ANSELL LTD
Form 6-K
September 21, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of September 2006 (September 19, 2006)

Commission File Number: 0-15850

ANSELL LIMITED

(Translation of registrant s name into English)

Level 3, 678 Victoria Street, Richmond, Victoria 3121, Australia

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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

Yes ¨ No x

This Form 6-K contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 as amended, and information that is based on management s beliefs as well as assumptions made by and information currently available to management. When used in this Form 6-K, the words anticipate, approach, begin, believe, continue, expect, forecast, going forward, improved, likely, look fo outlook, plans, potential, proposal, should and would and similar expressions are intended to identify forward-looking statements. These forward-looking statements necessarily make assumptions, some of which are inherently subject to uncertainties and contingencies that are beyond the Company s control. Should one or more of these uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, expected, estimated or projected. Specifically, the ability of the Company to realize its ongoing commitment to increasing shareholder value through its ongoing restructuring, asset dispositions, strategic review and implementation, and cost cutting initiatives, may be affected by many factors including: uncertainties and contingencies such as economic conditions both in the world and in those areas where the Company has or will have substantial operations; foreign currency exchange rates; pricing pressures on products produced by its subsidiaries; growth prospects; positioning of its business segments; future productions output capacity; and the success of the Company s business strategies, including further structural and operational changes, business dispositions, internal reorganizations, cost cutting, and consolidations.

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Financial Report of Ansell Limited and Subsidiaries - 2006

Please note that the Annual Review 2006 contains the Concise Financial Report of Ansell Limited which is derived from the Financial Report 2006. The Annual Review 2006 does not constitute part of this report.

Both the Annual Review 2006 (containing the Concise Financial Report) and the Financial Report 2006 are available from the Company s website (www.ansell.com) or upon request. Information on the web site does not constitute part of this report.

Ansell Limited

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Ansell Limited and Subsidiaries

Financial Statements - 30 June 2006

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Board of Directors

PETER BARNES,

B.COM (HONS), MBA (MELB)

AGE 63. RESIDES AUSTRALIA.

Appointed Non-executive Director in October 2001 and Chairman in August 2005. Chairman of the Nomination, Remuneration and Evaluation Committee.

Peter Barnes is a Director of News Corporation and Metcash Limited and is Chairman of Samuel Smith & Son Pty Limited.

Peter Barnes brings to the Board experience in finance, marketing and general management in the international arena. His background includes a long career with Philip Morris International Inc. where he held several senior management positions in Australia and overseas, including Managing Director, Lindeman Holdings Ltd, and President, Asia Region, based in Hong Kong.

The Board considers Peter Barnes to be an independent Director.

DOUG TOUGH,

MBA, BBA

AGE 57. RESIDES USA.

Managing Director and Chief Executive Officer since 1 July 2004.

Prior to joining Ansell, Doug Tough spent 17 years with Cadbury Schweppes plc in a number of international and domestic leadership roles, including President and Chief Executive Officer of its largest division worldwide, Dr Pepper/ Seven Up, North America.

Mr Tough has also had 12 years experience with Procter & Gamble in various sales and marketing assignments. He holds an MBA from the University of Western Ontario, Canada and a BBA from the University of Kentucky, USA.

As an Executive Director, Doug Tough is not independent.

GLENN BARNES,

B. AG. SCI (MELB), CPM, FAMI, FAIM, FAICD, SF FIN, FRSA

AGE 59. RESIDES AUSTRALIA.

Appointed Non-executive Director in September 2005. Member of the Audit Committee.

Glenn Barnes is Chairman of Baycorp Advantage Limited and a Director of Lion Nathan Limited. He also serves as Chairman, Director and council member of a number of not-for-profit and private interest companies, including the Reach Foundation and the Australian Institute of Company Directors. He was previously a Non-executive Director of Banksia Wines Limited, Repco Corporation Limited, National Foods Limited and a Council member of Monash University.

Glenn Barnes commenced his management career with Unilever Limited and was involved in fast moving consumer goods, banking and financial services for over 30 years in Australia, and internationally including UK, USA, Republic of Ireland, Japan and China. Since retiring from executive roles in 2002, Mr Barnes has focused on governance and consulting.

The Board considers Glenn Barnes to be an independent Director.

RONNIE BELL,

BA (STRATHCLYDE)

AGE 56. RESIDES UK.

Appointed Non-executive Director in August 2005. Member of the Nomination, Remuneration and Evaluation Committee.

Ronnie Bell is a Director of Gallaher Group Plc, Northern Foods Plc and Edrington Group and is Chairman of the Milk Link Co-Operative. Mr Bell is an experienced international consumer industry executive with a background of over 30 years in highly competitive global branded products. He is a former President of Kraft Foods, Europe and served as Executive Vice President of Kraft Foods Inc.

Mr Bell brings to the Board broad general management and marketing skills particularly in the European and North American markets.

The Board considers Ronnie Bell to be an independent Director.

DALE CRANDALL,

MBA UC BERKELEY, CPA

AGE 65. RESIDES USA.

Appointed Non-executive Director in November 2002. Chairman of the Audit Committee.

Dale Crandall is a Director of Union Bank of California, Covad Communications Group, BEA Systems Inc., Coventry Health Care Inc. and UGS Corp. He is also a Trustee of Dodge & Cox Mutual Funds.

Mr Crandall has a background in accounting and finance and is a former Group Managing Partner for Southern California for Price Waterhouse. He was formerly President and Chief Operating Officer of Kaiser Foundation Health Plan and Hospitals in the USA.

The Board considers Dale Crandall to be an independent Director.

HERB ELLIOTT,

AC, MBE, MA (CANTAB)

AGE 68. RESIDES AUSTRALIA.

Appointed Non-executive Director in February 2001. Member of the Audit and Nomination, Remuneration and Evaluation Committees.

Herb Elliott was appointed Deputy Chairman of Fortescue Metals Group Limited in May 2005, having served as a Director of that company since October 2003. He is also Chairman of the Telstra Foundation Limited.

Mr Elliott has experience in marketing and general management, including an appointment as President and Chief Executive of North America for Puma, the sporting goods company.

The Board considers Herb Elliott to be an independent Director.

MARISSA PETERSON,

MBA (HARVARD), B.SC (MECH)

AGE 44. RESIDES USA

Appointed Non-executive Director on 22 August 2006.

Marissa Peterson is a Director of Supervalu Inc and Lucille Packard Children s Hospital in California, and serves on the Board of Trustees of Kettering University. She was formerly a Director of Covisint Inc. and a member of both the Industry Executive Advisory Council, of Stanford University s Alliance for Innovative Manufacturing, and the US National Center for Women & Information Technology Executive Council.

Mrs Peterson retired from executive roles in mid 2006, having spent the previous 18 years with Sun Microsystems in senior executive positions. She has extensive experience in supply chain management, manufacturing, supplier management and procurement, logistics and distribution, and services.

The Board considers Marissa Peterson to be an independent Director.

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Corporate Governance

INTRODUCTION

In accordance with the Company s Constitution and the Corporations Act, the Company operates through its Board of Directors and management.

The Board, which has authority for ultimate oversight of the Company, works under a set of well-established corporate governance policies and Charters. These policies are publicly available on the Company s website, **www.ansell.com**. The Board regularly reviews and updates these policies and Charters to ensure that they remain in accordance with best practice. The Board is aware of, and has had regard to, developments in Australia and overseas in relation to corporate governance best practice .

This Report is divided into four sections:

- the way in which the Board is formed;
- the way in which the Board operates;
- governance policies specific to the Board; and
- governance policies adopted by the Board that apply generally throughout Ansell.

PART 1 COMPOSITION OF THE BOARD

Relevant policies and charters (see www.ansell.com)	Board Charter

Maintaining a balance of experience and skills is an important factor in Board composition. Details of the skills, experience and expertise of each Director are set out on page 4.

The Board s policy is that there should be a majority of independent, Non-executive Directors. This is a requirement embodied in the Company s Constitution and the Board Charter, ensuring that all Board discussions or decisions have the benefit of predominantly outside views and experience, and that the majority of Directors are free from interests and influences that may create a conflict with their duty to the Company.

The requirement under the Constitution is for at least twice as many Non-executive Directors as Executive Directors. As an additional safeguard in preserving independence, there should be a separation of the roles of the Chairman and the Chief Executive Officer, and the Chairman should be an independent Non-executive Director.

The Board has adopted the definition of independence set out in the IFSA Blue Book (December 2002).* The Board has developed guidelines to determine materiality thresholds for the purposes of that definition. Broadly speaking, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director s ability to act in the best interests of the Company.

The Company currently has seven Directors, one of whom is an Executive Director (the Chief Executive Officer who is also the Managing Director). All of the Non-executive Directors, including the Chairman, are considered to be independent .

BOARD REVIEW

The Board periodically conducts a formal review of its performance using a comprehensive and structured self-assessment approach based on the individual input and responses of Directors. The reviews include:

- assessment and consideration of the effectiveness and composition of the Board;
- an assessment of the performance of the Chief Executive Officer by the Non-executive Directors; and
- assessing whether corporate governance principles are appropriate and reflect good practice .

Since the date of the last Report, the Board has conducted an assessment of its performance as outlined above and has also formally assessed the performance of the Chief Executive Officer.

BOARD ELECTION PROCESS

New Directors are nominated by the Board, as described below, and then stand for election at the next Annual General Meeting in order to be confirmed in office. Criteria for selection of new Non-executive Directors include a candidate s personal qualities, professional and business experience, and availability and time to commit to all aspects of the Board s program. All Directors other than the Managing Director are required to seek re-election at least once in every three years on a rotating basis. The performance of Directors seeking re-election is considered by the Board to enable it to make a recommendation to shareholders in relation to the Directors re-election.

APPOINTMENT TERMS

New Directors are provided with a letter of appointment setting out the terms of their appointment, including their powers, rights and obligations.

In order to ensure that the composition of the Board will change over time, the Board has a general policy that Non-executive Directors should not serve for a period exceeding 12 years, and that the Chairman should not serve in that role for more than 10 years.

However, the Board does not consider this length of tenure would necessarily compromise independence or interfere in a material way with a Director s ability to act in the best interests of the Company. Should the situation arise, the Board would make an assessment regarding an individual Director s ongoing service having regard for the length of service of all members of the Board and the mix of experience, skills and knowledge of the Board.

In order to ensure that Directors are able to fully discharge their duties to the Company, all Directors must consult with the Chairman of the Board and advise the Nomination, Remuneration and Evaluation Committee prior to accepting a position as a non-executive director of another company.

PART 2 OPERATION OF THE BOARD

Relevant policies and charters (see www.ansell.com)	Board Charter Audit Committee Charter Nomination, Remuneration and Evaluation Committee Charter

The Board has ultimate responsibility for setting policy regarding the business and affairs of the Company and its subsidiaries for the benefit of the shareholders and other stakeholders, and is accountable to shareholders for the performance of the Group.

The table on the following page summarises the Board s main responsibilities and functions, which have been grouped into the following three areas:

- strategy, planning and monitoring;

shareholder communication and compliance; and

risk management and internal controls.

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Corporate Governance continued

	STRATEGY, PLANNING AND MONITORING	SHAREHOLDER COMMUNICATION AND COMPLIANCE	RISK MANAGEMENT AND INTERNAL CONTROLS
Approving	corporate strategies, budgets, plans and policies	procedures to ensure compliance with applicable laws, regulations, accounting standards, ethical standards and business practices	the Company s risk management framework and internal compliance and controls systems
	appointment of the Chief Executive Officer and other members of the senior management team	shareholder communication strategies	
	the remuneration package for the Chief Executive Officer		
	the remuneration policy applicable to the senior executives of the Group		
	the remuneration policy applicable to Non-executive Directors		
Reviewing and monitoring	implementation of corporate strategies, budgets, plans and policies	implementation of compliance procedures	implementation of risk management framework and internal compliance and controls systems
	financial and business results (including the audit process) in order to understand the financial position of the Group	timeliness and accuracy of information provided to shareholders and the financial market	the Company s wider risk management profile
			internal processes for determining, monitoring and assessing key risk areas
Evaluating	performance against corporate strategies, budgets, plans and policies	the effectiveness of reporting procedures and mechanisms	the process for assessing the effectiveness of risk management practices
	the performance of the Chief Executive Officer and other members of the senior management team	whether adequate, accurate and timely information is provided to shareholders and the financial market	

In carrying out its duties, the Board meets formally at least six times a year, with additional meetings held as required to address specific issues. Directors also participate in meetings of various Board Committees, which assist the full Board in examining particular areas or issues.

The Board delegates management of the Company s resources to the executive team under the leadership of the Chief Executive Officer, to deliver the strategic direction and achieve the goals determined by the Board. Any powers not specifically reserved for the Board have been delegated to the executive team.

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the Company s Constitution and the law.

BOARD COMMITTEES

The Board has established two standing Committees, being the:

- Audit Committee; and
- Nomination, Remuneration and Evaluation Committee.

Each Committee operates under a specific Charter, which is reviewed periodically by the Board. The Board also delegates specific functions to ad hoc Committees of Directors on an as needs basis. The powers delegated to these Committees are set out in Board resolutions.

Further details regarding the two standing Committees are set out in the table opposite.

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Corporate Governance continued

	AUDIT COMMITTEE	NOMINATION, REMUNERATION AND EVALUATION COMMITTEE
Members	L D Crandall (Chair from 9 August 2005)	P L Barnes (Chair from 9 August 2005)
	G L L Barnes (from 17 November 2005)	Dr E D Tweddell (Chair and member until 4 August 2005)
	P L Barnes (Chair and member until 8 August 2005)	R J S Bell (from 9 August 2005)
	H J Elliott	M J McConnell (until 5 September 2005)
		H J Elliott (from 5 September 2005)
Composition	**Committee members are required to:**	**The Committee is required to:**
	be independent, Non-executive Directors (minimum of three required)	comprise a majority of independent, Non-executive Directors (minimum of three required)
	be financially literate	
	possess sufficient financial expertise and knowledge of the industry in which Ansell operates	
Functions	**Reviewing:**	**Reviewing:**
	financial statements	the structure and performance of the Board, the Committees and individual Directors (and to recommend changes where required)
	adequacy of financial controls	**Establishing**
	annual audit arrangements (internal and external)	policies and criteria for Non-executive Director selection, and identifying suitable candidates for appointment
	activities of internal and external auditors	
	independence and remuneration of external auditor	**Advising Board on:**

	processes for identifying, managing and reporting business risk	succession planning
	Advising Board on:	remuneration of Chief Executive Officer
	appointment, removal and remuneration of external auditor	senior executive remuneration policy (including incentive plans, equity awards, retirement payments and service contracts)
	independence of external auditor	
	financial reporting controls and systems, including their adequacy	
	national and international Accounting Standards	
	applicable Company policies, regulatory and statutory requirements	
Attendance	Details regarding attendance at Committee meetings during the year are set out below	Details regarding attendance at Committee meetings during the year are set out below
Consultation	Company officers and the principal external audit partner attend Committee meetings to provide reports and/or guidance	As required, the Committee may engage independent professional advisers to: assist in identifying high-calibre Directors and executives advise on whether the Company s employment policies and practices, including terms and conditions, are competitive and consistent with those offered by comparable companies The Committee may also request information from management where appropriate

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Corporate Governance continued

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING THE YEAR ENDED 30 JUNE 2006

	BOARD		AUDIT		NOMINATION, REMUNERATION AND EVALUATION	
	HELD	**ATTENDED**	**HELD**	**ATTENDED**	**HELD**	**ATTENDED**
P L Barnes	8	8	1	1	7	7
G L L Barnes	7	7	3	3		
R J S Bell	8	8			7	6
L D Crandall	8	8	4	4		
H J Elliott	8	7	4	4	7	6
M J McConnell	3	3			1	3
D D Tough	8	8				

Held Indicates the number of meetings held while each Director was a member of the Board or Committee.

Attended Indicates the number of meetings attended during the period that each Director was a member of the Board or Committee.

A meeting of a special Board Committee comprising P L Barnes and R J S Bell was convened on 17 August 2005 in relation to the review and lodgement of the 2005 Full Year Results announcement. A meeting of a special Board Committee comprising P L Barnes and H J Elliott was convened on 23 September 2005 in relation to the signing of the accounts for the year ended 30 June 2005. A special Board Committee comprising P L Barnes and D D Tough was convened on 15 February 2006 in relation to the review and lodgement of the Half-Year Results announcement, Reports and financial statements for the six months ended 31 December 2005. Two of the meetings of the Nomination, Remuneration and Evaluation Committee were attended by all Directors. Audit Committee meetings were generally also attended by all other Directors.

