.a.)<br>03.31.2006 | term<br>Current | 06.30.2006             | 09.30.2006 | 12.30.2006 | 03.31.2007 |
| <b>Receivables</b>                   |                            |                 |                        |            |            |            |
| Mortgages and leases receivables     |                            |                 | 3,771                  | 198        | 252        | 145        |
| Other receivables                    | 463                        |                 | 3,710                  | 1,300      | 964        | 793        |
| <b>Total</b>                         | 463                        |                 | 7,481                  | 1,498      | 1,216      | 938        |
| <b>Liabilities</b>                   |                            |                 |                        |            |            |            |
| Customer advances                    |                            |                 | 15,314                 | 164        | 164        | 164        |
| Taxes payable                        |                            |                 | 5,029                  | 21         | 2,957      | 1,180      |
| Trade accounts payable               |                            |                 | 6,577                  |            |            |            |
| Mortgages payable                    |                            |                 | 7,069                  | 3,581      | 3,657      | 3,736      |
| Other liabilities                    | 300                        | 17,555          | 941                    | 5,098      | 4,641      | 73         |
| Short and long term debt             |                            |                 | 10,462                 | 4,652      | 4,652      | 9,305      |
| Salaries and social security charges |                            |                 | 144                    | 455        | 267        |            |
| <b>Total</b>                         | 300                        | 17,555          | 45,536                 | 13,971     | 16,338     | 14,458     |

| Concept                         | Without term |            | To be due (Point 3.c.) |            |            |            | Total  |
|---------------------------------|--------------|------------|------------------------|------------|------------|------------|--------|
|                                 | Non Current  | 03.31.2008 | 03.31.2009             | 03.31.2010 | 03.31.2011 | 03.31.2017 |        |
| <b>Receivables</b>              |              |            |                        |            |            |            |        |
| Mortgages and lease receivables |              | 695        |                        |            |            |            | 695    |
| Other receivables               | 37,636       | 6,791      | 743                    | 19,106     |            | 21,791     | 86,067 |
| <b>Total</b>                    | 37,636       | 7,486      | 743                    | 19,106     |            | 21,791     | 86,762 |
| <b>Liabilities</b>              |              |            |                        |            |            |            |        |
| Customer advances               |              | 164        |                        |            |            |            | 164    |
| Taxes payable                   |              | 74         | 76                     | 83         | 439        |            | 672    |

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|                           |                |               |               |            |                |
|---------------------------|----------------|---------------|---------------|------------|----------------|
| Mortgages payable         | 15,760         | 2,759         |               |            | 18,519         |
| Other liabilities         | 346            | 153           | 4             | 84         | 587            |
| Short and long term debts | 190,541        | 46,523        | 52,850        |            | 289,914        |
| <b>Total</b>              | <b>206,885</b> | <b>49,511</b> | <b>52,937</b> | <b>523</b> | <b>309,856</b> |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Information required by Section 68 of the

## Buenos Aires Stock Exchange Regulations

## Balance Sheet as of March 31, 2006

Stated in thousand of pesos

## 4-a. Breakdown of accounts receivable and liabilities by currency and maturity

| Items                                   | Current           |                     |               | Non-current       |                     |         | Total   | Total  | Total in local<br>currency | Total in<br>foreign<br>currency | Total |
|---|-------------------|---------------------|---------------|-------------------|---------------------|---------|---------|--------|----------------------------|---------------------------------|-------|
|   | Local<br>currency | Foreign<br>currency | Total current | Local<br>currency | Foreign<br>currency | Total   |         |        |                            |                                 |       |
| <b>Receivables</b>                      |                   |                     |               |                   |                     |         |         |        |                            |                                 |       |
| Mortgages and leases<br>receivables     | 3,890             | 476                 | 4,366         | 585               | 110                 | 695     | 5,061   | 4,475  | 586                        | 5,061                           |       |
| Other receivables                       | 4,796             | 2,434               | 7,230         | 70,199            | 15,868              | 86,067  | 93,297  | 74,995 | 18,302                     | 93,297                          |       |
| <b>Total</b>                            | 8,686             | 2,910               | 11,596        | 70,784            | 15,978              | 86,762  | 98,358  | 79,470 | 18,888                     | 98,358                          |       |
| <b>Liabilities</b>                      |                   |                     |               |                   |                     |         |         |        |                            |                                 |       |
| Customer advances                       | 988               | 14,818              | 15,806        | 164               |                     | 164     | 15,970  | 1,152  | 14,818                     | 15,970                          |       |
| Taxes payable                           | 9,082             | 105                 | 9,187         | 672               |                     | 672     | 9,859   | 9,754  | 105                        | 9,859                           |       |
| Trade accounts payable                  | 5,395             | 1,182               | 6,577         |                   |                     |         | 6,577   | 5,395  | 1,182                      | 6,577                           |       |
| Mortgages payable                       | 3,563             | 14,480              | 18,043        |                   | 18,519              | 18,519  | 36,562  | 3,563  | 32,999                     | 36,562                          |       |
| Other liabilities                       | 5,579             | 23,029              | 28,608        | 13                | 574                 | 587     | 29,195  | 5,592  | 23,603                     | 29,195                          |       |
| Short and long term debt                |                   | 29,071              | 29,071        | 440               | 289,474             | 289,914 | 318,985 | 440    | 318,545                    | 318,985                         |       |
| Salaries and social security<br>charges | 866               |                     | 866           |                   |                     |         | 866     | 866    |                            | 866                             |       |
| <b>Total</b>                            | 25,473            | 82,685              | 108,158       | 1,289             | 308,567             | 309,856 | 418,014 | 26,762 | 391,252                    | 418,014                         |       |



## IRSA Inversiones y Representaciones Sociedad Anónima

## Information required by Section 68 of the

## Buenos Aires Stock Exchange Regulations

## Balance Sheet as of March 31, 2006

Stated in thousand of pesos

## 4-b. Breakdown of accounts receivables and liabilities by adjustment clause

| Items                                | Current                   |                        | Non-current               |                        | Total   | Total   | Total without adjustment clause | Total with adjustment clause | Total   |
|--------------------------------------|---------------------------|------------------------|---------------------------|------------------------|---------|---------|---------------------------------|------------------------------|---------|
|                                      | Without adjustment clause | With adjustment clause | Without adjustment clause | With adjustment clause |         |         |                                 |                              |         |
| <b>Receivables</b>                   |                           |                        |                           |                        |         |         |                                 |                              |         |
| Mortgages and leases receivables     | 4,366                     |                        | 4,366                     | 695                    | 695     | 5,061   | 5,061                           |                              | 5,061   |
| Other receivables                    | 7,230                     |                        | 7,230                     | 86,067                 | 86,067  | 93,297  | 93,297                          |                              | 93,297  |
| <b>Total</b>                         | 11,596                    |                        | 11,596                    | 86,762                 | 86,762  | 98,358  | 98,358                          |                              | 98,358  |
| <b>Liabilities</b>                   |                           |                        |                           |                        |         |         |                                 |                              |         |
| Customer advances                    | 15,806                    |                        | 15,806                    | 164                    | 164     | 15,970  | 15,970                          |                              | 15,970  |
| Taxes payable                        | 9,187                     |                        | 9,187                     | 672                    | 672     | 9,859   | 9,859                           |                              | 9,859   |
| Trade accounts payable               | 6,577                     |                        | 6,577                     |                        |         | 6,577   | 6,577                           |                              | 6,577   |
| Mortgages payable                    | 18,043                    |                        | 18,043                    | 18,519                 | 18,519  | 36,562  | 36,562                          |                              | 36,562  |
| Other liabilities                    | 28,608                    |                        | 28,608                    | 587                    | 587     | 29,195  | 29,195                          |                              | 29,195  |
| Short and long term debt             | 29,071                    |                        | 29,071                    | 289,914                | 289,914 | 318,985 | 318,985                         |                              | 318,985 |
| Salaries and social security charges | 866                       |                        | 866                       |                        |         | 866     | 866                             |                              | 866     |
| <b>Total</b>                         | 108,158                   |                        | 108,158                   | 309,856                | 309,856 | 418,014 | 418,014                         |                              | 418,014 |