PART 3 GOVERNANCE POLICIES APPLICABLE TO THE BOARD

Relevant policies and charters	Share Trading Policy
(see www.ansell.com)	Code of Conduct

REMUNERATION

Full details of the remuneration paid to Non-executive and Executive Directors and the Company s senior executives are set out in the Remuneration Report on pages 14 to 23.

DEALING IN SHARES

Subject to the restriction that persons may not deal in any securities when they are in possession of price-sensitive information, Directors and employees generally may only buy or sell Ansell shares in the period immediately following any price-sensitive announcements, including the half-year and full year results and the Annual General Meeting. At other times, Directors dealing in Ansell shares must obtain prior approval from the Chairman.

CONFLICT OF INTEREST

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are brought to the attention of each Director, the Company has developed protocols, consistent with obligations imposed by the Corporations Act and the Listing Rules, to require each Director to disclose any contracts, offices held, interests in transactions, contracts and other directorships which may involve any potential conflict. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, relevant information is not provided to the Director, and the Director does not participate in discussion on the particular issue or vote in respect of the matter at the meeting where the matter is considered.

EXTERNAL ADVICE

Any Director can seek independent professional advice at the Company s expense in the furtherance of his or her duties, subject to prior discussion with the Chairman. If this occurs, the Chairman must notify the other Directors of the approach, with any resulting advice received to be generally circulated to all Directors.

INDUCTION AND ONGOING EDUCATION

New Directors participate in an induction program which covers the operation of the Board and its Committees, and the Company s financial, strategic, operational and risk management positions.

Directors also participate in management presentations and analysis to ensure that they are kept up-to-date with developments in the industry, and to enable them to discharge their duties.

It is the Company s practice for Directors to visit some of the Company s facilities in each year. During the 2006 financial year, Board meetings were held in conjunction with visits to the Group s operating head office in Red Bank, New Jersey, and its European regional headquarters in Brussels. Some Directors also visited a number of the Company s manufacturing locations in South-east Asia and Mexico.

PART 4 GOVERNANCE POLICIES OF GENERAL APPLICATION THROUGHOUT ANSELL

Relevant policies and charters (see www.ansell.com)	Code of Conduct Continuous Disclosure Policy Risk Management Policy

CODE OF CONDUCT

The Company is committed to upholding the highest legal, moral and ethical standards in all of its corporate activities and has adopted a Code of Conduct consisting of both a Statement of Guiding Principles and Policies on Business Conduct, which aim to strengthen its ethical climate and provide basic guidelines for situations in which ethical issues arise. The Code of Conduct is available on the Company s website, **www.ansell.com**.

The Code of Conduct applies to Directors, executives, management and employees, sets high standards for ethical behaviour and business practice beyond complying with the law, and is based on guiding principles whereby the Company:

- strives to uphold high ethical standards in all corporate activities;
- is committed to competing lawfully, fairly and ethically in the marketplace, consistent with its aim of providing quality products to its customers;
- is committed to pursuing sound growth and earnings goals, by operating in the best interests of the Company and shareholders;

Corporate Governance continued

- strives to treat all employees and applicants with fairness, honesty and respect;
- expects all employees to work together for the common good and to avoid placing themselves in a position that is in conflict with the interests of the Company;
- is committed to good corporate citizenship and participating actively in and improving the communities in which the Company does business; and
- expects all employees to conduct themselves in accordance with the guiding principles.

It is the Company s policy to comply with the letter and spirit of all applicable laws and no Director, officer, executive or manager has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company. Assistance is available to clarify whether particular laws apply and how they may be interpreted.

The Code of Conduct also sets out the Company s policies in respect of ethical issues such as conflicts of interest, social accountability and fair dealing.

The Company s ethical practices and procedures are reviewed regularly, and processes are in place to promote and communicate these policies within the Company. Employees and Directors are required to participate in compliance training programs to ensure that they remain up to date regarding relevant legal and industry developments, as well as ethical practices. During the year computer-based courses, including courses relating to financial integrity, competition and antitrust, respect and responsibility, e-compliance and intellectual property, were implemented across the organisation globally.

EXTERNAL AUDIT

It is Board policy that the lead external audit partner and review partner are each rotated periodically. The Board has adopted a policy in relation to the provision of non-audit services by the Company s external auditor that is based on the principle that work that may detract from the external auditor s independence and impartiality, or be perceived as doing so, should not be carried out by the external auditor. Details of the amounts paid to the external auditor for non-audit services performed during the year are set out in the Report of the Directors on page 13. The Company s external auditor has also confirmed its independence to the Directors in accordance with applicable laws and standards as set out in the Report of the Directors.

RISK MANAGEMENT

Ansell places a high priority on risk identification and management throughout all its operations and has processes in place to review their adequacy.

The Company s risk management practices include:

- a comprehensive risk control program that includes property protection and health, safety and environmental audits using underwriters, self-audits, and engineering and professional advisers; and
- a process to identify and measure business risk.

The diagram below sets out division of risk management functions and responsibilities within the Company.

DIVISION OF RISK MANAGEMENT FUNCTIONS

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MANAGEMENT ASSURANCE

In accordance with the Company s system of internal sign-offs, the Chief Executive Officer and Chief Financial Officer have provided assurances to the Board that, having made appropriate enquiries, they have formed the opinion that:

the financial records of the Company and its subsidiaries are maintained in accordance with the Corporations Act;

	the Financial Report for the year ended 30 June 2006 has been prepared in a">	**1,084,242**	**738,756**	**577,680**		
Costs	(120,909)	(475,295)	(508,506)	(464,223)	(295,108)	(233,928)
Gross profit :						
Development and sale of properties	36,230	142,422	132,044	45,917	17,928	49,766
Office and other non-shopping center rental properties	31,365	123,296	118,419	75,812	39,592	21,578
Shopping centers	91,437	359,440	287,458	246,220	179,154	137,621
Consumer financing	42,197	165,876	114,133	187,443	153,253	88,939
Hotels	14,500	56,997	60,024	64,627	53,721	45,792
Financial operations and others						56
Total gross profit	**215,729**	**848,031**	**712,078**	**620,019**	**443,648**	**343,752**
Selling expenses	(47,164)	(185,401)	(236,201)	(247,297)	(168,848)	(92,491)
Administrative expenses	(49,680)	(195,291)	(147,329)	(122,121)	(102,827)	(74,399)
Gain from recognition of inventories at net realizable value	8,606	33,831	12,056	2,832	20,737	9,063
Net income (loss) from retained interest in securitized receivables	9,532	37,470	(46,012)	(1,261)	3,254	2,625
Gain from operations and holdings of real estate assets, net	278	1,091	1,124	2,670	2,568	12,616
Operating income (loss):						
	35,491	139,516	121,169	19,270	6,177	44,277

Development and sale of properties						
Office and other non-shopping center rental properties	18,704	73,526	76,485	52,930	20,234	11,862
Shopping centers	68,169	267,971	214,903	182,261	124,832	105,583
Consumer financing	13,560	53,304	(125,431)	(17,659)	32,636	24,836
Hotels	1,377	5,414	8,590	18,040	14,653	14,552
Financial operations and others						56
Total operating income	**137,301**	**539,731**	**295,716**	**254,842**	**198,532**	**201,166**
Amortization of negative goodwill, net,	417	1,641	1,602	1,638	(1,472)	(1,080)
Financial results, net	(41,998)	(165,096)	(136,381)	(76,742)	4,099	(40,926)
Gain (loss) on equity investees	40,808	160,416	61,542	(13,209)	40,026	41,657
Other expenses, net	(2,623)	(10,311)	(8,855)	(5,642)	(14,100)	(18,263)
Income before taxes and minority interest	**133,905**	**526,381**	**213,624**	**160,887**	**227,085**	**182,554**
Income tax and MPIT	(37,758)	(148,427)	(80,334)	(78,112)	(87,539)	(58,791)
Minority interest	(11,054)	(43,453)	25,345	(27,900)	(32,449)	(27,190)
Net income	**85,093**	**334,501**	**158,635**	**54,875**	**107,097**	**96,573**
Basic net income per share(3)	0.147	0.578	0.27	0.10	0.24	0.25
Basic net income per GDS(3)	1.470	5.780	2.74	1.00	2.41	2.54
Diluted net income per share(4)	0.147	0.578	0.27	0.10	0.20	0.23
Diluted net income per GDS(4)	1.470	5.780	2.74	1.00	2.03	2.28
Weighted average number of shares outstanding	578,676	578,676	578,676	549,277	444,904	379,506
Adjusted weighted - average number of shares(4)	578,676	578,676	578,676	549,277	558,594	522,636
Capital stock	578,676	578,676	578,676	578,676	464,969	435,448
U.S. GAAP						
Revenues	402,080	1,580,578	1,454,738	1,227,797	867,452	621,012
Costs	(174,678)	(686,660)	(702,246)	(583,137)	(397,417)	(311,885)

Gross profit	**227,402**	**893,918**	**752,492**	**644,660**	**470,035**	**309,127**
Selling expenses	(45,072)	(177,179)	(217,516)	(224,348)	(160,137)	(98,664)
Administrative expenses	(51,688)	(203,186)	(155,902)	(124,092)	(104,113)	(76,474)
Net (loss) income from retained interest in securitized receivables	14,784	58,115	(41,999)	(13,928)	(115)	(12,274)
Gain on bargain purchases	14,874	58,470				
Operating income	**160,300**	**630,138**	**337,075**	**279,223**	**205,669**	**121,716**
(Loss) gain on equity investees	34,100	134,047	(53,033)	(7,253)	42,957	64,697
Financial results, net	(41,051)	(161,371)	(212,428)	(14,644)	(43,705)	(50,854)
Other expenses, net	(2,574)	(10,117)	(5,706)	(6,167)	(13,433)	(7,338)
Income before taxes and minority interest	**150,775**	**592,697**	**65,908**	**246,911**	**191,488**	**128,221**
Income tax and MPIT	(32,190)	(126,540)	(107,259)	(78,336)	(39,176)	(18,678)
Net income under U.S. GAAP	118,585	466,157	(41,351)	168,575	152,312	109,543
Non-controlling interest	(21,192)	(83,304)	47,998	(46,459)	(49,090)	(19,597)
Net income under U.S. (GAAAP) attributable to IRSA	**97,393**	**382,853**	**6,647**	**122,116**	**103,222**	**89,946**
Basic net income per share(3)	0.17	0.66	0.01	0.22	0.23	0.24
Basic net income per GDS(3)	0.17	0.66	0.11	2.22	2.32	2.37
Basic net income before extraordinary items and accounting changes per share(3)	0.17	0.66	0.01	0.22	0.23	0.24
Diluted net income per share(4)	0.17	0.66	0.01	0.22	0.20	0.23
Diluted net income per GDS(4)	0.17	0.66	0.11	2.16	2.05	2.30
Diluted net income before extraordinary items and accounting changes per share(4)	0.17	0.66	0.11	0.22	0.20	0.23

Weighted - average number of shares outstanding	578,676	578,676	578,676	549,277	444,904	379,506
Adjusted weighted - average number of shares(4)	578,676	578,676	578,676	570,472	540,822	518,606

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BALANCE SHEET DATA						
Argentine GAAP						
Cash and banks and current investments	84,035	330,343	401,796	545,192	856,707	233,438
Inventories	80,045	314,657	189,832	182,780	256,203	162,110
Accounts receivable net	102,176	401,652	270,097	196,412	215,175	148,462
Non-current investments[5]	376,699	1,480,805	1,001,654	833,373	673,273	647,981
Fixed assets net	684,975	2,692,637	2,720,506	2,530,141	2,027,311	1,413,212
Total current assets	302,806	1,190,332	891,869	893,842	1,175,790	481,788
Total assets	**1,433,081**	**5,633,441**	**4,935,987**	**4,471,972**	**4,144,899**	**2,740,121**
Short-term debt[6]	154,971	609,190	351,173	190,153	214,193	142,140
Total current liabilities	**341,292**	**1,341,620**	**974,890**	**742,267**	**652,082**	**419,228**
Long-term debt[7]	262,409	1,031,528	1,044,725	1,121,264	1,222,423	295,282
Total non-current liabilities	**337,234**	**1,325,668**	**1,401,054**	**1,348,812**	**1,395,693**	**385,138**
Minority interest	143,248	563,107	464,381	456,715	450,410	449,989
Cumulative translation adjustment	4,441	17,459	12,849			
Shareholders equity	**611,307**	**2,403,046**	**2,095,662**	**1,924,178**	**1,646,714**	**1,485,766**
U.S. GAAP						
Cash and banks and current investments	79,579	312,827	374,574	531,575	856,318	233,032
Inventories	4,097	16,107	31,002	38,905	160,961	61,720
Accounts receivable, net	94,995	373,427	262,128	195,269	208,377	146,225
Other receivables and prepaid expenses	98,058	385,466	413,554	249,153	238,546	130,995
Non-current investments[5]	403,786	1,587,282	740,407	748,550	590,646	599,679
Fixed assets, net	650,686	2,557,845	2,469,051	2,331,695	1,827,263	1,276,181
Intangible assets, net	3,029	11,907	8,051	16,789	22,226	468
Total current assets	228,382	897,769	870,065	912,354	1,183,147	471,053
Total assets	**1,353,311**	**5,319,867**	**4,411,670**	**4,219,383**	**3,997,217**	**2,503,812**
Trade accounts payable	63,159	248,278	328,890	314,948	293,522	136,362
Other liabilities	31,782	124,934	176,525	133,273	101,764	94,655
Short-term debt[6]	154,207	606,189	349,627	190,153	216,829	120,172
Total current liabilities	**298,130**	**1,171,949**	**996,787**	**749,505**	**669,983**	**431,422**
Long-term debt[7]	253,381	996,040	1,013,494	1,120,257	1,225,212	298,570
Total non-current liabilities	**363,780**	**1,430,020**	**1,469,341**	**1,447,833**	**1,603,747**	**558,951**

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Shareholders equity	691,401	2,717,898	1,958,586	2,026,823	2,725,120	1,523,749
Non-controlling interest	132,631	521,374	370,060	385,959	366,381	355,385
Shareholders equity attributable to IRSA	**558,770**	**2,196,524**	**1,588,126**	**1,640,864**	**1,358,739**	**1,158,364**
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by operating activities	61,039	239,943	310,877	344,054	163,099	194,685
Net cash used in investing activities	(115,996)	(455,979)	(455,041)	(812,718)	(510,774)	(136,567)
Net cash provided by (used in) financing activities	46,158	181,448	(58,898)	149,145	892,258	(36,767)
U.S. GAAP[(8)]						
Net cash provided by operating activities	74,806	294,062	348,841	351,020	226,518	190,623
Net cash used in investing activities	(133,988)	(526,705)	(466,771)	(401,678)	(1,179,069)	(126,830)
Net cash (used in) provided by financing activities	45,758	179,874	(58,898)	149,145	892,258	(36,767)
Effect of exchange rate changes on cash and cash equivalents	(595)	(2,340)	(20,677)	2,161	2,058	(5,784)
OTHER FINANCIAL DATA						
Argentine GAAP						
Capital expenditures[(9)]	42,854	168,460	323,123	768,699	419,377	116,201
Depreciation and amortization[(10)]	41,114	161,622	134,972	115,207	98,049	80,979
Working capital[(11)]	(38,486)	(151,288)	(83,021)	151,575	523,708	62,560
Ratio of current assets to current liabilities	0.887	0.887	0.915	1.204	1.803	1.149
Ratio of shareholders equity to total liabilities	0.901	0.901	0.882	0.920	0.804	1.847
Ratio of non-current assets to total assets	0.789	0.789	0.819	0.800	0.716	0.824

(1) Except for ratios and share data.

(2) Except for ratios and share data. Solely for the convenience of the reader, we have translated Peso amounts into U.S. Dollars at the exchange rate quoted by *Banco de la Nación Argentina* for June 30, 2010 which was Ps.3.931 per US $1.00. We make no representation that the Argentine Peso or U.S. Dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates .

(3) We have calculated earnings per share data under Argentine GAAP and U.S. GAAP based on the weighted average number of common shares outstanding during the respective period. Each GDS represents ten common shares.

(4) Under both Argentine and U.S. GAAP we have considered the diluted effects of our outstanding convertible notes and warrants. However, under U.S. GAAP, we have used the treasury-stock method in calculating the diluted effect of the outstanding warrants. Each GDS represents ten common shares.

(5) Includes 28.03% (without considering treasury shares) investment in Banco Hipotecario , Hersha and Metropolitan and our investments in undeveloped parcels of land.

(6) Includes short-term debt and current mortgages payable.

(7) Includes long-term debt and non-current mortgages payable.

(8) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of Codification ASC No. 230 under U.S. GAAP. See Note 27 to our audited consolidated financial statements included elsewhere herein for details of the differences in classifications affecting the categories of cash flows.

(9) Includes the purchase of fixed assets (including facilities and equipment), undeveloped parcels of land and renovation and remodeling of hotels and shopping centers and the purchase of subsidiaries which are essentially real estate purchases. Also include escrow deposits held in favor of third parties related to the acquisition of certain fixed assets.

(10) Corresponds to depreciation and amortization included in operating income.

(11) Working capital is calculated by substracting consolidated current liabilities from consolidated current assets.

Change in accounting policy related to statement of cash flows

The Company classified cash flows from purchases and sales of investments not considered to be cash equivalents as operating activities for the years ended June 30, 2009 and 2008. As part of the Company s IFRS implementation efforts, for the fiscal year ended June 30, 2010, the Company changed this accounting policy to treat these cash flows as investing activities as permitted also by Argentine GAAP. Therefore, the Company retroactively adjusted the prior years as follows:

	As of June, 2009		As of June, 2008	
	As adjusted	**As originally issued**	**As adjusted**	**As originally Issued**
Net cash provided by operating activities	Ps. 310,877	Ps. 299,293	Ps. 344,054	Ps. 319,933
Net cash used in investing activities	(455,041)	(443,457)	(812,718)	(788,597)
Net cash (used in) provided by financing activities	(58,898)	(58,898)	149,145	149,145

Exchange Rates

In April 1991, Argentine law established a fixed exchange rate requiring the Central Bank to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 to US$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand that resulted caused the Peso to depreciate significantly in the first half of 2002. As of December 15, 2010 the exchange rate was Ps. 3,9540=US$1.00 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. During 2008 and 2009, the Central Bank indirectly intervened in the exchange rate market with the purpose of maintaining a stable parity notwithstanding international volatility.

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The following table presents the high, low, average and period closing exchange rate for the purchase of U.S. dollars stated in *nominal* Pesos per U.S. dollar.

	Exchange Rate			
	High(1)	Low(2)	Average(3)	Period Closing(4)
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9234	2.8670
Fiscal year ended June 30, 2006	3.0700	2.8390	2.9800	3.0660
Fiscal year ended June 30, 2007	3.0880	3.0280	3.0663	3.0730
Fiscal year ended June 30, 2008	3.1640	2.9960	3.1196	3.0050
Fiscal year ended June 30, 2009	3.7780	2.9940	3.3862	3.7770
Fiscal year ended June 30, 2010	3.9130	3.6360	3.8255	3.9110
July 2010	3.9200	3.9110	3.9145	3.9200
August 2010	3.9300	3.9120	3.9178	3.9300
September 2010	3.9530	3.9240	3.9323	3.9400
October 2010	3.9410	3.9280	3.9365	3.9370
November 2010	3.9680	3.9370	3.9486	3.9680
December 2010 (as of December 15, 2010)	3.9630	3.9530	3.9570	3.9540

Source: *Banco de la Nación Argentina*

(1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.
(2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.
(3) Closing average exchange rate for the fiscal month.
(4) Average of the selling rate and buying rate.

Fluctuations in the Peso-dollar exchange rate may affect the equivalent in dollars of the price in Pesos of our shares on the Buenos Aires Stock Exchange. Increases in the Argentine inflation rate or devaluation of the Peso could have a material adverse effect on our operating results.

B. Capitalization and Indebtedness

This item is not applicable.

C. Reasons for the Offer and Use of Proceeds

This item is not applicable.

D. Risk Factors

You should consider the following risks described below, in addition to the other information contained in this annual report. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business. In general, you take more risk when you invest in the securities of issuers in emerging markets such as Argentina than when you invest in the securities of issuers in the United States. You should understand that an investment in our common shares, GDSs/ADRs and warrants involves a high degree of risk, including the possibility of loss of your entire investment.

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Risks Related to Argentina

Argentina s recent growth may not be sustainable.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high inflation and currency devaluation. During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Although the economy has recovered significantly since then, uncertainty remains as to whether the recent growth is sustainable, since it has depended, to a significant extent, on favorable exchange rates, high commodity prices and excess capacity. The recovery, however, has resulted in inflation and has intensified the country s need for capital investment, with many sectors, in particular the energy sector, operating near full capacity. Additionally, the global financial crisis and economic downturn has had a significant adverse impact on the country s performance and could remain a factor in the foreseeable future. The Argentine economic growth rates for fiscal years 2008 and 2009 have slowed due to, among other reasons, the global financial crisis.

The Argentine GDP has maintained its upward trend in 2009, though at a slower pace than in previous years, with a 0.9% variation according to the *Instituto Nacional de Estadística y Censos* (National Institute of Statistics and Censuses) (INDEC).

As of June 30, 2010, the Monthly Economic Activity Estimator, as reported by INDEC and known as EMAE, increased 10.9% compared to the same month in the previous fiscal year. If this trend continues, the GDP is expected to grow 9% in 2010.

Moreover, the country s relative stability since 2002 has been affected recently by increased political tension and government intervention in the economy.

Our business depends to a significant extent on macroeconomic and political conditions in Argentina. We cannot assure you that Argentina s recent growth will continue. Deterioration of the country s economy would likely have a significant adverse effect on our business, financial condition and results of operations.

Continuing inflation may have an adverse effect on the economy.

The devaluation of the Peso in January 2002 created pressures on the domestic price system that generated high inflation throughout 2002, before inflation substantially stabilized in 2003. However, inflationary pressures have since reemerged, with consumer prices increasing by 12.3% in fiscal year 2005. In fiscal years 2008, 2009 and 2010, inflation was 8.5%, 7.2% and 11.0%, respectively, in part due to actions implemented by the Argentine government to control inflation, which included limitations on exports and price arrangements agreed upon with private sector companies. However, in spite of this decline in inflation, uncertainty surrounding future inflation may impact the country s growth.

In the past, inflation has undermined the Argentine economy and the government s ability to create conditions conducive to growth. A return to a high inflation environment would adversely affect the availability of long-term credit and the real estate market and may also affect Argentina s foreign competitiveness by diluting the effects of the Peso devaluation and negatively impacting the level of economic activity and employment.

If inflation remains high or continues to rise, Argentina s economy may be negatively impacted and our business could be adversely affected.

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There are concerns about the accuracy of Argentina s official inflation statistics.

In January 2007, the INDEC modified its methodology used to calculate the consumer price index, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists, as well as the international and Argentine press, have suggested that this change in methodology was related to the Argentine government s policy aimed at curbing the increase of inflation and reducing payments on inflation-linked bonds outstanding. At the time that INDEC adopted this change in methodology, the Argentine government also replaced several key officers at INDEC, prompting complaints of governmental interference from the technical staff at INDEC. In addition, the International Monetary Fund, or IMF, has requested that the government clarify its inflation rates. In June 2008, INDEC published a new consumer price index that eliminated nearly half of the items included in previous surveys and introduced adjustable weightings for fruit, vegetables and clothing, which have seasonal cost variations. INDEC has indicated that it based its evaluation of spending habits on a national household consumption survey from 2004 to 2005 in addition to other sources; however, the new index has been criticized by economists and investors after its debut report found prices rising well below expectations. These events have negatively affected the credibility of the consumer price index published by INDEC, as well as other indexes published by INDEC which require the consumer price index for their own calculation, including the poverty index, the unemployment index and real gross domestic product. Argentina s inflation rate may be significantly higher than the rates indicated by official reports.

Recently some investigations have led to judicial proceedings to determine whether there was alteration of confidential statistical information related to the collection of data used to calculate the rates published by the INDEC. If these investigations determine that the methodology was manipulated, or if it is determined that it is necessary to correct the consumer price index and the other INDEC indexes derived from the consumer price index, there could be a significant decrease in confidence in the Argentine economy, which could, in turn, have a materially adverse effect on our ability to access international credit markets at market rates to finance our operations.

Moreover, on November, 2010 the Argentine government requested the IMF to provide technical assistance in the revision of the consumer price index.

Argentina s ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth

During the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The government announced that, as a result of the restructuring, the country s total outstanding indebtedness amounted approximately to US$62 billion, excluding approximately US$20 billion of defaulted bonds held by holdouts (i.e. creditors that did not participate in the restructuring).

In 2006, Argentina paid US$9.8 billion of indebtedness owed to the IMF using Central Bank reserves. In addition, the government announced its decision to (i) pay US$6.7 billion of indebtedness owed to the Paris Club (a group composed of 19 countries, including the United States of America and other members of the G8 industrially developed group of nations) using Central Bank reserves and (ii) make an offer to the existing holdouts of the 2005 restructuring. As of the date hereof, the Ministry of Economy has not disbursed the funds necessary to pay such indebtedness. Additionally, in June 2010, Argentina completed the renegotiation of approximately 66% of the defaulted bonds that were not swapped in 2005.

With respect to the Paris Club indebtedness, on September 2, 2008, pursuant to Decree No. 1,394/2008, Argentina officially announced its decision to pay its debt owed to its creditor nations who are members of the Paris Club. Pursuant to a communication issued on September 18, 2008, the Paris Club announced that it accepted Argentina s decision. As of the date hereof, the amount of the debt to be paid and the terms of payment have not been defined. Recent discussions have been held with individual members of Paris Club. Reaching an agreement with the Paris Club is critical since, without private international funds, Argentina will not be able to repay its obligations and funding from multilateral financial institutions may become limited or unavailable. This may adversely affect the economic growth of Argentina and its public finances, which in turn could also adversely affect our operations, financial condition or results.

With respect to holdouts of the 2005 restructuring, some bondholders in the United States, Italy and Germany have filed legal actions against Argentina, including claims in the International Center for the Settlement of Investment Disputes (ICSID). Other holdouts may initiate new suits in the future. In an effort to reach a resolution with the holdouts of the 2005 restructuring, the government has received a proposal from Citibank S.A., Barclays Bank and Deutsche Bank, proposing (i) an exchange offer to these holdouts and (ii) the restructuring of certain of the country s liabilities which were to become due between 2009 and 2012 (the Secured Loans). In a press conference held on October 16, 2008, the Jefe de Gabinete (Head of the Cabinet of Ministers) announced the execution of a letter of understanding between the government and the above-mentioned banks in order to implement the restructuring of the Secured Loans. On February 2, 2009, pursuant to Joint Resolutions No. s 8/2009 and 5/2009 of the Secretariat of Economy and the Secretariat of Finance of the Ministry of Finance, an exchange offer relating to the domestic tranche of the Secured Loans was launched. Subsequently, the government announced that approximately 97% creditors had accepted the terms of the exchange offer, representing Ps.15.08 billion of the Ps.15.60 outstanding aggregate amount of domestic Secured Loans due in 2009, 2010 and 2011. The new bonds issued pursuant to the exchange offer mature on January 2014. The government has filed a registration statement on Form S-B with the SEC on December 16, 2009, setting forth the terms and conditions of the expected exchange offer with the holdouts of the 2005 restructuring.

Through Decree No. 2010/2009 (the Decree 2010) the executive branch of the federal government created the Fondo de Bicentenario para el Desendeudamiento y la Estabilidad (the Bicentenary Fund) in order to (i) guarantee debt obligations due in 2010; (ii) increase the development of the local economy; and (iii) obtain financing with lower rates than the current ones, not only for the public sector but also for the private. The Decree 2010 set forth that the Bicentenary Fund would be funded with US$6.569 billion of the Central Bank s international reserves in exchange for a non transferable ten-year Argentine treasury bond. Pursuant to this Decree, the president of the Central Bank, Mr. Martin Redrado, requested in-house and outside legal opinions to confirm the legality of the transfer of international reserves to the Bicentenary Fund. Since both in-house and outside legal opinions concluded that the Central Bank was not allowed to transfer the above-mentioned funds, the president of the Central Bank did not proceed with the funding of the Bicentenary Fund and the President of Argentina requested his resignation. When the president of the Central Bank did not resign, the President of Argentina dismissed him by Decreto de Necesidad y Urgencia (an emergency decree). Since the president of the Central Bank considered that this decree did not fulfill the requirements set forth by the Carta Orgánica del Banco Central (the Central Bank s bylaws), he filed a preliminary injunction to (i) request the declaration of the emergency decree as unconstitutional; and (ii) request the reinstatement of his position in the Central Bank. The judge granted the preliminary injunction and ordered his reinstatement and set forth that the Central Bank s international reserves could not be transferred to the Bicentenary Fund without the intervention and approval of the federal legislative branch. The executive branch subsequently appealed the decision. The Cámara en lo Contenciso Administrativo Federal (The Administrative Court of Appeals) confirmed the judge s resolution with respect to the Bicenterary Fund. The Administrative Court of Appeals stated that the status of the president of the Central Bank would be determined by the Comisión Bicameral Permanente (Permanent Bi-Chambered Commission) of the federal congress which was to issue a non binding opinion to the federal executive branch recommending whether to dismiss or keep Mr. Redrado as president of the Central Bank. However, the president of the Central Bank resigned prior to the Permanent Bi-Chambered Commission issuing the non binding opinion requesting Mr. Redrado s dismissal. Consequently, the federal executive branch did not accept his resignation. Once the Permanent Bi-Chambered Commission issued its opinion, the federal executive branch ratified his dismissal and appointed Mercedes Marco del Pont as the new president of the Central Bank. The final implementation of the Bicentenary Fund is to be discussed and decided by the federal congress. Therefore, we cannot assure the outcome of the process or the impact that its implementation or non-implementation could have on the national economy and local financial markets.

Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US$17 billion in the ICSID, alleging that certain Argentine government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party. To date, the ICSID has rendered decisions adverse to Argentina in several cases. Additionally, it should be noted that on October 7, 2008, an ICSID tribunal, in a case in which it had already awarded compensation to the claimants,

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issued a decision ordering Argentina to pay the compensation previously awarded to the claimants within 60 days. In its decision, the ICSID tribunal stated that, based on the interpretation of the Bilateral Treaty on Protection and Reciprocal Promotion of Investments (the IBT), executed between the United States and Argentina, (i) to the extent the compensation orders are not revoked, the compensation payments ordered to be made by the ICSID should be made immediately and claimants do not need to file subsequent actions or execution proceedings seeking payment of the awarded compensation and (ii) Argentina s position of waiting for the claimants to file execution proceedings to seek collection of already awarded amounts is in flagrant breach of the international law obligations undertaken by Argentina under the IBT.

Argentina s past default, its failure to completely restructure its remaining sovereign debt, and its failure to fully negotiate with the holdout creditors has prevented and may continue to prevent Argentina from re-entering the international capital markets. Additionally, litigation initiated by holdout creditors as well as ICSID claims has resulted in material judgments and may result in new material judgements against the government and could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the government may not have the financial resources necessary to implement reforms and foster growth, which could have a material adverse effect on the country s economy, and consequently, our financial condition.

Significant devaluation of the Peso against the U.S. Dollar may adversely affect the Argentine economy as well as our financial performance.

Despite the positive effects of the real depreciation of the Peso in 2002 on the competitiveness of certain sectors of the Argentine economy, it has also had a far-reaching negative impact on the Argentine economy and on businesses and individuals financial condition. The devaluation of the Peso has had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, initially led to very high inflation, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, such as utilities and the financial industry, and adversely affected the government s ability to honor its foreign debt obligations.

If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences on our business. Moreover, it would likely result in a decline in the value of our common shares and the GDSs as measured in U.S. Dollars.

Significant appreciation of the Peso against the U.S. Dollar may adversely affect the Argentine economy.

A substantial increase in the value of the Peso against the U.S. Dollar also presents risks for the Argentine economy. The appreciation of the Peso against the U.S. Dollar negatively impacts the financial condition of entities whose foreign currency-denominated assets exceed their foreign currency-denominated liabilities, such as us. In addition, in the short term, a significant real appreciation of the Peso would adversely affect exports. This could have a negative effect on GDP growth and employment as well as reduce the Argentine public sector s revenues by reducing tax collection in real terms, given its current heavy reliance on taxes on exports. The appreciation of the Peso against the U.S. Dollar could have an adverse effect on the Argentine economy and our business.

Government measures to preempt or respond to social unrest may adversely affect the Argentine economy and our business.

The Argentine government has historically exercised significant influence over the country s economy. Additionally, the country s legal and regulatory frameworks have at times suffered radical changes, due to political influence and significant political uncertainties.

Moreover, during its crisis in 2001 and 2002, Argentina experienced significant social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina s economic recovery and relative stabilization, social and political tension and high levels of poverty

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and unemployment continue. In 2008, Argentina faced nationwide strikes and protests from farmers due to increased export taxes on agricultural products, which disrupted economic activity and heightened political tension. Future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

The nationalization of Argentina s pension funds has materially and adversely affected local capital markets and may continue to do so.