## IRSA Inversiones y Representaciones Sociedad Anónima

## Information required by Section 68 of the

## Buenos Aires Stock Exchange Regulations

## Balance Sheet as of March 31, 2006

Stated in thousand of pesos

## 4-c. Breakdown of accounts receivable and liabilities by interest clause

| Items                                | Current                      |                                 |                       | Non-current                  |                                 |                       | Not Accruing Interest | Total          | Total          | Total accruing interest | Total not-accruing interest | Total          |
|--------------------------------------|------------------------------|---------------------------------|-----------------------|------------------------------|---------------------------------|-----------------------|-----------------------|----------------|----------------|-------------------------|-----------------------------|----------------|
|                                      | Accruing interest Fixed rate | Accruing interest Variable rate | Not Accruing interest | Accruing interest Fixed rate | Accruing interest Variable rate | Not Accruing Interest |                       |                |                |                         |                             |                |
| <b>Receivables</b>                   |                              |                                 |                       |                              |                                 |                       |                       |                |                |                         |                             |                |
| Mortgages and lease receivables      | 948                          |                                 | 3,418                 | 4,336                        | 653                             |                       | 42                    | 695            | 5,061          | 1,601                   | 3,460                       | 5,061          |
| Other receivables                    | 52                           | 2,434                           | 4,744                 | 7,230                        | 3,350                           | 3,650                 | 79,067                | 86,067         | 93,297         | 9,486                   | 83,811                      | 93,297         |
| <b>Total</b>                         | <b>1,000</b>                 | <b>2,434</b>                    | <b>8,162</b>          | <b>11,596</b>                | <b>4,003</b>                    | <b>3,650</b>          | <b>79,109</b>         | <b>86,762</b>  | <b>98,358</b>  | <b>11,087</b>           | <b>87,271</b>               | <b>98,358</b>  |
| <b>Liabilities</b>                   |                              |                                 |                       |                              |                                 |                       |                       |                |                |                         |                             |                |
| Customer advances                    |                              |                                 | 15,806                | 15,806                       |                                 |                       | 164                   | 164            | 15,970         |                         | 15,970                      | 15,970         |
| Taxes payable                        |                              |                                 | 9,187                 | 9,187                        |                                 |                       | 672                   | 672            | 9,859          |                         | 9,859                       | 9,859          |
| Trade accounts payable               |                              |                                 | 6,577                 | 6,577                        |                                 |                       |                       |                | 6,577          |                         | 6,577                       | 6,577          |
| Mortgages payables                   | 14,480                       |                                 | 3,563                 | 18,043                       | 18,519                          |                       |                       | 18,519         | 36,562         | 32,999                  | 3,563                       | 36,562         |
| Other liabilities                    | 21,530                       |                                 | 7,078                 | 28,608                       |                                 |                       | 587                   | 587            | 29,195         | 21,530                  | 7,665                       | 29,195         |
| Short and long term debt             |                              | 27,907                          | 1,164                 | 29,071                       | 289,474                         |                       | 440                   | 289,914        | 318,985        | 317,381                 | 1,604                       | 318,985        |
| Salaries and social security charges |                              |                                 | 866                   | 866                          |                                 |                       |                       |                | 866            |                         | 866                         | 866            |
| <b>Total</b>                         | <b>36,010</b>                | <b>27,907</b>                   | <b>44,241</b>         | <b>108,158</b>               | <b>307,993</b>                  |                       | <b>1,863</b>          | <b>309,856</b> | <b>418,014</b> | <b>371,910</b>          | <b>46,104</b>               | <b>418,014</b> |

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Information required by Section 68 of the**

**Buenos Aires Stock Exchange Regulations**

**Balance Sheet as of March 31, 2006**

Stated in thousand of pesos

5. Related parties

a. Interest in related parties

See Exhibit C to the unaudited financial statements.

b. Related parties debit/credit balances (Note 10)

Current mortgages and leases receivables

|  | March 31, |
|--|-----------|
|  | 2006      |
| Related parties:                       |           |
| Abril S.A.                             | 2         |
| Alto Palermo S.A. (APSA)               | 163       |
| Altocity.Com S.A.                      | 23        |
| Baldovinos S.A.                        | 90        |
| Banco de Crédito y Securitización S.A. | 15        |
| Consultores Assets Management S.A.     | 55        |
| Cresud S.A.C.I.F y A.                  | 173       |
| ECIPSA Holding S.A.                    | 8         |
| Emprendimiento Recoleta S.A.           | 1         |
| Inversora Bolivar S.A.                 | 1,248     |
| Llao Llao Resorts S.A.                 | 4         |
| Puerto Retiro S.A.                     | 5         |
| Shopping Alto Palermo S.A.             | 1         |
| Tarshop S.A.                           | 26        |
| Directors                              | 5         |
| <u>Other current receivables</u>       |           |

March 31,

2006

|                            |    |
|----------------------------|----|
| Related parties:           |    |
| Alto Palermo S.A. (APSA)   | 9  |
| Canteras Natal Crespo S.A. | 52 |

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|   |    |
|---|----|
| Fibesa S.A.                               | 4  |
| Llao-Llao Resorts S.A.                    | 71 |
| Advances to Managers, Directors and Staff | 57 |
| <u>Other non-current receivables</u>      |    |

**March 31,**

**2006**

|   |       |
|---|-------|
| <b>Related parties:</b>                   |       |
| Llao-Llao Resorts S.A.                    | 3,325 |
| Advances to Managers, Directors and Staff | 25    |

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Information required by Section 68 of the**

**Buenos Aires Stock Exchange Regulations**

**Balance Sheet as of March 31, 2006**

Stated in thousand of pesos

5. (Continued)

Current investments

|                          | <b>March 31,</b> |
|--------------------------|------------------|
|                          | <b>2006</b>      |
| Related parties:         |                  |
| Alto Palermo S.A. (APSA) | 1,983            |
| Banco Hipotecario S.A.   | 576              |
| Dolphin Fund PLC         | 9,271            |

Non-Current investments

|                   | <b>March 31,</b> |
|-------------------|------------------|
|                   | <b>2006</b>      |
| Related parties:  |                  |
| Alto Palermo S.A. | 97,817           |

Current accounts payables

|                          | <b>March 31,</b> |
|--------------------------|------------------|
|                          | <b>2006</b>      |
| Related parties:         |                  |
| Alto Palermo S.A. (APSA) | 906              |
| Altocity.Com S.A.        | 7                |
| Baldovinos S.A.          | 64               |
| Cresud S.A.C.I.F. y A.   | 293              |
| Inversora Bolívar S.A.   | 219              |
| Nuevas Fronteras S.A.    | 1                |

Short term debt

|                  | <b>March 31,</b> |
|------------------|------------------|
|                  | <b>2006</b>      |
| Related parties: |                  |

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Cresud S.A.C.I.F.y A. 2,604  
Long term debt

|                       | <b>March 31,</b> |
|-----------------------|------------------|
|                       | <b>2006</b>      |
| Related parties:      |                  |
| Cresud S.A.C.I.F.y A. | 86,167           |

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Information required by Section 68 of the**

**Buenos Aires Stock Exchange Regulations**

**Balance Sheet as of March 31, 2006**

Stated in thousand of pesos

5. (Continued)

Other current liabilities

|                                      | <b>March 31,</b> |
|--------------------------------------|------------------|
|                                      | <b>2006</b>      |
| Related parties:                     |                  |
| Alto Palermo S.A. (APSA)             | 20               |
| Hoteles Argentinos S.A.              | 2,927            |
| Llao-Llao Resorts S.A.               | 5                |
| Directors                            | 4,415            |
| Ritelco S.A.                         | 19,110           |
| <u>Other non-current liabilities</u> |                  |

|                  | <b>March 31,</b> |
|------------------|------------------|
|                  | <b>2006</b>      |
| Related parties: |                  |
| Directors        | 8                |

6. Note 10.

7. In view of the nature of the inventories, no physical inventories are performed and there are no slow turnover assets.