Under Law No. 26,425, which was published in the Official Gazette in December 2008, the Argentine government transferred approximately Ps.94.4 billion (US$29.3 billion) in assets held by the country s private Administradoras de Fondos de Jubilaciones y Pensiones (pension fund management companies, or AFJPs) to the government-run social security agency (ANSES).

Law No. 26,425 was supplemented, among others, by Decree No. 2103/2008 which describes the composition of the fund (Fondo de Garantia de Sustentabilidad) to be managed by ANSES and the directions for the management thereof; in turn, Decree No. 2104/08 regulates the matters concerning the transfer to the Argentine government of the contributions and all the documentation of the members of the capitalization regime retroactive as of December 1, 2008.

AFJPs were the largest participants in the country s local capital markets, leading the group of institutional investors. With the nationalization of their assets, the dynamics of the local capital markets changed due to the decrease in size, becoming substantially concentrated. In addition, the government became a significant shareholder in many of the country s publicly-held companies, a circumstance that may bring about consequences to Argentina s capital markets and companies that are difficult to measure as of the date of this annual report.

As a result, access to liquidity may be further limited, funding costs may rise and the government may have greater influence over the operations of such companies of which it became shareholder. The nationalization of the AFJPs has adversely affected investor confidence in Argentina.

In addition, we cannot assure you that the government will not take similar measures in the future that interfere with private sector businesses and adversely affect the economy in general, and/or our business in particular.

Exchange controls and restrictions on transfers abroad and capital inflow restrictions have limited, and can be expected to continue to limit, the availability of international credit.

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. Many of these restrictions were substantially eased after the crisis. However, in June 2005, the government issued decree No. 616/2005, that established additional controls on capital inflow, including the requirement that, subject to limited exemptions, 30% of all funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. This measure increases the cost of obtaining foreign funds and limits access to such financing.

The Argentine government may, in the future, impose additional controls on the foreign exchange market and on capital flows from and into Argentina, for example in response to capital flight or depreciation of the Peso. These restrictions may have a negative effect on the economy and on our business if imposed in an economic environment where access to local capital is substantially constrained.

In December, 2008 Law No. 26,476 introduced certain changes in the Argentine labor and tax regime. As part of these changes, a broad tax moratorium was declared and natural and legal persons falling under its scope were given the option to disclose their holdings in national and foreign currency and other assets, both in Argentina and abroad, for purposes of their entry to the country, subject to the payment of a tax as established in the law. Those falling under the scope of this law were not obliged to disclose to the Argentine Tax Authority (AFIP) the date of purchase of their holdings or the source of the funds with which they had made such purchase, and were released from civil or criminal liability relating to those holdings. The period to disclose the holdings was effective from March 1, 2009 until August 31, 2009. Although the International Financial Action Group (GAFI) has not rendered an opinion in this regard, these actions could encourage the entry of money of doubtful origin, breaching the international regulations and commitments undertaken by Argentina, which would in turn generate even more distrust in the local financial system.

Finally, under Resolution No. 82/2009, the Ministry of Economy and Public Finance suspended the mandatory deposit set forth by Decree 616/2005 during the term of the mentioned tax moratorium and until September 2009, to the extent that the incoming funds were used for any of the purposes described in Section 27 (b), (c) and (d) of Law No. 26,476. Therefore, no deposit would be required when bringing capital into Argentina, pursuant to the terms of the tax moratorium, for the following purposes: (i) assets based in the country and holdings of local and foreign currency in Argentina; (ii) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina, allocated to the subscription of government securities issued by the Argentine government; (iii) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina by individuals, allocated to the purchase in Argentina of newly built properties or properties that have obtained the relevant work completion certificate; and (iv) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina, allocated to the building of new properties, completion of works in progress, funding of infrastructure works, real estate, agricultural, industrial, tourism and services investments in Argentina.

Payment of dividends to non-residents has been limited in the past and may be limited again.

Beginning in February 2002, the payment of dividends, irrespective of amount, outside Argentina required prior authorization from the Central Bank. On January 7, 2003, the Central Bank issued communication A 3859, which is still in force and pursuant to which there are no limitations on companies´ ability to purchase foreign currency and transfer it outside Argentina to pay dividends, provided that those dividends arise from approved and audited financial statements. However similar restrictions may be enacted by the Argentine government or the Central Bank again and, if this were to occur, it could have an adverse effect on the value of our common shares and the GDSs. Moreover, in such event, restrictions on the transfers of funds abroad may impede your ability to receive dividend payments as a holder of GDSs.

The stability of the Argentine banking system is uncertain.

During 2001 and the first half of 2002, a significant amount of deposits were withdrawn from Argentine financial institutions. This massive withdrawal of deposits was largely due to the loss of confidence of depositors in the Argentine government s ability to repay its debts, including its debts within the financial system, and to maintain Peso-Dollar parity in the context of its solvency crisis.

To prevent a run on the U.S. Dollar reserves of local banks, the government restricted the amount of money that account holders could withdraw from banks and introduced exchange controls restricting capital outflows.

While the condition of the financial system has improved, adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

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In the event of a future shock, such as the failure of one or more banks or a crisis in depositor confidence, the Argentine government could impose further exchange controls or transfer restrictions and take other measures that could lead to renewed political and social tensions and undermine the Argentine government s public finances, which could adversely affect Argentina s economy and prospects for economic growth.

The Argentine economy could be adversely affected by economic developments in other global markets, in particular if the global financial and economic recovery is interrupted.

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors perception of the events occurring in one country may substantially affect capital flows into other countries, including Argentina and the availability of funds for issuers in such countries. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

In addition, Argentina is also affected by the economic conditions of major trade partners, such as Brazil, and/or countries that have influence over world economic cycles, such as the United States. If interest rates rise significantly in developed economies, including the United States, Argentina and other emerging market economies could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. In addition, if these developing countries, which are also Argentina s trade partners, fall into a recession the Argentine economy would be affected by a decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

In particular, the adverse effect of the sub-prime crisis in the United States in mid-2007, principally caused by the collapse of high risk mortgage market, resulted in a financial crisis that affected the U.S. financial system and quickly expanded to the international financial system. As a consequence of this global crisis, several U.S. and European financial institutions were declared insolvent and the main global stock markets, including the Argentine stock exchange, crashed. In order to curtail the effects of the global economic crisis, the governments of developed countries implemented bailout measures to help the affected financial institutions and provide liquidity to the markets.

Notwithstanding these measures, no assurance can be given with regard to the effects of the insolvency of such financial institutions on the international financial system. Moreover, the financial crisis is taking place within an environment of a world economic recession, which has led to volatile oil and commodity prices and a significant reduction in the availability of international credit. Although these recessionary conditions are easing, the world s largest economies could once again shrink or weakness in global financial institutions could lead to an even worse tightening of international credit markets, further increasing the slowdown of the world s principal economies. The current global economic crisis may have significant long-term effects in Latin America. In particular, Argentina may be adversely affected as a result of the lack of international credit, a reduction in demand for Argentine exports, a significant reduction of direct foreign investment and higher inflation rates throughout the world. The occurrence of any or all such events, as well as any event affecting Argentina s main regional partners (including the Mercosur member countries) may have a significant adverse effect on the Argentine economy and, consequently, on our operations, businesses and results.

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If the decline in international prices for Argentina s main commodity exports continues, such decline could have an adverse effect on Argentina s economic growth and on our business.

Argentina s economy has historically relied on the export of commodities, the prices of which have been volatile in the past and largely outside its control. Argentina s recovery from the financial crisis in 2001 and 2002 has depended to a significant extent on the rise in commodity prices, particularly prices of its main commodity exports, such as soybeans. High commodity prices have contributed significantly to government revenues from taxes on exports. If commodity prices decline, the growth of the Argentine economy could be affected. Such occurrence would have a negative impact on the levels of government revenues, the government s ability to service its debt and on our business.

Restrictions on the supply of energy could negatively affect Argentina s economy.

As a result of several years of recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints.

The federal government has been taking a number of measures to alleviate the short-term impact of energy shortages on residential and industrial users. If these measures prove to be insufficient, or if the investment that is required to increase natural gas production and transportation capacity and energy generation and transportation capacity over the medium-and long-term fails to materialize on a timely basis, economic activity in Argentina could be curtailed.

Risks Related to our Business

Our performance is subject to risks associated with our properties and with the real estate industry.

Our economic performance and the value of our real estate assets, and consequently the value of the securities issued by us, are subject to the risk that if our properties do not generate sufficient revenues to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. Events or conditions beyond our control that may adversely affect our operations or the value of our properties include:

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- competition from other shopping centers and office, industrial and commercial buildings;
- local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;
- decreases in consumption levels;
- changes in interest rates and availability of financing;
- the exercise by our tenants of their legal right to early termination of their leases;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;

increased operating costs, including insurance expense, salary increases, utilities, real estate taxes, state and local taxes and heightened security costs;

civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

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- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- declines in the financial condition of our tenants and our ability to collect rents from our tenants;
- changes in our ability or our tenants ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property; and
- changes in law or governmental regulations (such as those governing usage, zoning and real property taxes) or government action such as expropriation or confiscation.

If any one or more of the foregoing conditions were to affect our business, it could have a material adverse effect on our financial condition and results of operations.

Our investment in property development, redevelopment and construction may be less profitable than we anticipate.

We are engaged in the development and construction of office space, retail and residential properties, shopping centers and residential apartment complexes, frequently through third-party contractors. Risks associated with our development, re-development and construction activities include the following, among others:

- abandonment of development opportunities and renovation proposals;
- construction costs of a project may exceed our original estimates for reasons including raises in interest rates or increases in the costs of materials and labor, making a project unprofitable;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- pre-construction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of construction;
- the unavailability of favorable financing alternatives in the private and public debt markets;
- sale prices for residential units may be insufficient to cover development costs;
- construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs;
- impossibility to obtain,or delays in obtaining necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation;

significant time lags between the commencement and completion of projects subjects us to greater risks due to fluctuation in the general economy;

construction may not be completed on schedule because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or man-made or natural disasters (such as fires, hurricanes, earthquakes or floods), resulting in increased debt service expense and construction costs;

- general changes in our tenants demand for rental properties outside of the city of Buenos Aires; and

- we may incur capital expenditures that could result in considerable time consuming efforts and which may never be completed due to government restrictions.

In addition, we may face contractors claims for the enforcement of labor laws in Argentina (sections 30, 31, 32 under Law No. 20,744), which provide for joint and several liability. Many companies in Argentina hire personnel from third-party companies that provide outsourced services, and sign indemnity agreements in the event of labor claims from employees of such third company that may affect the liability of such hiring company. However, in recent years several courts have denied the existence of independence in those labor relationships and declared joint and several liabilities for both companies.

While our policies with respect to expansion, renovation and development activities are intended to limit some of the risks otherwise associated with such activities, we are nevertheless subject to risks associated with the construction of properties, such as cost overruns, design changes and timing delays arising from a lack of availability of materials and labor, weather conditions and other factors outside of our control, as well as financing costs, may exceed original estimates, possibly making the associated investment unprofitable. Any substantial unanticipated delays or expenses could adversely affect the investment returns from these redevelopment projects and harm our operating results.

The real estate industry in Argentina is increasingly competitive.

Our real estate and construction activities are highly concentrated in the Buenos Aires metropolitan area, where the real estate market is highly competitive due to a scarcity of properties in sought-after locations and the increasing number of local and international competitors.

Furthermore, the Argentine real estate industry is generally highly competitive and fragmented and does not have high barriers to entry restricting new competitors from entering the market. The main competitive factors in the real estate development business include availability and location of land, price, funding, design, quality, reputation and partnerships with developers. A number of residential and commercial developers and real estate services companies compete with us in seeking land for acquisition, financial resources for development and prospective purchasers and tenants. Other companies, including joint ventures of foreign and local companies, have become increasingly active in the real estate business in Argentina, further increasing this competition. To the extent that one or more of our competitors are able to acquire and develop desirable properties, as a result of greater financial resources or otherwise, our business could be materially and adversely affected. If we are not able to respond to such pressures as promptly as our competitors, or the level of competition increases, our financial condition and results of our operations could be adversely affected.

In addition, many of our shopping centers are located in close proximity to other shopping centers, numerous retail stores and residential properties. The number of comparable properties located in the vicinity of our property could have a material adverse effect on our ability to lease retail space in our shopping centers or sell units in our residential complexes and on the rent price or the sale price that we are able to charge. We cannot assure you that other shopping center operators, including international shopping center operators, will not invest in Argentina in the near future. As additional companies become active in the Argentine shopping center market, such increased competition could have a material adverse effect on our results of operations.

We face risks associated with property acquisitions.

We have in the past acquired, and intend to acquire in the future, properties, including large properties (such as the acquisition of Edificio República, Abasto de Buenos Aires, or Alto Palermo Shopping) that would increase our size and potentially alter our capital structure. Although we believe that the acquisitions that we have completed in the past and that we expect to undertake in the future have, and will, enhance our future financial performance, the success of such transactions is subject to a number of uncertainties, including the risk that:

- we may not be able to obtain financing for acquisitions on favorable terms;

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- acquired properties may fail to perform as expected;

- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;

- acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and

- we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and to manage new properties in a way that allows us to realize cost savings and synergies.

Some of the land we have purchased is not zoned for development purposes, and we may be unable to obtain, or may face delays in obtaining the necessary zoning permits and other authorizations.

We own several plots of land which are not zoned for the type of projects we intend to develop. In addition, we do not yet have the required land-use, building, occupancy and other required governmental permits and authorizations. We cannot assure you that we will continue to be successful in our attempts to rezone land and to obtain all necessary permits and authorizations, or that rezoning efforts and permit requests will not be unreasonably delayed or rejected. Moreover, we may be affected by building moratorium and anti-growth legislation. If we are unable to obtain all of the governmental permits and authorizations we need to develop our present and future projects as planned, we may be forced to make unwanted modifications to such projects or abandon them altogether.

Acquired properties may subject us to unknown liabilities.

Properties that we acquire may be subject to unknown liabilities for which we would have no recourse, or only limited recourse, to the former owners of such properties. As a result, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow. Unknown liabilities relating to acquired properties could include:

- liabilities for clean-up of undisclosed environmental contamination;

- law reforms and governmental regulations (such as those governing usage, zoning and real property taxes); and

- liabilities incurred in the ordinary course of business.

Some potential losses are not covered by insurance, and certain kinds of insurance coverage may become prohibitively expensive.

We currently carry insurance policies that cover potential risks such as civil liability, fire, loss of profit, floods, including extended coverage and losses from leases on all of our properties. Although we believe the policy specifications and insured limits of these policies are generally customary, there are certain types of losses, such as lease and other contract claims, terrorism and acts of war that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we

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might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Moreover, we do not purchase life or disability insurance for any of our key employees. If any of our key employees were to die or become incapacitated, we would experience losses caused by a disruption in our operations which will not be covered by insurance, and this could have a material adverse effect on our financial condition and results of operations.

In addition, we cannot assure you that we will be able to renew our insurance coverage in an adequate amount or at reasonable prices. Insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and mold, or, if offered, these types of insurance may be prohibitively expensive.

Our dependence on rental income may adversely affect our ability to meet our debt obligations.

A substantial part of our income is derived from rental income from real property. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be negatively affected if a significant number of our tenants, or any of our major tenants (as discussed in more detail below):

- delay lease commencements;
- decline to extend or renew leases upon expiration;
- fail to make rental payments when due; or
- close stores or declare bankruptcy.

Any of these actions could result in the termination of the tenant s leases and the loss of rental income attributable to the terminated leases. In addition, we cannot assure you that any tenant whose lease expires will renew that lease or that we will be able to re-lease space on economically advantageous terms. The loss of rental revenues from a number of our tenants and our inability to replace such tenants may adversely affect our profitability and our ability to meet debt and other financial obligations.

Demand for our premium properties which target the high-income demographic may be insufficient.

We have focused on development projects intended to cater to affluent individuals and have entered into property swap agreements pursuant to which we contribute our undeveloped properties to ventures with developers who will deliver to us units in premium locations. At the time the developers return these properties to us, demand for premium residential units could be significantly lower. In such case, we would be unable to sell these residential units at the prices or in the time frame we estimated, which could have a material adverse effect on our financial condition and results of operations.

It may be difficult to buy and sell real estate quickly and transfer restrictions apply to some of our properties.