8. See Notes 1.5.h., 1.5.i. and 1.5.j. to the unaudited financial statements.

9. None.

10. None.

11. None.

12. See Notes 1.5.h., 1.5.i., 1.5.j. and 1.5.o. to the unaudited financial statements.



**IRSA Inversiones y Representaciones Sociedad Anónima****Information required by Section 68 of the****Buenos Aires Stock Exchange Regulations****Balance Sheet as of March 31, 2006**

Stated in thousand of pesos

## 13. Insured Assets.

|                          | <b>Insured<br/>amounts</b> | <b>Accounting<br/>values</b> | <b>Risk covered</b>  |
|--------------------------|----------------------------|------------------------------|--|
| AV MAYO 595              | 3,042                      | 4,494                        | Fire, explosion with additional coverage and debris removal    |
| AV MAYO 595              | 15,000                     | 4,494                        | Third party liability with additional coverage and minor risks |
| AVDA. MADERO 942         | 1,685                      | 2,369                        | Fire, explosion with additional coverage and debris removal    |
| BOUCHARD 710             | 82,895                     | 71,146                       | Fire, explosion with additional coverage and debris removal    |
| CONSTITUCION 1111        | 389                        | 538                          | Fire, explosion with additional coverage and debris removal    |
| CONSTITUCION 1111        | 15,000                     | 538                          | Third party liability with additional coverage and minor risks |
| CONSTITUCION 1159        | 15,000                     | 1,324                        | Third party liability with additional coverage and minor risks |
| COSTEROS DIQUE IV        | 11,712                     | 21,564                       | Fire, explosion with additional coverage and debris removal    |
| DIQUE 2 M10 (11) Edif. A | 24,275                     | 19,106                       | Fire, explosion with additional coverage and debris removal    |
| DIQUE 2 M10 (11) Edif. A | 15,000                     | 19,106                       | Third party liability with additional coverage and minor risks |
| DOCK 13                  | 62                         | 1,605                        | Fire, explosion with additional coverage and debris removal    |
| DOCK 13                  | 15,000                     | 1,605                        | Third party liability with additional coverage and minor risks |
| LAMINAR PLAZA            | 13,841                     | 30,174                       | Fire, explosion with additional coverage and debris removal    |
| LIBERTADOR 498           | 64,308                     | 42,692                       | Fire, explosion with additional coverage and debris removal    |
| LIBERTADOR 498           | 15,000                     | 42,692                       | Third party liability with additional coverage and minor risks |
| LIBERTADOR 602           | 1,685                      | 2,943                        | Fire, explosion with additional coverage and debris removal    |
| MADERO 1020              | 2,134                      | 1,641                        | Fire, explosion with additional coverage and debris removal    |
| MADERO 1020              | 15,000                     | 1,641                        | Third party liability with additional coverage and minor risks |
| MAIPU 1300               | 36,839                     | 43,942                       | Fire, explosion with additional coverage and debris removal    |
| MAIPU 1300               | 15,000                     | 43,942                       | Third party liability with additional coverage and minor risks |
| MINETTI D                | 112                        | 65                           | Fire, explosion with additional coverage and debris removal    |
| RECONQUISTA 823          | 26,313                     | 19,073                       | Fire, explosion with additional coverage and debris removal    |
| RECONQUISTA 823          | 15,000                     | 19,073                       | Third party liability with additional coverage and minor risks |
| RIVADAVIA 2768           | 393                        | 161                          | Fire, explosion with additional coverage and debris removal    |
| RIVADAVIA 2768           | 15,000                     | 161                          | Third party liability with additional coverage and minor risks |
| SANTA MARIA DEL PLATA    | 112                        | 10,513                       | Fire, explosion with additional coverage and debris removal    |
| SANTA MARIA DEL PLATA    | 15,000                     | 10,513                       | Third party liability with additional coverage and minor risks |
| SARMIENTO 517            | 67                         | 81                           | Fire, explosion with additional coverage and debris removal    |
| SARMIENTO 517            | 15,000                     | 81                           | Third party liability with additional coverage and minor risks |
| SUIPACHA 652             | 20,686                     | 11,560                       | Fire, explosion with additional coverage and debris removal    |
| SUIPACHA 652             | 15,000                     | 11,560                       | Third party liability with additional coverage and minor risks |
| SAN MARTIN DE TOURS      | 608                        | 14,075                       | Fire, explosion with additional coverage and debris removal    |
| SAN MARTIN DE TOURS      | 15,000                     | 14,075                       | Third party liability with additional coverage and minor risks |
| TORRES JARDIN            | 842                        | 468                          | Fire, explosion with additional coverage and debris removal    |
| EDIFICIOS CRUCEROS       | 24,336                     | 8,648                        | Fire, explosion with additional coverage and debris removal    |

In our opinion, the above-described insurance policies cover current risks adequately.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Information required by Section 68 of the**

**Buenos Aires Stock Exchange Regulations**

**Balance Sheet as of March 31, 2006**

Stated in thousand of pesos

14. See Exhibit E.

15. Not applicable.

16. Not applicable.

17. None.

18. In accordance with what was stipulated in loan agreements, the Company shall not distribute dividends until these obligations be cancelled.

**Buenos Aires, May 11, 2006**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Business Overview**

In thousand of pesos

1. **Brief comments on the Company's activities during the period, including references to significant events after the end of the period**  
See attached.

2. **Consolidated Shareholders' equity structure as compared with the same period for the four previous years.**

|                         | March 31,<br>2006 | March 31,<br>2005 | March 31,<br>2004 | March 31,<br>2003 | March 31,<br>2002 |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current Assets          | 466,155           | 376,197           | 322,890           | 307,067           | 309,082           |
| Non-Current Assets      | 2,165,899         | 2,032,317         | 1,795,858         | 1,789,245         | 1,262,943         |
| <b>Total</b>            | <b>2,632,054</b>  | <b>2,408,514</b>  | <b>2,118,748</b>  | <b>2,096,312</b>  | <b>1,572,025</b>  |
| Current Liabilities     | 371,735           | 305,589           | 190,931           | 146,418           | 849,855           |
| Non-Current Liabilities | 473,648           | 471,744           | 564,601           | 705,439           | 57,322            |
| <b>Subtotal</b>         | <b>845,383</b>    | <b>777,333</b>    | <b>755,532</b>    | <b>851,857</b>    | <b>907,177</b>    |
| Minority interest       | 445,903           | 436,644           | 463,124           | 459,188           | 97,502            |
| Shareholders' Equity    | 1,340,768         | 1,194,537         | 900,092           | 785,267           | 567,346           |
| <b>Total</b>            | <b>2,632,054</b>  | <b>2,408,514</b>  | <b>2,118,748</b>  | <b>2,096,312</b>  | <b>1,572,025</b>  |

3. **Consolidated result structure as compared with the same period for the four previous years.**

|                                       | March 31,<br>2006 | March 31,<br>2005 | March 31,<br>2004 | March 31,<br>2003 | March 31,<br>2002 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating income                      | 122,892           | 85,090            | 38,650            | 23,820            | 41,462            |
| Amortization of goodwill              | (827)             | (1,322)           | (2,198)           | (3,364)           |                   |
| Financial results, net                | (42,703)          | (3,297)           | 50,427            | 278,788           | (516,093)         |
| Gain (loss) in equity investments     | 37,193            | 58,728            | (13,107)          | (5,400)           | (23,624)          |
| Other income and expenses, net        | (6,631)           | (6,263)           | 687               | 7,285             | (3,108)           |
| <b>Net income (loss) before taxes</b> | <b>109,924</b>    | <b>132,936</b>    | <b>74,459</b>     | <b>301,129</b>    | <b>(501,363)</b>  |
| Income tax/ Asset tax                 | (49,749)          | (41,255)          | (24,424)          | 2,884             | (6,184)           |
| Minority interest                     | (19,270)          | (13,476)          | (4,804)           | (38,142)          | (3,921)           |
| <b>Net income (loss)</b>              | <b>40,905</b>     | <b>78,205</b>     | <b>45,231</b>     | <b>265,871</b>    | <b>(511,468)</b>  |



## IRSA Inversiones y Representaciones Sociedad Anónima

## Business Overview (continued)

In thousand of pesos

## 4. Statistical data as compared with the same period for the four previous years.

Summary of properties sold in units and in thousand of pesos.

|  | March 31,<br>2006 | March 31,<br>2005 | As of<br>March 31,<br>2004 | March 31,<br>2003 | March 31,<br>2002 |
|--|-------------------|-------------------|----------------------------|-------------------|-------------------|
| <b>Real Estate</b>                     |                   |                   |                            |                   |                   |
| <u>Apartments &amp; Loft Buildings</u> |                   |                   |                            |                   |                   |
| Torres Jardín                          |                   |                   |                            | 161               | 1,919             |
| Torres de Abasto                       |                   | 11                |                            | 462               | 4,595             |
| Edificios Cruceros                     | 4,246             |                   |                            |                   |                   |
| Alcorta Palace (1)                     | 22,969            |                   |                            | 1                 | 589               |
| Concepcion Arenal y Dorrego 1916       |                   |                   |                            | 100               | 121               |
| Alto Palermo Park                      | 63                |                   |                            | 3,865             | 9,227             |
| Alto Palermo Plaza                     |                   |                   |                            | 3,322             | 2,757             |
| Other                                  |                   |                   | 112                        | 408               |                   |
| <u>Residential Communities</u>         |                   |                   |                            |                   |                   |
| Abril / Baldovinos (2) (3)             | 3,620             | 2,160             | 5,814                      | 13,466            | 9,130             |
| Villa Celina I, II and III             |                   |                   |                            | 28                | (52)              |
| Villa Celina IV and V                  |                   |                   | 23                         |                   | 85                |
| <u>Undeveloped parcel of lands</u>     |                   |                   |                            |                   |                   |
| Others                                 |                   |                   | 89                         |                   |                   |
| <u>Other</u>                           |                   |                   |                            |                   |                   |
| Alsina 934                             | 1,833             |                   |                            |                   |                   |
| Rivadavia 2243                         |                   |                   |                            |                   | 3,168             |
| Santa Fe 1588                          |                   |                   |                            |                   | 8,165             |
| Hotel Piscis                           |                   |                   |                            |                   |                   |
| Dique II                               |                   |                   | 5,211                      |                   |                   |
| Dique III                              |                   | 23,624            |                            |                   |                   |
| Libertador 498                         |                   |                   |                            | 2,313             |                   |
| Constitucion 1111                      |                   |                   |                            | 1,988             |                   |
| Madero 1020                            |                   | 1,806             | 4,774                      | 5,626             |                   |
| Madero 940                             |                   |                   |                            | 1,649             |                   |
| Other                                  | 32                | 825               | 419                        | 736               | 791               |
|  | <b>32,763</b>     | <b>28,426</b>     | <b>16,442</b>              | <b>44,037</b>     | <b>40,495</b>     |

(1) Through Alto Palermo S.A.

(2) It corresponds to local comercial of April that belong 50% to IRSA and 50% to IBSA.

(3) Includes the revenues for the sale of sleeping rooms.

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**IRSA Inversiones y Representaciones Sociedad Anónima**
**Business Overview (continued)**

In thousand of pesos

**5. Key ratios as compared with the same period for the four previous years.**

|                            | March 31,<br>2006 | March 31,<br>2005 | March 31,<br>2004 | March 31,<br>2003 | March 31,<br>2002 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Liquidity ratio</b>     |                   |                   |                   |                   |                   |
| Current Assets             | 466,155 =1.25     | 376,197 =1,23     | 322,890 =1.69     | 307,067 =2.10     | 309,082 =0.36     |
| Current Liabilities        | 371,735           | 305,589           | 190,931           | 146,418           | 849,855           |
| <b>Indebtedness ratio</b>  |                   |                   |                   |                   |                   |
| Total liabilities          | 845,383 =0.63     | 777,333 =0.65     | 755,532 =0.84     | 851,857 =1.08     | 907,177 =1,60     |
| Shareholders Equity        | 1,340,768         | 1,194,537         | 900,092           | 785,267           | 567,346           |
| <b>Solvency</b>            |                   |                   |                   |                   |                   |
| Shareholders Equity        | 1,340,768 =1.59   | 1,194,537 =1.54   | 900,092 =1.19     | 785,267 =0.92     | 567,346 =0,63     |
| Total liabilities          | 845,383           | 777,333           | 755,532           | 851,857           | 907,177           |
| <b>Immobilized Capital</b> |                   |                   |                   |                   |                   |
| Non-Current Assets         | 2,165,899 =0.82   | 2,032,317 =0.84   | 1,795,858 =0.85   | 1,789,245 =0.85   | 1,262,943 =0.80   |
| Total Assets               | 2,632,054         | 2,408,514         | 2,118,748         | 2,096,312         | 1,572,025         |

**6. Brief comment on the outlook for the coming year.**

See Attached

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**Business Overview**

(as of March 31, 2006)

**Comments on operations for the quarter ended March 31, 2006**

Calendar year 2006 started with high activity levels for the fourth consecutive year, projecting an annual growth rate close to 7.5%, reassuring that economic expansion will continue throughout the whole 2006. The main causes for GDP growth during the first quarter of 2006 were the increase in private consumption, that was favored by salary rises (which posted a cumulative increase of 3.5%) and higher employment rates. Employment increased 9%, even surpassing employment rates recorded prior to the recession suffered in Argentina since late 1998. As concerns inflation, the leading economic consultants, such as for example Estudio Broda, forecast that the inflation rate will be in the whereabouts of 12% to 13% at the close of 2006.

The public accounts closed the first quarter of calendar year 2006 with a strong fiscal surplus (Ps. 4,909 million) exceeding by 15.7% the revenues obtained in the same period of 2005. The trade balance for the first quarter of calendar year 2006 was positive at US\$ 2,356 million, reflecting exports of US\$ 9,730 million and imports of US\$ 7,374 million. Although exports increased by 16% as compared to 2005, foreign trade income decreased by 4.16%.

The consumer confidence rate (CCR) increased 12.7% at national scale during the first quarter of calendar year 2006 as compared to the previous quarter. The rise in consumer prices was 2.9% during the quarter, and could have been higher if it had not been curbed by the pricing agreement reached with leading consumer product companies, shopping centers and supermarket chains. However, it seems unlikely to project a cumulative inflation rate lower than 12% at the end of calendar year 2006.

Underpinning its role as one of the main engines of the economy, during the first quarter of calendar year 2006 the construction index rose to 20.5% as compared to the previous quarter, considering unseasonalized variables. Backed by the upsurge in the development of residential building projects, land value in the City of Buenos Aires experienced a significant increase due to the shortage of this kind of properties. Moreover, the strong demand for lease properties in category A+ office buildings and existing shortage of supply have been triggering substantial rises in lease prices. Category A offices in the City of Buenos Aires have posted a 30% increase in lease prices during the last quarter. This rise was motivated by the recovery of industrial and business activity and the favorable cost-service ratio offered by the City of Buenos Aires as compared to other cities in Latin America. The increase in the number of mortgage loans disbursed in the last two years has also played a major role in the growth of the real estate industry.

The hotel segment, and five star hotels in particular, have been favored in the last three years by the favorable rate of exchange that followed the 2002 devaluation and the increase in the number of tourists with high purchasing power.

Shopping Center sales during March posted an unseasonalized increase of 0.4% as compared to February, according to data published by the National Institute of Statistics and Census (INDEC). The trend continues to be promising, as according to the INDEC there was an unseasonalized increase in sales of 16.3% as of March 2006 compared to the same month of the previous year.

In this macroeconomic context, we experienced a significant increase of 44.4% in our operating income, which amounted to Ps.122.9 million as of March 31, 2006, compared to Ps.85.1 million as of March 31, 2005. Operating income over total revenues stood at 32.2% for the nine-month period ended March 31, 2006, compared to 31.3% in the same period of the previous year.

Revenues increased by 40.2%, from Ps. 271.9 million as of March 31, 2005 to Ps. 381.3 million as of March 31, 2006, reflecting (i) an increase of Ps.83.9 million in the shopping center segment; (ii) an increase of Ps.4.4 million in sales and developments segment; (iii) an increase of Ps. 11.4 million in the hotel segment; (iv) an increase of Ps.7.9 million in offices and other lease properties segment; and (v) an increase of Ps.1.7 million in financial and other transactions.

However, net income for the nine-month period ended March 31, 2006 was a profit of Ps.40.9 million compared to a profit of Ps.78.2 million recorded in the same period of fiscal year 2005. The decrease in net income is mainly explained by: (i) the financial losses resulting from lower income from financial transactions and the depreciation of the peso against the dollar and (ii) lower income from our related companies.

Financial results recorded a loss of Ps.42.7 million compared to a loss of Ps.3.3 million as of March 31, 2005. The difference is mainly explained by the lower results from financial transactions, which decreased from a profit of Ps.26.6 million in the first nine months of fiscal year 2005 to a profit of Ps.9.8 million in the





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nine months ended March 31, 2006. In addition, losses resulting from the effect of changes in the exchange rate were recorded, from a Ps.5.3 million income in the first nine months of fiscal year 2005 to a Ps.17.8 million loss in the nine-month period ended March 31, 2006, mainly resulting from our exposure to dollar-denominated liabilities.

Finally, results for the nine-month period ended March 31, 2006 reflect to a lower extent the income from our subsidiaries, which amounted to Ps.37.2 million for the nine-month period ended March 31, 2006, compared to Ps.58.7 million for the nine-month period ended March 31, 2005. This reduction is mainly explained by the lower income posted by our investment in Banco Hipotecario S.A., measured according to the proportional equity value, which stood at Ps.38.0 million as of March 31, 2006 compared to Ps. 49.4 million recorded as of March 31, 2005.

**Third quarter of fiscal year 2006 highlights, including significant operations occurred after the end of the period.**

**I. Offices and other Rental Properties**

During the third quarter of fiscal year 2006, income from rental properties totaled Ps.21.5 million, an increase of Ps. 7.9 million as compared to Ps.13.6 million in the same period of fiscal year 2005.

Occupancy rate of our office buildings continued to experience a material recovery, reaching 92% during the first nine months of fiscal year 2006 as compared to 85% in the same period of the previous fiscal year.

Below is information on our offices space as of December 31, 2005.