Real estate investments are relatively illiquid and this tends to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. In addition, significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a decrease in income from a certain investment. If income from a property declines while the related expenses do not decline, our business would be adversely affected. Some of our properties are mortgaged to secure payment of our indebtedness, and if we are unable to meet our mortgage payments, we could lose money as a result of foreclosure on such mortgages and even lose such property. In addition, if it becomes necessary or desirable for us to dispose of one or more of the mortgaged properties, we might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect our business. In transactions of this kind, we may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

An adverse economic environment for real estate companies and the credit crisis may adversely impact our results of operations and business prospects significantly.

The success of our business and profitability of our operations are dependent on continued investment in the real estate markets and access to capital and debt financing. A long term crisis of confidence in real estate investments and lack of available credit for acquisitions would be likely to constrain our business growth. As part of our business goals, we intend to increase our properties portfolio with strategic acquisitions of core properties at advantageous prices, and core plus and value added properties where we believe we can bring necessary expertise to enhance property values. In order to pursue acquisitions, we may need access to equity capital and/or debt financing. Recent disruptions in the financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the near future. Any consideration of sales of existing properties or portfolio interests may be tempered by decreasing property values. Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness depends on our operating and financial performance, which in turn is subject to prevailing economic conditions. If a recurrence of the disruptions in financial markets presents itself in the future, there can be no assurances that government responses to the disruptions in the financial markets will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.

Our level of debt may adversely affect our operations and our ability to pay our debt as it becomes due.

We had, and expect to continue to have, substantial liquidity and capital resource requirements to finance our business. As of June 30, 2010, our consolidated financial debt was Ps.1,641 million (including short-term and long-term debt, accrued interest and deferred financing costs). Please see *Liquidity and Capital Resources* .

Although we are generating sufficient funds from operating cash flows to satisfy our debt service requirements and our capacity to obtain new financing is adequate given the current availability of credit lines with the banks, we cannot assure you that we will maintain such cash flow and adequate financial capacity in the future.

The fact that we are leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. In addition, the recent disruptions in the global financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to equity and debt financing options may be restricted and it may be uncertain how long these circumstances may last.

This would require us to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. Our leverage could also affect our competitiveness and limit our ability to react to changes in market conditions, changes in the real estate industry and economic downturns.

We may not be able to generate sufficient cash flows from operations to satisfy our debt service requirements or to obtain future financing. If we cannot satisfy our debt service requirements or if we default on any financial or other covenants in our debt arrangements, the lenders and/or holders of our debt will be able to accelerate the maturity of such debt or cause defaults under the other debt arrangements. Our ability to service debt obligations or to refinance them will depend upon our future financial and operating performance, which will, in part, be subject to factors beyond our control such as macroeconomic conditions (including the

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recent international credit crisis) and regulatory changes in Argentina. If we cannot obtain future financing, we may have to delay or abandon some or all of our planned capital expenditures, which could adversely affect our ability to generate cash flows and repay our obligations.

We may be negatively affected by a financial crisis in the U.S., the European Union and global capital markets.

We must maintain liquidity to fund our working capital, service our outstanding indebtedness and finance investment opportunities. Without sufficient liquidity, we could be forced to curtail our operations or we may not be able to pursue new business opportunities.

The capital and credit markets have been experiencing extreme volatility and disruption during the last credit crisis. If our current resources do not satisfy our liquidity requirements, we may have to seek additional financing. The availability of financing will depend on a variety of factors, such as economic and market conditions, the availability of credit and our credit ratings, as well as the possibility that lenders could develop a negative perception of the prospects of our company or the industry generally. We may not be able to successfully obtain any necessary additional financing on favorable terms, or at all.

The recurrence of a credit crisis could have a negative impact on our major customers, which in turn could materially adversely affect our results of operations and liquidity.

The recent credit crisis had a significant negative impact on businesses around the world. The impact of a crisis on our major tenants cannot be predicted and may be quite severe. A disruption in the ability of our significant tenants to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of their products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

We are subject to risks inherent to the operation of shopping centers that may affect our profitability.

Shopping centers are subject to various factors that affect their development, administration and profitability. These factors include:

- the accessibility and the attractiveness of the area where the shopping center is located;
- the intrinsic attractiveness of the shopping center;
- the flow of people and the level of sales of each shopping center rental unit;
- increasing competition from internet sales;
- the amount of rent collected from each shopping center rental unit;
- changes in consumer demand and availability of consumer credit, both of which are highly sensitive to general macroeconomic conditions; and
- the fluctuations in occupancy levels in the shopping centers.

An increase in operating costs, caused by inflation or other factors, could have a material adverse effect on us if our tenants are unable to pay higher rent due to the increase in expenses. Moreover, the shopping center business is closely related to consumer spending and to the economy in which customers are located. All of our shopping centers are in Argentina, and, as a consequence, their business could be seriously affected by potential recession in Argentina. For example, during the economic crisis in Argentina, spending decreased significantly, unemployment, political instability and inflation significantly reduced consumer spending in

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Argentina, lowering tenants sales and forcing some tenants to leave our shopping centers. If the international financial crisis has a substantial impact on economic activity in Argentina, it will likely have a material adverse effect on the revenues from the shopping center activity.

The loss of significant tenants could adversely affect both the operating revenues and value of our shopping center and other rental properties.

If certain of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. Our shopping centers and, to a lesser extent, our office buildings are typically anchored by significant tenants, such as well known department stores who generate shopping traffic at the mall. A decision by such significant tenants to cease operations at our shopping centers or office buildings could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on our financial condition and results of operations. The closing of one or more significant tenants may induce other major tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property. In addition, key tenants at one or more properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of one or more significant tenants, if we are not able to successfully re-lease the affected space, could have a material adverse effect on both the operating revenues and underlying value of the properties involved.

Our future acquisitions may be unprofitable.

We intend to acquire additional shopping center properties to the extent that they will be acquired on advantageous terms and meet our investment criteria. Acquisitions of commercial properties entail general investment risks associated with any real estate investment, including:

- our estimates of the cost of improvements needed to bring the property up to established standards for the market may prove to be inaccurate;

- properties we acquire may fail to achieve within the time frames we project the occupancy or rental rates we project at the time we make the decision to acquire, which may result in the properties failure to achieve the returns we projected;

- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase our total acquisition costs; and

- our investigation of a property or building prior to its acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

If we acquire a business, we will be required to integrate the operations, personnel and accounting and information systems of the acquired business. In addition, acquisitions of or investments in companies may cause disruptions in our operations and divert management s attention away from day-to-day operations, which could impair our relationships with our current tenants and employees.

Our ability to grow will be limited if we cannot obtain additional capital.

Our growth strategy is focused on the redevelopment of properties we already own and the acquisition and development of additional properties. As a result, we are likely to depend to an important degree on the availability of debt or equity capital, which may or may not be available on favorable terms or at all. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital markets depends on a number of factors,

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including the market s perception of our growth potential, our ability to pay dividends, our financial condition, our credit rating and our current and potential future earnings. Depending on the outcome of these factors, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

***Serious illnesses and pandemics, such as the 2009 outbreak of Influenza A H1N1 virus, also known as the swine flu , have in the past* adversely affected consumer and tourist activity, may do so in the future and may adversely affect our results of operations.**

As a result of the outbreak of Influenza A H1N1 during the winter of 2009, consumers and tourists dramatically changed their spending and travel habits to avoid contact with crowds. Further, several governments enacted regulations limiting the operation of schools, cinemas and shopping centers. Even though the Argentine government only issued public service recommendations to the population regarding the risks involved in visiting crowded places, such as shopping centers, and did not issue specific regulations limiting access to public places, a significant number of consumers nonetheless changed their habits vis-a-vis shopping centers and malls. Additionally, the outbreak of Influenza A H1N1 contributed significantly to a decrease in the number of tourists visiting Argentina in 2009.

Although there was not an outbreak of A H1N1 influenza in the winter of 2010, we cannot assure you that a new outbreak or health hazard will not occur in the future, or that such an outbreak or hazard would not significantly negatively affect consumer and/or tourist activity, and that such scenario would not adversely affect our businesses.

We are subject to risks inherent to the operation of office buildings that may affect our profitability.

Office buildings are subject to various factors that affect their development, administration and profitability. The profitiablity of our office buildings may be affected by:

- a decrease in demand for office space;
- a deterioration in the financial condition of our tenants, which may result in defaults under leases due to bankruptcy, lack of liquidity or for other reasons;
- difficulties or delays renewing leases or re-leasing space;
- decreases in rents as a result of oversupply, particularly of newer buildings;
- competition from developers, owners and operators of office properties and other commercial real estate, including sublease space available from our tenants; and
- maintenance, repair and renovation costs incurred to maintain the competitiveness of our office buildings.

We are subject to risks affecting the hotel industry.

The full-service segment of the lodging industry in which our hotels operate is highly competitive. The operational success of our hotels is highly dependent on our ability to compete in areas such as access, location, quality of accommodations, rates, quality food and beverage facilities and other services and amenities. Our hotels may face additional competition if other companies decide to build new hotels or improve their existing hotels to increase their attractiveness.

In addition, the profitability of our hotels depends on:

our ability to form successful relationships with international and local operators to run our hotels;

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- changes in tourism and travel patterns, including seasonal changes and changes due to pandemic outbreaks, such as the H1N1 virus;

- affluence of tourists, which can be affected by a slowdown in global economy; and

- taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

An uninsured loss or a loss that exceeds the policies on our properties could subject us to lost capital or revenue on those properties.

Under the terms and conditions of the leases currently in force on our properties, tenants are required to indemnify and hold us harmless from liabilities resulting from injury to persons, or property, on or off the premises, due to activities conducted on the properties, except for claims arising from our negligence or intentional misconduct or that of our agents.

Tenants are generally required, at the tenant s expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. In addition, we cannot assure the holders that the tenants will properly maintain their insurance policies or have the ability to pay the deductibles.

Should a loss occur that is uninsured or in an amount exceeding the combined aggregate limits for the policies noted above, or in the event of a loss that is subject to a substantial deductible under an insurance policy, we could lose all or part of our capital invested in, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our operating results and financial condition.

Our business is subject to extensive regulation and additional regulations may be imposed in the future.

Our activities are subject to federal, state and municipal laws, and to regulations, authorizations and licenses required with respect to construction, zoning, use of the soil, environmental protection and historical patrimony, consumer protection and other requirements, all of which affect our ability to acquire land, buildings and shopping centers, develop and build projects and negotiate with customers. In addition, companies in this industry are subject to increasing tax rates, the creation of new taxes and changes in the taxation regime. We are required to obtain licenses and authorizations with different governmental authorities in order to carry out our projects. Maintaining our licenses and authorizations can be a costly provision. In the case of non-compliance with such laws, regulations, licenses and authorizations, we may face fines, project shutdowns, and cancellation of licenses and revocation of authorizations.

In addition, public authorities may issue new and stricter standards, or enforce or construe existing laws and regulations in a more restrictive manner, which may force us to make expenditures to comply with such new rules. Development activities are also subject to risks relating to potential delays in obtaining or an inability to obtain all necessary zoning, environmental, land-use, development, building, occupancy and other required governmental permits and authorizations. Any such delays or failures to obtain such government approvals may have an adverse effect on our business.

In the past, the Argentine government imposed strict and burdensome regulations regarding leases in response to housing shortages, high rates of inflation and difficulties in accessing credit. Such regulations limited or prohibited increases on rental prices and prohibited eviction of tenants, even for failure to pay rent. Most of our leases provide that the tenants pay all costs and taxes related to their respective leased areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby negatively affecting our rental income. We cannot assure you that the Argentine government will not impose similar or other regulations in the future. Changes in existing laws or the enactment of new laws governing the ownership, operation or leasing of properties in Argentina could negatively affect the Argentine real estate market and the rental market and materially and adversely affect our operations and profitability.

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Argentine Lease Law No. 23,091 imposes restrictions that limit our flexibility.

Argentine laws governing leases impose certain restrictions, including the following:

- lease agreements may not contain inflation adjustment clauses based on consumer price indexes or wholesale price indexes. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation these provisions may not be enforceable and therefore it may be impossible for us to adjust the amounts owed to us under our lease agreements;

- residential leases must comply with a mandatory minimum term of two years and retail leases must comply with a mandatory minimum term of three years except in the case of stands and/or spaces for special exhibitions;

- lease terms may not exceed ten years, except for leases regulated by Law No. 25,248 (which provides that leases containing a purchase option are not subject to term limitations); and

- tenants may rescind commercial and office lease agreements after the initial six-month period.

As a result of the foregoing, we are exposed to the risk of increases of inflation under our leases and the exercise of rescission rights by our tenants could materially and adversely affect our business and we cannot assure you that our tenants will not exercise such right, especially if rent values stabilize or decline in the future or if economic conditions deteriorate.

Eviction proceedings in Argentina are difficult and time consuming.

Although Argentine law permits a summary proceeding to collect unpaid rent and a special proceeding to evict tenants, eviction proceedings in Argentina are difficult and time-consuming. Historically, the heavy workloads of the courts and the numerous procedural steps required have generally delayed landlords efforts to evict tenants. Eviction proceedings generally take between six months and two years from the date of filing of the suit to the time of actual eviction.

We have usually attempted to negotiate the termination of lease agreements with defaulting tenants after the first few months of non-payment in order to avoid legal proceedings. Delinquency may increase significantly in the future, and such negotiations with tenants may not be as successful as they have been in the past. Moreover, new Argentine laws and regulations may forbid or restrict eviction proceedings, and in such case, they would likely have a material and adverse effect on our financial condition and results of operation.

We are subject to great competitive pressure.

All of our properties are located in Argentina. There are other shopping centers and numerous smaller retail stores and residential properties within the market area of each of our properties. The number of competing properties in a particular area could have a material adverse effect on our ability to lease retail space in our shopping centers or sell units in our residential complexes and on the amount of rent or the sale price that we are able to charge. To date, there have been relatively few companies competing with us for shopping center properties. However, if additional companies become active in the Argentine shopping center market in the future, such competition could have a material adverse effect on our results of operations.

Our assets are concentrated in the Buenos Aires area.

Our principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of our revenues are derived from such properties. For both our fiscal years ended June 30, 2009 and 2010, approximately 88% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although we own properties and may acquire or

develop additional properties outside Buenos Aires, we expect to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on our financial condition and results of operations.

We face risks associated with the expansion to other Latin American markets.

From 1994 to 2002, we had substantial investments outside of Argentina, including Brazil Realty, which was sold in 2002, and Fondo de Valores Inmobiliarios in Venezuela, which was sold in 2001.

We continue to believe that Brazil, Uruguay and other Latin American countries offer attractive opportunities for growth in the real estate sector. We will continue to consider investment opportunities outside of Argentina as they arise.

Investments in Brazil and other Latin American countries are subject to significant risks including sovereign risks and risks affecting these countries real estate sectors. These risks include competition by well-established as well as new developers, unavailability of financing or financing on terms that are not acceptable to us, exchange rate fluctuations, lack of liquidity in the market, rising construction costs and inflation, extensive and potentially increasing regulation and bureaucratic procedures for obtaining permits and authorizations, political and economic instability that may result in sharp shifts in demand for properties, risks of default in payment and difficulty evicting defaulting tenants.

Recently, the Company has acquired a property in Partido de la Costa, Department of Canelones, Uruguay, near Montevideo, where it plans to develop a real estate housing units and commercial premises. See other investments in Argentina and abroad.

We face risks associated with our expansion in the United States.

On July 2, 2008, we acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. Metropolitan s main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. Metropolitan has incurred mortgage debt in connection with the Lipstick Building. For more information about Metropolitan, please see *Results of operations for the fiscal year ended June 30, 2009 and 2010* and *Gain/ (Loss) on equity investee* .

During the fiscal year 2010, we acquired in the aggregate a 10.9% equity interest in Hersha Hospitality Trust (Hersha), a Real Estate Investment Trust (REIT) which owns controlling interests in 77 hotels most of which are located on the east coast of the United States. Also during the first quarter of fiscal year 2011, we entered into a conditional purchase and sale agreement to acquire a 19-story building that spans 22,893 square meters of net leasable area, located at 183 Madison Avenue, New York, NY.

For more information about Hersha and our international investments, please see *Recent Developments* , and *Significant Changes* .

The U.S. markets have recently experienced extreme dislocations and a severe contraction in available liquidity globally as important segments of the credit markets were frozen. Global financial markets have been disrupted by, among other things, volatility in securities prices, rating downgrades and declining valuations, and this disruption has been acute in real estate and related markets. This disruption has lead to a decline in business and consumer confidence and increased unemployment and has precipitated an economic recession around the globe. As a consequence, owners and operators of commercial real estate, including hotels and resorts, and commercial real estate properties such as offices, have experienced dramatic declines in property values and may continue to experience declines in business and real estate values in the U.S. or elsewhere. We are unable to predict the likely duration or severity of the effects of the disruption in financial markets and adverse economic conditions and the effects they may have on our business, financial condition and results of operations.