**Offices and Other Rental Properties**

|   | Date<br>Of<br>acquisition | Leaseable<br>area<br>sqm (1) | Occupancy<br>Rate<br>(2) | IRSA s<br>Effective<br>Interest | Monthly<br>Rental<br>Income<br>Ps./000 (3) | Accumulated Rental<br>Income<br>as of March 31 of fiscal<br>year<br>Ps./000 (4) |               |               | Book<br>Value<br>Ps./000 (5) |
|---|---------------------------|------------------------------|--------------------------|---------------------------------|--|---|---------------|---------------|------------------------------|
|   |                           |                              |                          |                                 |  | 2006  | 2005          | 2004          |                              |
| <b>Offices</b>                          |                           |                              |                          |                                 |  |   |               |               |                              |
| Intercontinental Plaza (6)              | 11/18/97                  | 22,535                       | 96%                      | 67%                             | 546  | 3,795   | 3,717         | 2,966         | 66,590                       |
| Libertador 498                          | 12/20/95                  | 10,533                       | 97%                      | 100%                            | 350  | 2,756   | 2,164         | 1,833         | 42,692                       |
| Maipú 1300                              | 09/28/95                  | 10,280                       | 91%                      | 100%                            | 314  | 2,505   | 1,986         | 1,482         | 43,942                       |
| Laminar Plaza                           | 03/25/99                  | 6,521                        | 100%                     | 100%                            | 264  | 1,935   | 1,765         | 1,717         | 30,174                       |
| Reconquista 823/41                      | 11/12/93                  | 5,016                        | N/A                      | 100%                            |  |   |               |               | 19,073                       |
| Suipacha 652/64                         | 11/22/91                  | 11,453                       | 100%                     | 100%                            | 123  | 970   | 424           | 392           | 11,560                       |
| Edificios Costeros                      | 03/20/97                  | 6,389                        | 100%                     | 100%                            | 168  | 1,248   | 920           | 579           | 19,106                       |
| Costeros Dique IV                       | 08/29/01                  | 5,437                        | 100%                     | 100%                            | 156  | 1,278   | 734           | 525           | 21,564                       |
| Bouchard 710                            | 06/01/05                  | 15,014                       | 100%                     | 100%                            | 520  | 4,256   | N/A           | N/A           | 71,146                       |
| Madero 1020                             | 12/21/95                  | 215                          | N/A                      | 100%                            | 8  | 53  | 34            | 94            | 1,641                        |
| Other (7)                               | N/A                       | 3,677                        | 100%                     | N/A                             | 88   | 774   | 598           | 440           | 10,048                       |
| <b>Subtotal</b>                         |                           | <b>97,070</b>                | <b>92%</b>               |                                 | <b>2,538</b>                               | <b>19,570</b>   | <b>12,341</b> | <b>10,028</b> | <b>337,536</b>               |
| <b>Other Properties</b>                 |                           |                              |                          |                                 |  |   |               |               |                              |
| Commercial Properties (8)               | N/A                       | 450                          | 73%                      | N/A                             | 7  | 154   | 98            | 105           | 1,671                        |
| Other Properties (9)                    | N/A                       | 95,501                       | 100%                     | N/A                             | 125  | 1,210   | 577           | 339           | 15,363                       |
| <b>Subtotal</b>                         |                           | <b>95,951</b>                | <b>100%</b>              | <b>N/A</b>                      | <b>133</b>                                 | <b>1,364</b>  | <b>674</b>    | <b>444</b>    | <b>17,034</b>                |
| Management fees                         | N/A                       | N/A                          | N/A                      | N/A                             | N/A  | 342   | 261           | 327           | N/A                          |
| <b>TOTAL OFFICES AND OTHER<br/>(10)</b> | <b>N/A</b>                | <b>193,021</b>               | <b>96%</b>               | <b>N/A</b>                      | <b>2,671</b>                               | <b>21,524</b>   | <b>13,652</b> | <b>10,929</b> | <b>354,570</b>               |

Notes:

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- 1) Total leaseable area in each property. Excludes common areas and parking spaces.
- 2) Calculated dividing occupied square meters by leaseable area.
- 3) Agreements in force as of 03/31/06 in each property were computed.
- 4) Total leases consolidated by the RT21 method.
- 5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation.
- 6) Through Inversora Bolivar S.A.
- 7) Includes the following properties: Madero 942, Av. de Mayo 595, Av. Libertador 602, Rivadavia 2768 and Sarmiento 517 (through IRSA).
- 8) Includes the following properties: Constitución 1111, Alsina 934/44 (fully sold); Abril retail stores and Casona de Abril (through IRSA and IBSA).

9) Includes the following properties: Thames, one unit in Alto Palermo Park (though Inversora Bolivar S.A) and Santa María del Plata and Constitución 1159 (through IRSA).

10) Corresponds to the Offices and Other Rental Properties business unit mentioned in Note 4 to the Consolidated Financial Statements.

## II. Shopping Centers - Alto Palermo S.A ( APSA ).

The following information relates to data extracted from the financial statement of our subsidiary Alto Palermo S.A. (APSA), the company that operates our shopping centers, in which we had a 61.62% interest as of March 31, 2006.

APSA's net income for the nine-month period ended March 31, 2006 was Ps.32.5 million, Ps. 11.3 million higher than the Ps.21.2 million recorded in the same period of the previous year. This increase mainly reflects the increase in operating income, which rose 65.0% from Ps. 64.1 million as of March 31, 2005 to Ps. 105.7 million as of March 31, 2006.

Total revenues as of March 31, 2006 were Ps.268.5 million, 66.1% higher than for the same period of the previous year. This increase mainly reflects the excellent sales moment of our shopping centers and the 106.5% increase in revenues from our subsidiary Tarshop S.A. Revenues were also favorably impacted by the contribution from Mendoza Plaza Shopping where we increased our stake as from September 2004, the Rosario Shopping, opened in November 2004, and the sale of the Alcorta Plaza site in December 2005.

Gross profit for the period increased by 66.2% from Ps. 98.9 million in the first nine months of fiscal year 2005 to Ps. 164.4 million in the same period of fiscal year 2006.

In the nine-month period ended March 31, 2006, APSA continued to consolidate the efforts made since the Argentine crisis, obtaining significant results compared to the same period of the previous fiscal year. The increase in APSA's operating income is particularly noteworthy, as it reflects the success of its genuine business hand in hand with the growth in sales and consumption.

Our tenants' sales have continued to grow at record levels, reaching Ps.1,654 million in the nine-month period ended March 31, 2006, 32.2% higher than those recorded in the same period of the previous year.

The business success of our tenants continues to increase demand for space at our shopping centers. In this way, we had an occupancy rate of 99.1%, among the highest occupancy levels in our history. The evolution of this variable not only shows an improvement in our business, but also the excellent quality of our shopping centers' portfolio.

### Tarjeta Shopping

Tarshop S.A. is a credit card company in which our subsidiary APSA holds an 80% interest.

The favorable context and successful performance of our credit card business unit caused it to record an amount of Ps.10.8 million for the first nine months of fiscal year 2006, a 186.7% increase compared to an **income** of Ps.3.8 million recorded in the same period of the previous year.

**Net revenues** posted a significant increase of 106.5%, from Ps.43.6 million during the first nine months of fiscal year 2005 to Ps.90.0 million during the same period of fiscal year 2006. In addition, **operating results** increased 177.1% to Ps.20.7 million.

The credit portfolio including securitized coupons as of March 31, 2006 was Ps.334.7 million, 86.9% higher than the Ps.169.2 million portfolio recorded as of March 31, 2005.

In the area of collections, short-term delinquency at March 31, 2006 was as low as 3.8%.

**Shopping Centers**

|                                   | Date<br>of<br>Acquisition | Leaseable<br>Area<br>sqm (1) | APSA s<br>Effective<br>Interest (8) | Occupancy<br>Rate (2) | Cumulative Rental Income as<br>of<br>March 31 of fiscal year |                |                | Book<br>Value as<br>of<br>03/31/06<br>Ps./000 (4) |
|-----------------------------------|---------------------------|------------------------------|-------------------------------------|-----------------------|--|----------------|----------------|---|
|                                   |                           |                              |                                     |                       | Ps./000 (3)  |                |                |   |
|                                   |                           |                              |                                     |                       | 2006(9)  | 2005           | 2004           |   |
| <b>Shopping Centers (5)</b>       |                           |                              |                                     |                       |  |                |                |   |
| Alto Palermo                      | 12/23/97                  | 18,077                       | 100.0%                              | 100.0%                | 35,088   | 27,078         | 20,304         | 197,561   |
| Abasto                            | 7/17/94                   | 39,481                       | 100.0%                              | 100.0%                | 32,122   | 24,911         | 19,220         | 196,766   |
| Alto Avellaneda                   | 12/23/97                  | 27,252                       | 100.0%                              | 96.5%                 | 17,515   | 13,821         | 10,800         | 85,986  |
| Paseo Alcorta                     | 06/06/97                  | 14,688                       | 100.0%                              | 99.2%                 | 17,912   | 14,559         | 11,289         | 63,201  |
| Patio Bullrich                    | 10/01/98                  | 10,744                       | 100.0%                              | 100.0%                | 15,519   | 12,908         | 9,124          | 111,060   |
| Nuevo NOA Shopping                | 03/29/95                  | 18,785                       | 100.0%                              | 99.6%                 | 3,658  | 2,782          | 2,010          | 29,517  |
| Buenos Aires Design               | 11/18/97                  | 14,598                       | 51.0%                               | 99.9%                 | 6,295  | 5,204          | 4,276          | 19,087  |
| Alto Rosario                      | 11/9/04                   | 27,313                       | 100.0%                              | 99.2%                 | 8,543  | 2,952          | N/A            | 81,331  |
| Mendoza Plaza                     | 12/2/04                   | 39,327                       | 85.4%                               | 98.5%                 | 10,272   | 5,653          | N/A            | 87,151  |
| Fibesa and other (6)              |                           |                              | 100.0%                              |                       | 31,622   | 8,171          | 5,099          |   |
| Revenues Tarjeta Shopping         |                           |                              | 80.0%                               |                       | 89,997   | 43,590         | 21,276         |   |
| <b>TOTAL SHOPPING CENTERS (7)</b> |                           | <b>210,267</b>               |                                     | <b>99%</b>            | <b>268,543</b>   | <b>161,629</b> | <b>103,398</b> | <b>871,660</b>                                    |

Notes:

- (1) Total leaseable area in each property. Excludes common areas and parking spaces.
- (2) Calculated dividing occupied square meters by leaseable area.
- (3) Total leases consolidated by the RT21 method.
- (4) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less impairment allowance, plus reversal of allowances, if applicable.
- (5) Through Alto Palermo S.A.
- (6) Includes revenues from Fibesa S.A. and Alto Invest.
- (7) Corresponds to the Shopping Centers business unit mentioned in Note 4 to the Consolidated Financial Statements.
- (8) Apsa s effective interest in each of its business units. IRSA holds an interest of 61.62% in APSA.

(9) Includes Ps. 23.0 million corresponding to the sale of the Alcorta Plaza site, which is included in Note 4 to IRSA's Consolidated Financial Statements under Sales and Developments .

### III. Sales and Developments

In the nine-month period ended March 31, 2006, the sales and developments segment recorded revenues of Ps.32.8 million, compared to Ps.28.3 million in the same period of the previous year.

**Caballito Project.** On May 4, 2006 we entered into a barter agreement with KOAD S.A. in connection with block 36 of the lands we own in the area of Caballito for a total price of US\$ 7.5 million. KOAD S.A. will build a residential development consisting of two residential tower buildings of 34 floors each. The units will be one, two and three-room apartments with a floor area of 40 to 85 square meters each. The development will have an estimated total saleable area of 28,000 square meters, out of which we will receive within a term of 39 months, 26.7% of the total floor area and 25% of the parking units of the whole project. In the aggregate we will receive 118 apartments and 55 parking units that will be located in Tower 1. Bonuses have been agreed in the event KOAD S.A. is able to deliver the units before the scheduled date.

**Cruceros, Dique 2.** In line with the forecasts made in connection with this project, during this quarter we successfully continued sales of the units owned by the Company in Edificios Cruceros.

**Torres Renoir.** As of March 31, 2006, degree of progress of the works was 23%. The slab has already reached floor 16, i.e. 54 meters of height. The rise in square meter prices in the area of Puerto Madero anticipates the business success of this project.

The following chart shows the development of the average price per square meter, in the area of Puerto Madero, where our Company is developing the Torres Renoir and Edificios Cruceros projects, and where it has the largest land reserve existing in the area. This reserve will be used to build the Santa María del Plata development. The chart illustrates how prices recovered since the downfall experienced during the Argentine crisis of 2001 and even surpassed pre-crisis figures.

Source: Reporte Inmobiliario

| Projects developed in the area | Sq. m. built pending works acceptance ** |
|--------------------------------|--|
| <b>Torres Renoir 1</b>         | <b>4,800</b>                             |
| <b>Torres Renoir 2</b>         | <b>5,305</b>                             |
| <b>Edificios Cruceros</b>      | <b>3,725</b>                             |

\* First Semester of 2005

\*\* Square meters pending works acceptance are estimated. A sales option was executed with respect to the plot where the Torres Renoir 2 project is erected, which has not been exercised as of the date of the financial statements.

**El Encuentro, Benavídez.** As of March 31, 2006, the prices of lots in the Northern area of the Province of Buenos Aires continued to rise, especially in the nearby areas of the project. These data cause us to have highly promising expectations regarding the sale of the plots receivable under the barter.

**Laguna Azul.** As of March 31, 2006, the first guidelines for developing the project started to be outlined. The Chilean architecture firm URBE was hired, and progress was made in the design of the Master Plan draft project. The development will offer a luring, diversified suite of residential plots and low and medium density housing areas, and each of the neighborhoods will have full-service infrastructure. The project will stand out for being embedded in the unique hillside setting of Sierras Chicas, in the province of Córdoba.

Below is a detail of property being developed by IRSA as of March 31, 2006.