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If the bankruptcy of Inversora Dársena Norte S.A. is extended to our subsidiary Puerto Retiro, we will likely lose a significant investment in a unique waterfront land reserve in the City of Buenos Aires.

On November 18, 1997, in connection with the acquisition of our subsidiary Inversora Bolívar S.A. (Inversora Bolívar), we indirectly acquired 35.2% of the capital stock of Puerto Retiro. Inversora Bolívar had purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In 1999, we, through Inversora Bolívar, increased our interest in Puerto Retiro to 50.0% of its capital stock. On April 18, 2000, Puerto Retiro received notice of a complaint filed by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Inversora Dársena Norte S.A. (Indarsa). Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, in any manner, the real property it had purchased in 1993 from Tandanor S.A. (Tandanor). Puerto Retiro appealed the restraining order which was confirmed by the court on December 14, 2000.

In 1991, Indarsa purchased 90% of Tandanor, a formerly government-owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993 Tandanor sold Planta 1 to Puerto Retiro, for a sum of US$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the outstanding price for its purchase of the stock of Tandanor. As a result, the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa s bankruptcy to the companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro, which acquired Planta 1 from Tandanor.

The time for producing evidence in relation to these legal proceeding has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff s claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa s debts and our investment in Puerto Retiro, valued at Ps.54.6 million as of June 30, 2010, would be lost. As of June 30, 2010, we had not established any reserve in respect of this contingency.

Property ownership through joint ventures or minority participation may limit our ability to act exclusively in our interest.

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, in our Shopping Center segment, as of June 30, 2010, we owned approximately 63,35% of Alto Palermo, while Parque Arauco S.A. owns another 29.6%. However, On October 15, 2010, the Company executed the option to purchase all of Parque Arauco s interest in Alto Palermo. See *Recent Developments* and *Significant Changes* .

Through our subsidiary Alto Palermo, we own 80% of Panamerican Mall S.A., while another 20% is owned by Centro Comercial Panamericano S.A. In our Development and Sale of Properties segment, we have ownership of 50% in Puerto Retiro and CYRSA. In addition we have a 90% stake in Solares de Santa María S.A. while Unicity S.A. owns the remaining 10%. . In our Hotel segment, we own 50% of the Llao Llao Hotel, while the other 50% is owned by the Sutton Group. We own 80% of the Hotel Libertador, Hoteles Sheraton de Argentina S.A. owns 20%. We own 76.34% of Hotel Intercontinental. In the Financial Operations and others segment, we currently own approximately 29.78% of Banco Hipotecario, while the Argentine government has a controlling interest in it. Finally, we own a 30% interest in Metropolitan. For more information , please see *Recent Developments* and *Significant Changes* .

We could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the timing and terms of any sale or refinancing of a property. For example, the approval of certain of the other investors is required with respect to operating budgets and refinancing, encumbering, expanding or selling any of these properties. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners are inconsistent with our own objectives, we will not be able to act exclusively in our interests.

If one or more of the investors in any of our jointly owned properties were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, there could be an adverse effect on the relevant property or properties and in turn, on our financial performance. Should a joint venture partner be declared bankrupt, we could become liable for our partner s share of joint venture liabilities.

Dividend restrictions in our subsidiaries debt agreements may adversely affect us.

We have subsidiaries and an important source of funds for us are cash dividends and other permitted payments from our subsidiaries. The debt agreements of our subsidiaries may contain covenants restricting their ability to pay dividends or make other distributions. If our subsidiaries are unable to make payments to our Company, or are able to pay only limited amounts, we may be unable to pay dividends or make payments on our indebtedness.

We are dependent on our chairman Eduardo Elsztain and certain other senior managers.

Our success depends on the continued employment of Eduardo S. Elsztain, our Chief Executive Officer and Chairman of the Board of Directors, who has significant expertise and knowledge of our business and industry. The loss of or interruption in his services for any reason could have a material adverse effect on our business. Our future success also depends in part upon our ability to attract and retain other highly qualified personnel. We cannot assure you that we will be successful in hiring or retaining qualified personnel. A failure to hire or retain qualified personnel may have a material adverse effect on our financial condition and results of operations.

We may face potential conflicts of interest relating to our principal shareholders.

Our largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through Cresud S.A.C.I.F.y A. (Cresud). As of November 30, 2010, such beneficial ownership consisted of: (i) 292,811,013 shares held by Cresud, (ii) 39,855,739 shares held by Agrology, S.A. (Agrology), a 99.9% subsidiary controlled by Cresud, (iii) 628,070 shares held by Consultores Assets Management S.A., and (iv)1,850 shares held directly by Mr. Elsztain.

Conflicts of interest between Cresud s management, our, and our affiliates may arise in the performance of our business activities. As of November 30, 2010, Mr. Elsztain also beneficially owned (i) approximately 38.48% of Cresud s common shares (on a fully diluted basis) and (ii) approximately 97.50% (on a fully diluted basis) of the common shares of our subsidiary Alto Palermo. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that our affiliates may pursue or that the pursuit of other opportunities will be in our interest.

Due to the currency mismatches between our assets and liabilities, we have significant currency exposure.

As of June 30, 2010, the majority of our liabilities, such as IRSA s 8.5% notes due 2017, Alto Palermo s Series I Notes and Alto Palermo s convertible notes are denominated in U.S. Dollars, while a significant portion of our revenues and assets as of June 30, 2010, are denominated in Pesos. This currency gap exposes us to a risk of exchange rate volatility, which would negatively affect our financial results if the Dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. Dollar will correspondingly increase the amount of our debt in Pesos, with further adverse effects on our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our tenants and mortgage debtors, most of whom have Peso-denominated revenues.

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On July 20, 2010, we issued US$ 150 million of 11.5% non-convertibles notes due 2020 (Series II Notes) under our global note program for the issuance of notes in one or more series up to an aggregate principal amount of US$ 400 million (the Global Note Program). The issue price was 97.838% of the nominal value. Interest on the Series II Notes is payable semi-annually, on January and June 20, each year, commencing on January 20, 2011. For more information about our Series II Notes, please see *Recent Developments* and *Significant Changes* .

The shift of consumers to purchasing goods over the Internet may negatively affect sales in our shopping centers.

During the last years, retail sales by means of the Internet have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. We believe that our target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods, and this trend is likely to continue. If e-commerce and retail sales through the Internet continue to grow, consumers reliance on traditional distribution channels such as our shopping centers could be materially diminished, having a material adverse effect on our financial condition, results of operations and business prospects.

Risks Related to our Investment in Banco Hipotecario

Our investment in Banco Hipotecario is subject to risks affecting Argentina s financial system.

As of June 30, 2010, we owned approximately 28.03% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 14.4% of our consolidated assets as of such date. Substantially all of Banco Hipotecario s operations, properties and customers are located in Argentina. Accordingly, the quality of Banco Hipotecario s loan portfolio, financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government s actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario s business, financial condition and results of operations.

Financial institutions are subject to significant regulation relating to functions that historically have been mandated by the Central Bank and other regulatory authorities. Measures adopted by the Central Bank have had, and future regulations may have, a material adverse effect on Banco Hipotecario s financial condition and results of operations.

Laws and decrees implemented during and after the economic crisis in 2001 and 2002 have substantially altered contractual obligations affecting Argentina s financial sector. In this context, the Argentine Congress has considered various initiatives intended to reduce or eliminate a portion of the mortgage loan portfolio on the debt owed to Banco Hipotecario. Also, there have been certain initiatives intended to review the terms pursuant to which Banco Hipotecario was privatized. As a result, we cannot assure you that the Argentine legislature will not enact new laws that will have a significant adverse effect on Banco Hipotecario s shareholders equity or that the Argentine government would compensate Banco Hipotecario for the resulting loss. These uncertainties could have a material adverse effect on the value of our investment in Banco Hipotecario.

During previous years, the financial markets in the most important countries in the world were affected by volatility, lack of liquidity and credit, which entailed a significant drop in international stock indexes, and an economic slow-down started to become evident worldwide. During 2009 and as of the date of this annual report, this situation is gradually reverting to normal. Our management is closely monitoring the effects in order to implement the necessary measures to minimize the impact of the financial crisis on our operations.

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Banco Hipotecario relies heavily on mortgage lending and the value of our investment in it depends in part on its ability to implement successfully its new business diversification strategy.

Historically, Banco Hipotecario has been engaged exclusively in mortgage lending and related activities. As a result, factors having an adverse effect on the mortgage market have a greater adverse impact on Banco Hipotecario than on its more diversified competitors. Due to its historic concentration in this recession-sensitive sector, Banco Hipotecario is particularly vulnerable to adverse changes in economic and market conditions in Argentina due to their adverse effect on demand for new mortgage loans and the asset quality of outstanding mortgage loans. The past economic crisis had a material adverse effect on its liquidity, financial conditions and results of operations. In addition, a number of governmental measures that apply to the financial sector have had a material adverse effect particularly on Banco Hipotecario, impairing its financial condition.

In light of the economic conditions in Argentina in the foreseeable future, Banco Hipotecario cannot rely exclusively on mortgage lending and related services. Accordingly, Banco Hipotecario has adapted its business strategy to confront the challenges of these new market conditions. Banco Hipotecario s ability to diversify its operation will depend on how successfully it diversifies its product offerings and transforms itself into a financial institution that no longer relies solely on mortgage lending.

In the past years Banco Hipotecario has made several investments that are designed to enable it to develop retail banking activities. Banco Hipotecario must overcome significant challenges to achieve this goal including, among others, its lack of experience and client relationships outside the mortgage sector, the existence of large, well-positioned competitors and significant political, regulatory and economic uncertainties in Argentina. As a result, we cannot give you any assurance that Banco Hipotecario will be successful in developing significant retail banking activities in the foreseeable future, if at all. If Banco Hipotecario is unable to diversify its operations by developing its retail banking activities and other non-mortgage banking activities, the value of our substantial investment in Banco Hipotecario would likely be materially and adversely affected.

Banco Hipotecario s mortgage loan portfolio is not adequately indexed for inflation and any significant increase in inflation could have a material adverse effect on its financial condition.

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the *Coeficiente de* Estabilización *de Referencia* (CER) a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a decree providing that mortgages originally denominated in U.S. Dollars and converted into Pesos pursuant to Decree No. 214/2002 and mortgages on property constituting a borrower s sole family residence may be adjusted for inflation only pursuant to a coefficient based on salary variation, the CVS, which during 2002 was significantly less than inflation as measured by the wholesale price index, or WPI. Through December 31, 2002, the WPI and the CVS posted cumulative increases of 118.2% and 0.2%, respectively, and the CER increased 41.4%. During 2003, inflation increased 4.3% as measured by the WPI, 3.7% as measured by the CER and 15.8% as measured by the CVS. As a result, only 10% of Banco Hipotecario s mortgages loans are adjusted for inflation in accordance with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario s mortgages loans. The CVS increased until it was repealed by 5.3%, whereas the increase in CER was 5.5% as of December 31, 2004 and the WPI increased 7.9%. During 2005, the CER increased to 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased 10.3% and 7.1%, respectively. In 2008, 2009 and during the first six month of 2010, CER increased 8%, 7% and 6,1%, respectively, and WPI increased 9%, 1.2% and 7,71% respectively.

Argentina s history prior to the adoption of the Convertibility Law, which set the exchange rate of the Argentine Peso to the U.S. Dollar at Ps.1.00 = US$1.00, raises serious doubts as to the ability of the Argentine government to maintain a strict monetary policy and control inflation. As a result of the high inflation in Argentina from 2002 onwards, Banco Hipotecario s mortgage loan portfolio experienced a significant decrease in value and if inflation continues increasing, it might continue to undergo a major decrease in value. Accordingly, an increase in Banco Hipotecario s funding and other costs due to inflation might not be offset by indexation, which could adversely affect its liquidity and results of operations.

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Legislation limiting Banco Hipotecario s ability to foreclose on mortgaged collateral may have an adverse effect on it.

Like other mortgage lenders, the ability to foreclose on mortgaged collateral to recover on delinquent mortgage loans impacts the conduct of Banco Hipotecario s business. In February 2002, the Argentine government amended Argentina s Bankruptcy Law, suspending bankruptcies and foreclosures on real estate that constitutes the debtor s primary residence, initially for a six-month period and subsequently extended until November 14, 2002. Since 2003, the Argentine government has approved various laws that have suspended, in some cases, foreclosures for a period of time in accordance with Law No. 25,972 enacted on December 18, 2004, and, in some cases, temporarily suspended all judicial and non-judicial mortgage and pledge enforcement actions. Several laws and decrees extended this mortgage foreclosure suspension period. Most recently, on June 14, 2006, Argentine Law 26,103 was enacted which established a 180-day suspension period for mortgage foreclosure proceedings affecting debtors where the subject mortgage related to the debtor s sole residence and where the original loan was not greater than Ps.100,000.

Law No. 25,798, enacted November 5, 2003, and implemented by Decrees No. 1284/2003 and No. 352/2004, among others, sets forth a system to restructure delinquent mortgage payments and to prevent foreclosures on a debtor s sole residence (the Mortgage Refinancing System). The Mortgage Refinancing System establishes a trust composed of assets contributed by the Argentine government and income from restructured mortgage loans. Banco de la Nación Argentina, in its capacity as trustee of said trust, enters into debt restructuring agreements with delinquent mortgage debtors establishing the following terms: (i) a grace period on the mortgage loan of one year and (ii) monthly installment payments on the mortgage loan not to exceed 30% of the aggregate income of the family living in the mortgaged property. Banco de la Nación Argentina then subrogates the mortgagee s rights against the debtor, by issuing notes delivered to the mortgagee to settle the amounts outstanding on the mortgage loan. The sum restructured under the Mortgage Refinancing System may not exceed the appraisal value of the property securing the mortgage after deducting any debts for taxes and maintenance. The Mortgage Refinancing System was established for a limited period of time, during which parties to mortgage loan agreements could opt to participate and was subsequently extended by a number of decrees and laws.

Law No. 26,167 enacted on November 29, 2006, suspended foreclosures and also established a special proceeding for the enforcement of certain mortgage loans. Such special proceedings give creditors a 10-day period to inform the court of the amounts owed under the mortgage loans. Soon thereafter, the judge will call the parties for a hearing in order to reach an agreement on the amount and terms of payment thereunder. In case of failure by the parties to reach such agreement, they will have a 30-day negotiation period, and if the negotiations do not result in an agreement, then, payment and conditions will be determined by the courts.

On November 29, 2006, Law No. 26,177 created the Unidad de Reestructuración, a government agency responsible for the revision of each of the mortgage loans granted by the state-owned Banco Hipotecario Nacional, the predecessor of Banco Hipotecario, before the enactment of the Convertibility Law in 1991. The Unidad de Reestructuración was authorized to make non-binding recommendations to facilitate the restructuring of such mortgage loans. The Unidad de Reestructuración submitted a proposal to the National Congress recommending forgiveness or other write-off of such loans, extensions of their scheduled maturities or other subsidies that were capable of adversely affecting Banco Hipotecario s ability to foreclose on such mortgage loans. On November 21, 2007, the National Congress enacted Law No. 26,313, establishing a procedure for the restructuring of certain mortgage loans made by its predecessor, the former Banco Hipotecario Nacional. Law No. 26,313 restructures the affected loans by recalculating and reducing their unpaid balance (which had been previously restructured pursuant to a prior law). In December 2008, the applicability of Law No. 26,313 was limited to certain of Banco Hipotecario s mortgage loans made prior to April 1, 1991 to finance the construction of residential complexes which as of December 31, 2008, had been delinquent since November 2007 or earlier. As a result of the recalculation of loans, Banco Hipotecario has forgiven its right to enforce 6,627 mortgage loans representing approximately Ps.100 million in the aggregate. As of June 30, 2010, Banco Hipotecario had constituted allowance for loan loses in connection with the results of this recalculation.

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We cannot assure you that the Argentine government will not enact further new laws restricting Banco Hipotecario s ability to enforce its rights as creditor. Any such limitation on its ability to successfully implement foreclosures could have a material adverse effect on its financial condition and results of operations.

Banco Hipotecario s non-mortgage loan portfolio has grown rapidly and is concentrated in the low- and middle-income segments.

As a result of Banco Hipotecario s strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the period between December 31, 2009 and June 30, 2010, Banco Hipotecario s portfolio of non-mortgage loans increased 16.5% from Ps.2.525.7 million to Ps.2,942.0, million. A substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

Given the current valuation criteria of the Central Bank for the recording of BODEN and other government securities on Banco Hipotecario s balance sheets, its most recent financial statements may not be indicative of its current financial condition.

Banco Hipotecario prepares its financial statements in accordance with Central Bank GAAP which differ in certain material respects from Argentine GAAP. During 2002, Central Bank GAAP was modified in several respects that materially increased certain discrepancies between Central Bank GAAP and Argentine GAAP. In accordance with Central Bank GAAP, Banco Hipotecario s consolidated balance sheet as of June 30, 2010 includes US$425.0 million of BODEN issued by the Argentine government as compensation for pesification. Banco Hipotecario s consolidated balance sheet as of June 30, 2010 also includes Ps.17.1 million representing Central Bank borrowings which Banco Hipotecario incurred to finance its acquisition of the additional BODEN. In accordance with Central Bank GAAP, the BODEN reflected on Banco Hipotecario s consolidated balance sheet as of June 30, 2010 have been recorded at their technical residual value plus accrued interest.

Because of its large holdings of BODEN and other government securities, Banco Hipotecario has significant exposure to the Argentine public sector. On December 23, 2001, the Argentine government declared the suspension of payments on most of its sovereign debt, which as of December 31, 2001, totaled approximately US$144.5 billion, a substantial portion of which was restructured by the issuance of new bonds in the middle of 2005.

Banco Hipotecario s exposure to the public sector as of June 30, 2010 amounted US$5.86.0 million consisting mainly by BODEN 2012. Government securities represent approximately 20.2% of Banco Hipotecario´s total assets as of June 30, 2010. Considering Banco Hipotecario s BODEN holdings, it has a significant exposure to the Government s solvency. Furthermore, defaults by the Argentine government on its debt obligations, including Boden and other government securities held by Banco Hipotecario, would materially and adversely affects its financial condition which would in turn affect our investment.

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Due to interest rate and currency mismatches of its assets and liabilities, Banco Hipotecario has significant currency exposure.

As of June 30, 2010, Banco Hipotecario s foreign currency-denominated assets exceeded its foreign-currency-denominated liabilities by approximately US$55.5 million. Substantially all of Banco Hipotecario s foreign currency assets consist of Dollar-denominated BODEN, but Banco Hipotecario s liabilities in foreign currencies are denominated in both U.S. Dollars and Euros. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario s financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario s exposure to risks of exchange rate fluctuations.

Banco Hipotecario has acquired and will continue to acquire on a regular basis Dollar futures and other derivatives in order to hedge its exposure to foreign currency and interest rate mismatches of its assets and liabilities.

Banco Hipotecario operates in a highly regulated environment, and its operations are subject to regulations adopted, and measures taken, by the Central Bank, the Comisión Nacional de Valores and other regulatory agencies.

Financial institutions are subject to significant regulation relating to functions that historically have been mandated by the Central Bank and other regulatory authorities. Measures adopted by the Central Bank have had, and future regulations may have, a material adverse effect on Banco Hipotecario s financial condition and results of operations. For example, on July 25, 2003, the Central Bank announced its intention to adopt new capital adjustment requirements which will be gradually implemented until 2009. Furthermore, the IMF and other multilateral agencies encouraged the Government to impose minimum capital adjustment, solvency and liquidity requirements, in accordance with the international guidelines, which may produce significant operating restrictions on Banco Hipotecario.

Similarly, the *Comisión Nacional de Valores*, which authorizes Banco Hipotecario s offerings of securities and regulates the public markets in Argentina, has the authority to impose sanctions on Banco Hipotecario and its board of directors for breaches of corporate governance requirements. Under applicable law, the *Comisión Nacional de Valores* has the authority to impose penalties that range from minor regulatory enforcement sanctions to significant monetary fines, to disqualification of directors from performing board functions for a period of time, and (in the most serious cases) prohibiting issuers from making public offerings, if they were to determine that there was wrongdoing or material violation of law. Although Banco Hipotecario is not currently party to any proceeding before the *Comisión Nacional de Valores*, we cannot assure you that the *Comisión Nacional de Valores* will not initiate new proceedings against Banco Hipotecario, its shareholders´ or directors or impose further sanctions.

Commencing in early 2002, laws and decrees have been implemented that have substantially altered the prevailing legal regime and obligations established in contract. In the recent past, various initiatives have been presented to Congress intended to reduce or eliminate the debt owed to Banco Hipotecario on a portion of its mortgage loan portfolio and there were initiatives intended to review the terms pursuant to which Banco Hipotecario Nacional was privatized. As a result, we cannot assure you that the legislative branch will not enact new laws that will have a significant adverse impact on Banco Hipotecario s shareholders equity or that, if this were to occur, the Argentine government would compensate us for the resulting loss.

The Argentine government may prevail in all matters to be decided at a Banco Hipotecario s general shareholders meeting.

According to the Privatization Law and Banco Hipotecario s by-laws, holders of Class A and Class D Shares have special voting rights relating to certain corporate decisions. Whenever such special rights do not apply (with respect to the Class A Shares and the Class D Shares) and in all cases (with respect to the Class B Shares and the Class C Shares), each share of common shares entitles the holder to one vote. Pursuant to Argentine regulations, Banco Hipotecario may not issue new shares with multiple votes.

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The holders of Class D Shares have the right to elect nine of Banco Hipotecario s board members and their respective alternates. In addition, for so long as Class A Shares represent more than 42.0% of Banco Hipotecario s capital, the Class D Shares shall be entitled to three votes per share, provided that holders of Class D Shares will be entitled to only one vote per share in the case of a vote on:

- a fundamental change in Banco Hipotecario s corporate purpose;
- a change in Banco Hipotecario s domicile outside of Argentina;
- dissolution prior to the expiration of Banco Hipotecario s corporate existence;
- a merger or spin-off after which Banco Hipotecario would not be the surviving corporation;
- a total or partial recapitalization following a mandatory reduction of capital; and
- approval of voluntary reserves, other than legally mandated reserves, when their amount exceeds Banco Hipotecario s capital stock and its legally mandated reserves.

In addition, irrespective of what percentage of Banco Hipotecario s outstanding capital stock is represented by Class A Shares, the affirmative vote of the holders of Class A Shares is required to adopt certain decisions. Class D Shares will not be converted into Class A Shares, Class B Shares or Class C Shares by virtue of their reacquisition by the Argentine government, PPP or Programa de Propiedad Participada (or the Shared Property Program) participants or companies engaged in housing development or real estate activities.

According to the Privatization Law, there are no restrictions on the ability of the Argentine government to dispose of its Class A shares, and all but one of such shares could be sold to third parties in a public offering. If the Class A shares represent less than 42% of Banco Hipotecario s total voting stock as a result of the issuance of new shares other than Class A shares or otherwise, the Class D shares we hold would automatically lose their triple voting rights. If this were to occur, we would likely lose its current ability, together with our affiliates that also hold Class D shares of Banco Hipotecario, to exercise substantial influence over decisions submitted to the vote of Banco Hipotecario s shareholders.

Banco Hipotecario will continue to consider acquisition opportunities which may not be successful.

From time to time in recent years, Banco Hipotecario has considered certain possible acquisitions or business combinations, and Banco Hipotecario expects to continue considering acquisitions that it believes offer attractive opportunities and are consistent with its business strategy. We cannot assure you, however, that Banco Hipotecario will be able to identify suitable acquisition candidates or that Banco Hipotecario will be able to acquire promising target financial institutions on favorable terms. Additionally, its ability to obtain the desired effects of past and future acquisitions will depend in part on its ability to successfully complete the integration of those businesses. The integration of acquired businesses entails significant risks, including:

- unforeseen difficulties in integrating operations and systems;
- problems assimilating or retaining the employees of acquired businesses;
- challenges retaining customers of acquired businesses;

unexpected liabilities or contingencies relating to the acquired businesses; and the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

Risks related to our investment in Tarshop S.A.

We are subject to payment default risks due to our investments in credit card activities and personal loans through our subsidiary Tarshop S.A.

As of June 30, 2010, we owned a 100% interest in Tarshop S.A. (Tarshop), a company dedicated to the Consumer financing business that originates credit cards accounts and personal loans to promote sales from our tenants and other selected retailers. On December 29, 2009, we entered into an agreement with Banco Hipotecario to sell an 80 % interest in Tarshop for US$ 26.8 million. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop s capital stock. The transaction was subject to the approval of the Banco Central de la Republica Argentina and certain other customary closing conditions which were obtained on August 30, 2010. As a result, on September 13, 2010 APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. Immediately after the sale, APSA s interest in Tarshop was 20 % of its capital stock. In addition, Alto Palermo owns 50% of Metroshop S.A. s (Metroshop) capital stock . For the fiscal year ended June 30, 2010, Tarshop had net revenues of Ps. 251.7 million, representing 19.0% of our consolidated revenues for such period and had a net gain of Ps 27.1 million.

The consumer financing businesses such as Tarshop, are adversely affected by defaults on credit card accounts and personal loans, defaults by card holders, difficulties enforcing collection of payments , fraudulent accounts and the writing off of past due receivables. Tarshop provides an allowance for uncollectible accounts based on impaired accounts, historical charge-off patterns and management judgment.

The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors beyond our control, which, among others, include:

adverse changes in the Argentine economy;

adverse changes in the regional economies;

political instability;

changes in regulations;

increases in unemployment; and

erosion of real and/or nominal salaries.

These and other factors may have an adverse effect on rates of delinquency, collections and receivables, any one or more of which could have a material adverse effect on the results of operations of Tarshop s credit card and personal loan business. In addition, if our consumer financing business is adversely affected by any of the above factors, the quality of its securitized receivables is also likely to be adversely affected. Therefore, we could be adversely affected to the extent that we hold an interest in any such securitized receivables.

Tarshop s accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps.127.4 million in equity certificates as of June 30, 2010.

The securitization market is still open and Tarshop completed securitization programs during the recent months with no disruptions. As of June 30, 2010, Tarshop credit risk exposure is contractually limited to the subordinated retained interests representing Ps.127.4 million and Ps.4.7 million escrow reserves for losses. As of June 30, 2010 Tarshop records a level of allowance for doubtful accounts of Ps.38 million.

We cannot assure you that collection of payments from credit card accounts and personal loans will be sufficient to distribute earnings to holders of participation certificates, which would reduce Tarshop s earnings. In addition, local authorities might increase credit card or trust account regulations, negatively affecting Tarshop s revenues and results of operation. We may also face higher liquidity risks on financial trusts.

Our subordinated interest in Tarshop s securitized assets may have no value.

Through our subsidiary Tarshop, we participate in the consumer financing business. Tarshop operates in the issuance, processing and marketing of our own non-banking credit card called *Tarjeta Shopping* and grants personal loans. Tarshop s accounts receivables which consist of cash flows from consumer financing and personal loans are placed into a number of financial trusts that securitize those receivables. These financial trusts issue trust debt securities which are placed through public offering, while Tarshop keeps a subordinated interest by holding participation certificates. Such participation certificates amounted to Ps.127.4 million as of June 30, 2010. The trust debt securities accrue variable interest rates, subject to floors and caps. As a result, the value of subordinated interests in Tarshop Financial Trust and Metroshop could be adversely affected by an increase in interest rates.

We cannot assure you that collection of payments from credit card accounts and personal loans will be sufficient to recover the participation certificates, which would reduce Tarshop s earnings. In addition, local authorities might increase credit card or trust account regulations, negatively affecting Tarshop s revenues and results of operation.

Risks Related to the Global Depositary Shares and the Shares

Shares eligible for sale could adversely affect the price of our common shares and Global Depositary Shares.

The market prices of our common shares and GDS could decline as a result of sales by our existing shareholders of common shares or GDSs in the market, or the perception that these sales could occur. These sales also might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

The GDSs are freely transferable under US securities laws, including shares sold to our affiliates. Cresud, which as of November 30, 2010, owned approximately 57.6 % of our common shares (or approximately 292,811,013 common shares which may be exchanged for an aggregate of 29,281,101 GDSs), is free to dispose of any or all of its common shares or GDSs at any time in its discretion. Sales of a large number of our common shares and/or GDSs would likely have an adverse effect on the market price of our common shares and the GDS.

We are subject to certain different corporate disclosure requirements and accounting standards than domestic issuers of listed securities in the United States.

There is less publicly available information about the issuers of securities listed on the *Bolsa de Comercio de Buenos Aires* than information publicly available about domestic issuers of listed securities in the United States and certain other countries. In addition, all listed Argentine companies must prepare their financial statements in accordance with Argentine GAAP and the regulations of the CNV which differ in certain significant respects from U.S. GAAP. For this and other reasons, the presentation of Argentine financial statements and reported earnings may differ from that of companies in other countries in this and other respects.

We are exempted from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempted from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Investors may not be able to effect service of process within the U.S. limiting their recovery of any foreign judgment.

We are a publicly held corporation (*sociedad anónima*) organized under the laws of Argentina. Most of our directors and our senior managers, and most of our assets are located in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against us or them, in United States courts, judgments obtained in such courts predicated upon the civil liability provisions of the United States federal securities laws. We have been advised by our Argentine counsel, Zang, Bergel & Viñes, that there is doubt as to whether the Argentine courts will enforce to the same extent and in as timely a manner as a US or foreign court, an action predicated solely upon the civil liability provisions of the United States federal securities laws or other foreign regulations brought against such persons or against us.

If we are considered to be a passive foreign investment company for United States federal income tax purposes, U.S. Holders of our common shares or GDSs would suffer negative consequences.

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2010, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation. If we become a PFIC, U.S. Holders (as defined in Taxation United States Taxation) of our common shares or GDSs will be subject to certain United States federal income tax rules that have negative consequences for U.S. Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our common shares or GDSs at a gain, as well as additional reporting requirements. See Taxation United States Taxation Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

Under Argentine law, shareholder rights may be fewer or less well defined than in other jurisdictions.

Our corporate affairs are governed by our by-laws and by Argentine corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the States of Delaware or New York, or in other jurisdictions outside Argentina. In addition, your rights or the rights of holders of our common shares to protect your or their interests in connection with actions by our board of directors may be fewer and less well defined under Argentine corporate law than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the US securities markets or markets in some other jurisdictions. In addition, rules and policies against self dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United States, putting holders of our common shares and GDSs at a potential disadvantage.

The protections afforded to minority shareholders in Argentina are different from and more limited than those in the United States and may be more difficult to enforce.

Under Argentine law, the protections afforded to minority shareholders are different from, and much more limited than, those in the United States and some other Latin American countries. For example, the legal framework with respect to shareholder disputes, such as derivative lawsuits and class actions, is less developed under Argentine law than under U.S. law as a result of Argentina s short history with these types of claims and few successful cases. In addition, there are different procedural requirements for bringing these types of shareholder lawsuits. As a result, it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a US company.

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Holders of common shares may determine to not pay any dividends.

In accordance with Argentine corporate law we may pay dividends to shareholders out of net and realized profits, if any, as set forth in our audited financial statements prepared in accordance with Argentine GAAP. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of the shareholders entitled to vote at the meeting. As a result, we cannot assure you that we will be able to generate enough net and realized profits so as to pay dividends or that our shareholders will decide that dividends will be paid.

Our ability to pay dividends is limited by law, by our by-laws and by certain restrictive covenants in our debt instruments.

In accordance with Argentine corporate law, we may pay dividends in Pesos only out of retained earnings, if any, to the extent set forth in our audited financial statements prepared in accordance with Argentine GAAP. In addition, our ability to pay dividends on our common shares is limited by certain restrictive covenants in our debt instruments.

On February 2, 2007, we issued our 8.5% notes due 2017 in an aggregate principal amount of US$150.0 million`.

These notes contain a covenant limiting our ability to pay dividends which may not exceed the sum of:

- 50% of our cumulative consolidated net income; or
- 75% of our cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 3.0 to 1; or
- 100% of cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 4.0 to 1; or
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by us or by our restricted subsidiaries from (a) any contribution to our capital stock or the capital stock of our restricted subsidiaries or issuance and sale of our qualified capital stock or the qualified capital stock of our restricted subsidiaries subsequent to the issue of our notes due 2017, (b) issuance and sale subsequent to the issuance of our notes due 2017 or our indebtedness or the indebtedness of our restricted subsidiaries that has been converted into or exchanged for our qualified capital stock, or (c) any reduction in our indebtedness or any restricted subsidiary, (d) any reduction in debt investment (other than permitted investments) and return on assets, or (e) any distribution received from non-restricted subsidiaries.

On July 20, 2010, we issued our Series II 11.5% notes due in 2020 in an aggregate principal amount of US$ 150.0 million. These notes are subject to the same covenants as described above for our 8.5% notes due 2017.