**Developed parties**

| Date of Acquisition                | Estimated Cost/<br>Real Cost<br>(Ps. 000) | Area<br>Intended<br>for Sale<br>(sq. m.) | Total<br>units or<br>lots | IRSA s<br>Effective<br>Interest | Percentage<br>Constructed | Percentage<br>Sold | Accumulated<br>Sales<br>(Ps. 000) | Accumulated Sales as of<br>March 31<br>of fiscal years (6) (Ps. 000) |               |               |               |
|------------------------------------|---|--|---------------------------|---------------------------------|---------------------------|--------------------|-----------------------------------|--|---------------|---------------|---------------|
|                                    |   |  |                           |                                 |                           |                    |                                   | 06   | 05            | 04            |               |
|                                    | (1)                                       | (2)                                      | (3)                       |                                 |                           | (4)                | (5)                               | (Ps. 000)  | (Ps. 000)     | (Ps. 000)     |               |
| <b>Real Estate Investments</b>     |   |  |                           |                                 |                           |                    |                                   |  |               |               |               |
| Las Jardín                         | 7/18/96                                   | 56,579                                   | 32,339                    | 490                             | 100%                      | 100%               | 97%                               | 70,049   |               |               |               |
| Las de Abasto (8)                  | 7/17/94                                   | 74,810                                   | 35,630                    | 545                             | 62%                       | 100%               | 100%                              | 109,266  | 11            |               |               |
| Los Cruces                         | 7/22/03                                   | 5,740                                    | 3,633                     | 40                              | 100%                      | 100%               | 21%                               | 4,246  | 4,246         |               |               |
| Martín de Tours                    | 03/2003                                   | 12,171                                   | 2,891                     | 1                               | 100%                      | 99%                |                                   |  |               |               |               |
| República Arenal                   | 12/20/96                                  | 15,069                                   | 6,913                     | 70                              | 100%                      | 100%               | 99%                               | 11,626   |               |               |               |
| Palermo Park (9)                   | 11/18/97                                  | 35,956                                   | 10,488                    | 72                              | 67%                       | 100%               | 100%                              | 47,530   | 63            |               |               |
| (10)                               |   | 31,245                                   | 18,151                    | 163                             | N/A                       | N/A                | 100%                              | 36,222   |               | 112           |               |
| <b>Total</b>                       |   | <b>231,570</b>                           | <b>110,045</b>            | <b>1,381</b>                    | <b>N/A</b>                | <b>N/A</b>         | <b>N/A</b>                        | <b>278,939</b>   | <b>4,309</b>  | <b>11</b>     | <b>112</b>    |
| <b>Real Estate Communities</b>     |   |  |                           |                                 |                           |                    |                                   |  |               |               |               |
| Baldovinos (11)                    | 1/3/95                                    | 130,955                                  | 1,408,905                 | 1,273                           | 83%                       | 100%               | 95%                               | 216,994  | 3,620         | 2,160         | 5,814         |
| Celina I, II and                   |   |  |                           |                                 |                           |                    |                                   |  |               |               |               |
|                                    | 5/26/92                                   | 4,742                                    | 75,970                    | 219                             | 100%                      | 100%               | 99%                               | 13,952   |               |               |               |
| Celina IV and V                    | 12/17/97                                  | 2,450                                    | 58,373                    | 181                             | 100%                      | 100%               | 100%                              | 9,505  |               |               | 23            |
| Plots (15)                         | 11/18/97                                  | 20,544                                   | 989,423                   | 1                               | 67%                       | 44%                | 100%                              | 11,830   |               |               | 89            |
| <b>Total</b>                       |   | <b>158,691</b>                           | <b>2,532,671</b>          | <b>1,674</b>                    | <b>N/A</b>                | <b>N/A</b>         | <b>N/A</b>                        | <b>252,281</b>   | <b>3,620</b>  | <b>2,160</b>  | <b>5,926</b>  |
| <b>Real Estate Reserves</b>        |   |  |                           |                                 |                           |                    |                                   |  |               |               |               |
| Retiro (9)                         | 5/18/97                                   |  | 82,051                    |                                 | 33%                       | 0%                 |                                   |  |               |               | 4             |
| Illito                             | 11/3/97                                   |  | 20,968                    |                                 | 100%                      | 0%                 |                                   |  |               |               | 19            |
| María del Plata                    | 7/10/97                                   |  | 675,952                   |                                 | 100%                      | 0%                 |                                   |  |               |               | 114           |
| La Raola (11)                      | 12/16/96                                  |  | 1,299,630                 |                                 | 83%                       | 0%                 |                                   |  |               |               | 2             |
| Plot 4 (formerly Soc               |   |  |                           |                                 |                           |                    |                                   |  |               |               |               |
| Plotique)                          | 12/2/97                                   |  | 4,653                     |                                 | 100%                      | 0%                 | 50%                               | 12,310   |               |               | 6             |
| Las Mercedes Natal Crespo          | 7/27/05                                   |  | 4,320,000                 |                                 | 43%                       | 0%                 |                                   |  |               |               | 4             |
| Los Alcortas                       | 7/7/98                                    |  | 1,925                     |                                 | 62%                       | 0%                 | 100%                              | 22,969   | 22,969        |               |               |
| (12)                               |   |  | 3,597,704                 |                                 | N/A                       |                    |                                   |  |               |               | 8             |
| <b>Total</b>                       |   |  | <b>10,002,883</b>         |                                 | <b>N/A</b>                | <b>N/A</b>         | <b>N/A</b>                        | <b>35,279</b>  | <b>22,969</b> |               | <b>30</b>     |
| <b>Real Estate Properties</b>      |   |  |                           |                                 |                           |                    |                                   |  |               |               |               |
| Plot 934                           | 8/20/92                                   | 705                                      | 3,750                     | 1                               | 100%                      | 100%               | 100%                              | 11,745   | 1,833         |               |               |
| Plot 1020                          | 12/21/95                                  | 16,008                                   | 5,056                     | 8                               | 100%                      | 100%               | 100%                              | 16,471   |               | 1,806         | 4,774         |
| Plot 3 (12)                        | 9/9/99                                    | 25,836                                   | 10,474                    | 3                               | 100%                      | 18%                | 30%                               | 23,624   |               | 23,624        | 5             |
| <b>Real Estate Properties (13)</b> |   | <b>23,871</b>                            | <b>11,352</b>             | <b>61</b>                       |                           | <b>100%</b>        | <b>96%</b>                        | <b>29,912</b>  | <b>32</b>     |               | <b>5,630</b>  |
| <b>Total</b>                       |   | <b>66,420</b>                            | <b>30,632</b>             | <b>73</b>                       | <b>N/A</b>                | <b>N/A</b>         | <b>N/A</b>                        | <b>81,753</b>  | <b>1,866</b>  | <b>25,430</b> | <b>10,404</b> |
| <b>Total</b>                       |   | <b>456,681</b>                           | <b>12,676,231</b>         | <b>3,128</b>                    | <b>N/A</b>                | <b>N/A</b>         | <b>N/A</b>                        | <b>648,252</b>   | <b>32,764</b> | <b>27,601</b> | <b>16,442</b> |



Notes:

- (1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, adjusted for inflation until 02.28.03.
- (2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces, but excluding common areas). In the case of Land Reserves the land area was considered.
- (3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
- (4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters.
- (5) Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation until 02.28.03.
- (6) Corresponds to total sales consolidated by the RT4 method adjusted for inflation until 02.28.03. Excludes turnover tax deduction.
- (7) Cost of acquisition plus improvement plus activated interest of properties consolidated in portfolio as of March 31, 2006, adjusted for inflation until 02.28.03.
- (8) Through Alto Palermo S.A.
- (9) Through Inversora Bolivar S.A.
- (10) Includes the following properties: Dorrego 1916 through IRSA and Arcos 2343 fully sold (through Baldovinos).
- (11) Directly through IRSA and indirectly through Inversora Bolivar S.A.
- (12) Includes the following land reserves: Torre Jardín IV, Padilla 902 and Terreno Pilar (through IRSA), Pontevedra, Mariano Acosta, Merlo, Intercontinental Plaza II (through Inversora Bolivar S.A.) and Neuquén, Caballito, Torres Rosario and the Coto project (through APSA S.A.).
- (13) Includes the following properties: Puerto Madero Dock 13 and Dique 13, Sarmiento 517 and Rivadavia 2768 (fully sold through IRSA).
- (14) Corresponds to the Sales and Development business unit mentioned in Note 4 to the Consolidated Financial Statements.
- (15) Includes Benavidez plots.

**IV. Hotels**

Income from the hotel segment posted a significant increase during the first nine months of fiscal year 2006, reaching Ps.79.7 million as compared to Ps.68.3 million recorded in the same period of the previous fiscal year.

This result reflected the increase in average prices. During the first nine months of fiscal year 2006, rates experienced a substantial increase, with an average price per room of Ps.379 in this period as compared to Ps.325 in the previous period. The occupancy rate remained stable at 79%, equal to the figure recorded in the same period of the previous fiscal year.

The remarkable upsurge in the hotel business in Argentina has led us to increase our investments in this segment. We started works for construction of 42 suites in the Llao Llao Hotel aimed at expanding its current capacity. In addition, in view of the increased number of guests that the hotel will accommodate when construction tasks are completed, we have made works for increasing the hotel's service infrastructure. These expansion and improvement works will help boosting occupancy on the one hand, and increase average rates on the other.

Below is information on our hotels for the nine-month period ended March 31, 2006.

**Hotels**

| Hotel                   | Date of Acquisition | IRSA's Effective Interest | Number of Rooms | Average Occupancy (1) | Avg. Price per room Ps. (2) | Sales as of March 31 of fiscal years (Ps. 000) (3) |               |               | Book value as of 03/31/06 (Ps. 000) |
|-------------------------|---------------------|---------------------------|-----------------|-----------------------|-----------------------------|--|---------------|---------------|-------------------------------------|
|                         |                     |                           |                 |                       |                             | 2006   | 2005          | 2004          |                                     |
| Inter-Continental (4)   | Nov-97              | 50.89%                    | 309             | 73.8%                 | 321                         | 29,071   | 25,529        | 19,606        | 55,686                              |
| Sheraton Libertador (5) | Mar-98              | 80.00%                    | 200             | 85.7%                 | 282                         | 18,914   | 14,955        | 11,425        | 36,101                              |
| Llao Llao (6)           | Jun-97              | 50.00%                    | 158             | 79.5%                 | 616                         | 31,714   | 27,782        | 23,545        | 41,214                              |
| <b>Total</b>            |                     |                           | <b>667</b>      | <b>78.7%</b>          | <b>379</b>                  | <b>79,700</b>                                      | <b>68,266</b> | <b>54,576</b> | <b>133,001</b>                      |

Notes:

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- (1) Accumulated average in the nine-month period.
- (2) Accumulated average in the nine-month period.
- (3) Corresponds to our total sales consolidated by the RT21 method adjusted for inflation until 02/28/03.
- (4) Through Nuevas Fronteras S.A. (a subsidiary of Inversora Bolívar S.A.).
- (5) Through Hoteles Argentinos S.A.
- (6) Through Llao Llao Resorts S.A.

**V. Financial and other transactions**

**Settlement of fifth principal installment and interest payment of the Secured Notes and Unsecured Loan.** In the month of February, the fifth principal payment was made under the Secured Notes, for US\$ 0.93 million and under the Unsecured Loan for US\$ 0.58 million, resulting in an outstanding nominal amount of US\$ 32.71 million and US\$ 20.13 million, respectively. In addition, interest payments of US\$ 0.55 million and US\$ 0.34 million, respectively, were made.

**Exercise of Warrants and conversion of Convertible Notes.** During the quarter ended March 31, 2006, warrants issued by our Company were exercised for a total of US\$ 1.55 million par value, resulting in the issue of 2.84 million shares. Total proceeds from this transaction were US\$ 1.80 million.

On that date, our indebtedness was also reduced following the conversion of US\$ 7.09 million par value Convertible Notes, representing 13 million shares.

As of March 31, 2006, the amount of outstanding Convertible Notes and unexercised warrants was US\$ 49.9 million and US\$ 56.2 million, respectively, while the number of outstanding shares totaled 384.3 million of Ps. 1 par value each.

After March 31, 2006, US\$ 21.4 million additional Convertible Notes were converted and 39.3 million shares were issued; therefore, the number of outstanding shares totaled 423.6 million and the amount of outstanding Convertible Notes was US\$ 28.5 million.

Below is a detail of the past, current and potential situation of the Convertible Notes issued on November 14, 2002 under the laws of the state of New York, at a rate of 8% (payable every six months) and maturing on November 14, 2007, convertible at a price of US\$ 0.545 per share of \$1.00 par value (1.8349 shares per Convertible Note). The Convertible Note also have a warrant attached that allows its holder to purchase 1.8349 shares of \$1.00 par value at a price of US\$ 0.654 each per Convertible Note.

**Increase of interest in Canteras Natal Crespo.** During this quarter we purchased 520 shares of stock in Canteras Natal Crespo S.A. at a total price of Ps.0.018 million. Therefore, our stake in this company increased to 43.18%.

**Hoteles Argentinos S.A. Debt Restructuring.** In April, the restructuring of our subsidiary Hoteles Argentinos S.A ( HASA )'s debt to Credit Suisse International was closed. The restructured transaction was a US\$ 12.0 million loan taken by HASA. As a result of the referred refinancing transaction, the total original principal amount outstanding under the loan was reduced to US\$ 8.0 million and its maturity was extended to March 15, 2010. In addition, HASA made a US\$ 2.0 million payment that further reduced the total original loan amount to US\$ 6.0 million. The outstanding principal amount will be paid in installments and the agreed interest was Libor + 700 bps, payable on a semi-annual basis.

**APSA Financial Debt.** On April 5, 2006, Alto Palermo S.A. made the second principal payment under the syndicated loan for Ps.12.5 million. The outstanding balance is Ps.25.0 million.

In addition, on February 1, 2006, it made the second payment under the loan granted by Deutsche Bank for US\$ 3.0 million. The current outstanding balance is US\$ 3.0 million.

In connection with the US\$ 50 million Series I Convertible Notes issued by APSA, on May 2, 2006 an extraordinary bondholders' meeting was held in which it was resolved to extend the Convertible Notes maturity to July 19, 2014.

As of March 31, 2006, the total outstanding amount of the Convertible Notes issued in July 2002 is US\$ 47,281,230 while the number of shares of stock of the Company is 780,423,632 and the capital stock amounts to 78,042,363.

#### **VI. Brief comment on prospects for the next quarter**

GDP growth continued to consolidate in the third quarter of fiscal year 2006, shored up the strong fiscal surplus and increase in private consumption, which was favored by the higher employment rates and salary rises in real terms. The continued robust growth of the economic indicators along with the satisfactory results attained in our business performance encourage us to continue our policy of developing new investment projects in search of new business opportunities.

We expect to continue expanding business in the office segment, taking advantage of the recovery in demand and prices.

In addition, in view of the consumption boom and the success achieved in the positioning of our Shopping Centers, we plan to keep on offering a broad variety of commercial proposals aiming at satisfying our clients' needs. We intend to offer more activities, promotions and entertainment options, seeking customer recognition and identification with our proposals, in line with our strategy for the past fiscal years. Moreover, we continue to analyze the investment opportunities that arise in the shopping center industry with a view to increasing or property portfolio.

The upsurge in the hotel industry, which experienced a significant growth during the last three years, along with the spectacular potential for tourism in Argentina causes us to have very promising expectations in this business segment.

During the next quarter we intend to make further progress in our various developments with the aim of completing works as scheduled. Finally, we will continue to evaluate the execution of different projects for developing our land reserves, as well as the purchase of new development lands at attractive prices to add value to our portfolio.

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

### **Limited Review Report**

To the Shareholders, President and Board of Directors of

#### **IRSA Inversiones y Representaciones Sociedad Anónima**

1. We have reviewed the balance sheet of IRSA Inversiones y Representaciones Sociedad Anónima at March 31, 2006, and the related statements of income, of changes in shareholders' equity and of cash flows for the nine-month periods ended March 31, 2006 and 2005 and the complementary notes 1 to 21 and exhibits A, C, D, E, F, G, H and I. Furthermore, we have reviewed the consolidated financial statements of IRSA Inversiones y Representaciones Sociedad Anónima with its subsidiaries for the nine-month periods ended March 31, 2006 and 2005, which are presented as supplementary information. These financial statements are the responsibility of the Company's management.
2. We conducted our review in accordance with standards established by Technical Resolution No. 7 of the Argentine Federation of Professional Councils of Economic Sciences for limited reviews of financial statements. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
3. IRSA Inversiones y Representaciones Sociedad Anónima and its subsidiaries have a significant investment in Banco Hipotecario S.A. (BHSA). This investment is accounted for under the equity method of accounting at the end of the period. The limited review report on the financial statements of BHSA as of March 31, 2006, dated May 5, 2006, mentions that the financial statements of BHSA should be read taking into consideration the level of credit exposure of BHSA to the Public Sector. As of March 31, 2006, the investment in BHSA accounts for approximately 14% and 10% of the total assets and total consolidated assets, respectively, of IRSA Inversiones y Representaciones Sociedad Anónima. The auditors' report on the financial statements of BHSA as of June 30, 2005, dated September 1, 2005, included an explanatory paragraph describing certain uncertainties primarily in connection with the effect of the matters that were still pending resolution by the Government regarding the settlement of the receivables recognized as a result of the asymmetric pesification and indexation. These uncertainties have been resolved at the date of this report.
4. As indicated in Note 29 to the consolidated financial statements, Alto Palermo S.A. (subsidiary of the Company at 61.62%) recorded a claim receivable against insurance companies amounting to \$ 7.4 million, corresponding to the recovery of the loss incurred in the fire at one of its shopping malls. The final amount of the recovery is subject to the final settlement to be made by the insurance companies, which at the date of these financial statements has not yet been completed. After March 31, 2006, Alto Palermo S.A. collected an advance amounting to \$ 2.1 million in connection with that claim.

**Limited Review Report (Continued)**

5. Based on our work and our examinations of the financial statements of this Company and the consolidated financial statements for the years ended June 30, 2005 and 2004, on which we issued a qualified report on September 8, 2005 regarding the uncertainties indicated in point 3. of this report, we report that:
- a) The financial statements of IRSA Inversiones y Representaciones Sociedad Anónima at March 31, 2006 and 2005 and its consolidated financial statements at those dates, set out in point 1, prepared in accordance with accounting standards prevailing in the Autonomous City of Buenos Aires, include all significant facts and circumstances of which we are aware and we have no observations to make on them other than those indicated in points 3 and 4 above;
  - b) The comparative information included in the basic and consolidated balance sheets and the supplementary notes and exhibits to the attached financial statements arise from the Company's financial statements at June 30, 2005.
6. In accordance with current regulations we report that:
- a) the financial statements of IRSA Inversiones y Representaciones Sociedad Anónima and its consolidated financial statements have been transcribed to the Inventory and Balance Sheet Book and comply, as regards those matters that are within our competence, with the Corporations Law and pertinent resolutions of the National Securities Commission;
  - b) the financial statements of IRSA Inversiones y Representaciones Sociedad Anónima arise from official accounting records carried in all formal respects in accordance with legal requirements;
  - c) we have read the business highlights and the additional information to the notes to the financial statements required by sect. 68 of the Buenos Aires Stock Exchange Regulations, on which, as regards those matters that are within our competence, we have no observations to make;
  - d) at March 31, 2006, the debt accrued in favor of the Integrated Pension and Survivors Benefit System according to the accounting records amounted to Ps. 110 thousand, none of which was claimable at that date.
- Autonomous City of Buenos Aires, May 11, 2006

PRICE WATERHOUSE & Co. S.R.L.

ABELOVICH, POLANO & ASOCIADOS

(Partner)

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Marcelo H. Fuxman

Dr. Andrés Suarez

Public Accountant (U.B.A.)

Public Accountant (U.B.A.)

C.P.C.E.C.A.B.A. T° 134 F° 85

C.P.C.E.C.A.B.A. T° 245 F° 61

Professional Registration of the Firm



**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Buenos Aires, Argentina.

**IRSA Inversiones y Representaciones Sociedad Anónima**

By: /S/ Saúl Zang  
Name: Saúl Zang  
Title: Second Vice Chairman of the Board of Directors

Dated: May 22, 2006