As a result, we cannot give you any assurance that in the future we will pay any dividends in respect of our common shares.

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ITEM 4. Information on the Company

A. History and Development of the Company

General Information

Our legal and commercial name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated and organized on April 30, 1943 under Argentine law as a stock corporation (sociedad anónima), and we were registered with the Public Registry of Commerce of the City of Buenos Aires (*Inspección General de Justicia* or IGJ) on June 23, 1943 under number 284, on page 291, book 46 of volume A. Pursuant to our bylaws, our term of duration expires on April 5, 2043. Our shares are listed and traded on the Bolsa de Comercio de Buenos Aires and Global Depositary Shares representing our shares are listed on the New York Stock Exchange. Our principal executive offices are located at Bolívar 108 1st floor, Buenos Aires (C1066AAD), Argentina. Our headquarters are located at Moreno 877, (C1091AAQ), Buenos Aires, Argentina. Our telephone is +54 (11) 4323-7400, and our website is www.irsa.com.ar. Information contained in or accessible through our website is not a part of this annual report. All references in this annual report to this or other internet sites are inactive textual references to these URLs, or uniform resource locators and are for your information reference only. We assume no responsibility for the information contained on these sites. Our Depositary Agent for the Global Depositary Shares in the United States is The Bank of New York whose address is P.O. Box 358516 Pittsburgh, PA 15252-8516, and whose telephones are + 1-888-BNY-ADR for U. S. calls and + 1 - 201-680-6825 for calls outside U.S.

History

Since 1991, when our current management and certain international investors acquired substantially all of our capital stock, we have been actively engaged in diverse real estate activities in Argentina. Following our global public offering in December 1994, we developed our real estate activities in the office rental market by acquiring three office towers located in prime office zones of Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020.

Since 1996, we have been, through our subsidiary Alto Palermo, expanding our real estate activities into the shopping center segment by acquiring controlling interests in eleven shopping centers: Paseo Alcorta, Alto Palermo Shopping, Buenos Aires Design, Alto Avellaneda, Alto Noa, Abasto Shopping, Patio Bullrich, Mendoza Plaza Shopping, Alto Rosario, Córdoba Shopping Villa Cabrera and Dot Baires. Since 1996, we have also been expanding into the residential real estate market through the development and construction of multi-tower apartment complexes in the City of Buenos Aires and through the development of private residential communities in greater Buenos Aires area.

In 1997, we entered the hotel market through the acquisition of a 50% interest in the Llao Llao Hotel near Bariloche and the InterContinental Hotel in the City of Buenos Aires. In 1998, we also acquired the Libertador Hotel in the City of Buenos Aires and subsequently sold a 20% interest to an affiliate of Sheraton Hotels.

In 2002, we issued US$100.0 million of convertible notes due November 2007, accruing a 8% per annum interest rate, payable on a semi-annual basis. A warrant is attached to each convertible note and grants its holder an option to acquire additional shares. As of today, there are no outstanding convertible notes and warrants. As a result of the conversions and exercises our outstanding capital stock increased to 578,676,460.

During the 2004 fiscal year we increased our ownership interest in Banco Hipotecario, reflecting our intention to maintain the participation in Banco Hipotecario as a long-term investment. In recent years, we acquired additional shares increasing own equity interest Banco Hipotecario to 28,03%, as of June 30 ,2010 (without considering treasury shares).

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During the 2005 fiscal year we increased our ownership interest in Mendoza Plaza Shopping S.A. from 68.8% to 85.4% through our subsidiary APSA. We also opened Alto Rosario Shopping.

The excellent prospects of the offices business had pushed us to make an important investment in this segment by acquiring Bouchard 710 building in fiscal year 2005, covering 15,014 square meters of rentable premium space.

During the 2007 fiscal year, we consolidated our cash generating rental businesses, consummating various significant acquisitions in the shopping center and office building business segments. We purchased Edificio Bouchard Plaza, also known as Edificio La Nación, a 23-floor AAA office building with a total leaseable area of 33,324 sqm., located in downtown Buenos Aires. Later, we sold 9,946 sqm ending with a total leasable area of 23,378 sqm. We also purchased Edificio Dock del Plata which has a gross leaseable area of 7,921 sqm located in the exclusive area of Puerto Madero, afterwards we sold 3,937 sqm keeping, as of June 30, 2009, 3,985 sqm. With these new purchases, we increased our premium office leaseable area by 70%, our share in this market segment raised close to 20%. We also launched the development of an office building at Dock IV of Puerto Madero, implying an additional leasable area of approximately 11,000 sqm, which was opened in May 2009.

In November 2006, Panamerican Mall S.A. (PAMSA) was organized between APSA and Centro Comercial Panamericano S.A. (CCP), with 80% and 20% interests, respectively. PAMSA has developed a commercial venture comprising a shopping center (Dot Baires), a hypermarket and an office building in the Saavedra neighborhood in Buenos Aires City. During May 2009, Dot Baires and the hypermarket were opened while multiplex cinema was opened in early July. The office building is at the completion stage. Construction is being carried out by Constructora San José Argentina S.A., a company related to CCP.

Dot Baires has 4 levels and 3 basements, a covered area of 173,000 square meters, out of which 49,731 are square meters of gross leasable area. Dot Baires includes 153 stores, a hypermarket, a 10 theater multiplex cinema and parking space for 2,200 automobiles. It is the shopping mall with the largest amount of square meters in Buenos Aires City.

In December 2006, we started to operate Córdoba Shopping. Located in the neighborhood of Villa Cabrera in the city of Cordoba, Cordoba Shopping has a 35,000 sqm total area with 106 stores, 12 cinema screens and a parking lot for 1,500 vehicles. In order to finance the investments and developments detailed above, in February 2007 we issued 8.5% US$150 million ten-year notes. Bids were received for up to 350% of the offer price, showing the investor community s strong support for our business plan. In addition, in May 2007 APSA issued 7.875% US$120 million ten year notes and 11% Ps.154 million five year notes.

In August 2007, we paid US$ 0.6 million for an option to purchase an 80% interest in Arcos del Gourmet S.A. (Arcos), a company holder of a concession to exploit the old warehouses and adjacent spaces located at Palermo neighbourhood in Buenos Aires and owned by the Organismo Nacional Administrador de Bienes del Estado (ONABE), a public entity created to administer certain public assets, mainly former national railway assets.

Also during the fiscal year 2007, we acquired a 50% ownership interest in an office building including in place leases of 31,670 square meters of gross leaseable area, known as the BankBoston Tower for the total consideration of US$54 million including in place leases. This modern property is located at 265 Carlos María Della Paolera in the City of Buenos Aires, and was designed by the recognized Architect Cesar Pelli.

Our subsidiary, APSA entered into an agreement with INCSA, an unrelated party, for the acquisition of the Soleil Factory shopping center business, for US$ 20.7 million, of which US$ 8.1 million were paid and recorded as supplier advances. The transaction was subject to certain conditions. Upon fulfillment of the conditions and transfer of the business, the remaining balance of the purchase price amounting to US$ 12.6 million will begin to accrue fixed interest at 5% per year. This balance will be paid in seven annual installments starting one year after the signing of the contract. As part of the same agreement, APSA entered into an offer to acquire, construct and operate a shopping center on land belonging to INCSA located in San Miguel de Tucuman, Province of Tucuman, in the northwest of Argentina. This transaction is also subject to the completion of the Soleil Factory transaction, among other suspensive conditions. The parties determined the value of this transaction to be US$ 1.3 million. See *Recent Developments* and *Significant Changes*.

In March 2008 we launched a residential project through a partnership with Cyrela Brazil Realty to develop a new homebuilding concept in Argentina accompanied by an innovating sales and financing policy. The launch of the first project of this partnership in the Vicente López neighborhood has proven to be successful by signing preliminary sales agreements for 100% of the units to be marketed as of the end of fiscal year 2010. See *Development and Sale of Properties* and *Projects Under Development*.

In April 2008, we acquired a building known as República Building, a property located in the City of Buenos Aires. This property, designed by the renowned architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a unique premium office building in downtown Buenos Aires and adds approximately 19,533 gross leaseable square meters to our portfolio. We paid US$ 70.2 million partially financed by a mortgage loan from Banco Macro for an amount of US$ 33.6 million accruing interest at a fixed rate 12% per annum and payable in five equal, annual and consecutive installments as from April 2009. In June 2008, our subsidiary APSA acquired a plot of land situated at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to our Shopping Center known as Shopping Alto Palermo. The transaction was executed for a total price of US$17.8 million. See *Recent Developments* and *Significant Changes*.

In July 2008, we acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. The main asset of Metropolitan is a 34 story building known as the Lipstick Building located at Third Avenue between 53rd and 54th streets in Manhattan, New York City. In addition to this asset, the acquired company also includes the debt related to this building. The purchase price paid was US$ 22.6 million. The property has approximately 59,000 square meters of leasable space. Also, we acquired the right (put right) to sell back the 50% of the interest acquired in a period starting 6 months after this transaction until the third year anniversary of this transaction at a price equal to 50% of the price paid for the total investment plus interest at 4.5% per annum. Additionally, we acquired the right of first offering for 60% of the 5% interest currently held by one of the shareholders of Metropolitan.For more information about Metropolitan. Please see *Recent Developments* and *Significant Changes*.

On July 21, 2008, through our subsidiary Alto Palermo we entered into a barter agreement with Cyrsa S.A. (Cyrsa) pursuant to which we, subject to certain closing conditions, would surrender to Cyrsa our right to construct a building over a preexisting structure (owned by a third party) in exchange for de minimis cash and 25% of the housing units in the future building. The total fair value of the transaction is US$ 5.9 million. On December 17, 2010, Alto Palermo and CYRSA signed an instrument which rescinds the abovementioned agreement.

During fiscal year 2009, to provide our consumer financing business with a suitable capital base taking into account the prevailing adverse market conditions, our subsidiary APSA took part in a capital increase for up to Ps.60 million, increasing its stake from 80% to 93.4%. Besides, several commercial and operative decisions were implemented in order to improve the business. During the period, APSA provided additional financial support to Tarshop for Ps. 105.0 million. These loans were capitalized on October 2009, after which APSA increased its equity stake in Tarshop to 98.6%. On December 29, 2009, we entered into an agreement with Banco Hipotecario to sell an 80 % interest in Tarshop for US$ 26.8 million. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop s capital stock. The transaction was subject to the approval of the Banco Central de la Republica Argentina and certain other customary closing conditions which were obtained on August 30, 2010. As a result, on September 13, 2010 APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. Immediately after the sale, APSA s interest in Tarshop was 20 % of its capital stock.

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On August 4, 2009, through Real Estate Investment Group L.P. (REIG), we acquired 5.7 million shares representing approximately 10.4% of Hersha s common stock and a call option that matures on August 4, 2014 to purchase an additional 5.7 million shares at US$ 3.00 per share. Under the agreement, if starting on August 4, 2011 the quoted market price of Hersha´s share were to exceed US$ 5.00 per share during 20 consecutive trading sessions, Hersha may settle the call option by issuing and delivering a variable amount of shares to be determined in accordance with certain market values. The total purchase price paid was US$ 14.3 million. As part of the agreement, our Chairman and CEO, Mr. Eduardo S. Elsztain, has been appointed to Hersha s Board of Trustees. In January 2010 and March 2010, REIG purchased 4,789,917 and 3,864,000 additional shares of Hersha s common stock, respectively, for an aggregate purchase price of US$ 30.8 million. As of June 30, 2010 our interest in Hersha amounted to 10.9%. Assuming the call option is excercised and the Company s interest is not diluted due to newly issued shares, our interest in Hersha would be 14.4%. We account the investment in Hersha at cost while the call option has been accounted for at its fair value.

Hersha is a REIT listed in the New York Stock Exchange (NYSE) under the HT symbol that holds majority interests in 77 hotels throughout the United States of America totaling approximately 9,951 rooms. These hotels are rated as select service and upscale hotels and they are mainly located in the Northeast coast of the US, including New York, New Jersey, Boston, Washington D.C. and Philadelphia, whilst a few are located in northern California and some others in Arizona. These properties are operated under franchises that are leaders and enjoy widespread recognition in their markets, such as Marriot International, Intercontinental Hotel Group, Starwood Hotels, Hilton Hotels Corporation, Global Hyatt Corporation and Choice Hotels International.

On February 17, 2010, the shareholders of Arcos approved a capital increase of US$ 2.7 million, equivalent to Ps. 10.4 million, of which the Company contributed Ps. 8.3 million.

On June 25, 2010, we and certain of the minority shareholders entered into an option agreement to acquire the 17.54% minority interest in Arcos for an aggregate price of US$1.4 million, of which US$ 0.4 million was paid as of the date of this annual report. The option expires on April 30, 2011 and is subject to certain conditions including but not limited to that ONABE launches a bidding process for the sale of the concessioned assets over which the Company has a preemptive right.

On July 20, 2010, we issued US$ 150.0 million of our Series II 11.5% non-convertibles notes due 2020 under our global note program for the issuance of notes in one or more series for up to an aggregate principal amount of US$ 400 million . The issue price was 97.838% of the nominal value. For more information about our Series II Notes. Please see *Recent Developments* and *Significant Changes* .

On October 15, 2010, IRSA executed its option to acquire Parque Arauco S.A. s direct and indirect stake in the Company. The purchase price was US$ 126 million. As a consequence of this transaction, we increased our equity interest in Alto Palermo from 63.35% to 94.9% of its capital stock. See *Recent Developments* and *Significant Changes* .

Capital Expenditures

Fiscal Year 2010. During the fiscal year ended June 30, 2010 we invested Ps.168.5 million, of which (i) Ps.156.5 million was related to acquisitions and improvements of fixed assets, mainly in connection with the acquisition of the Catalinas Norte plot of land (Ps.100.8 million), improvements in our shopping centers (Ps.32.5 million), completion of the Dot Baires Shopping and the construction of the adjacent office building (Ps.7.4 million), and improvements in our Sheraton Libertador, Llao Llao and Intercontinental hotels (Ps.1.8 million, Ps.1.2 million and Ps.0.8 million, respectively), and (ii) Ps.11.9 million were invested in the acquisition of undeveloped parcels of land, mainly the Zetol and Vista al Muelle plots of land.

Fiscal Year 2009. During the fiscal year ended June 30, 2009 we invested Ps.323.1 million, of which (i) Ps.313.3 million were related to acquisitions and improvements in fixed assets, mainly in the construction of Dot Baires shopping (Ps.246.9 million) and the construction of Dique IV, and (ii) Ps.9.8 million were invested in the acquisition of undeveloped parcels of land.

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Fiscal Year 2008. During the fiscal year ended June 30, 2008, we invested Ps.768.7 million of which Ps.419.0 million were related to the acquisition of businesses and assets, mainly the purchase of two buildings (including their in place leases) known as Edificio República and Torre Bank Boston for Ps.228.3 million and Ps.173.9 million, respectively. We also made investments in fixed assets of Ps.332.5 million of which Ps.257.7 million were invested through Alto Palermo primarily in the partial construction of the Dot Baires shopping for Ps.114.4 million, in improvements of shopping centers for Ps.50.0 million, in the initial payment for the transfer of Soleil Factory shopping center for Ps.25.6 million, and Ps.40.0 million in our Hotel segment of which Ps.30.7 million were invested in Hotel Llao Llao. We also invested Ps.23.1 million relating to Patio Olmos Building and Ps.16.9 million were related to advance payment for a plot of land located at Beruti 3571. We also invested Ps.17.2 million in undeveloped parcels of land.

Recent Developments

Building located at 183 Madison Avenue, New York, NY.

On August 26, 2010, IRSA and other U.S. partners entered into a conditional purchase agreement to acquire a 18-story building located at 183 Madison Avenue, New York, NY, in one of Manhattan s most prominent neighborhoods known as Midtown South . The building has approximately 22,893 square meters of leasable area and, as of September 30, 2010, its occupancy rate was approximately 72%.

On August 30, 2010, we transferred US$7.3 million to the seller as deposit for the execution of the purchase agreement.

On December 15, 2010 we reported that the acquisition transaction was closed through our subsidiary Rigby 183 LLC (Rigby 183), in which we have an 8% indirect interest through Real Estate Strategies (RES) and a 49% indirect interest through IMadison LLC. The purchase price paid by Rigby 183 was US$85.1 million, of which US$45.1 million was paid in cash and the balance of US$40.0 million was financed through seller s financing. Rigby 183 has obtained an additional financing of U$S10.0 million from a third party, which has not been disbursed yet, in order to perform refurbishments and improvements on the building.

On December 17, 2010, we informed that we were negotiating the sale of the 8% interest in Rigby 183 held by RES.

Investment in Lipstick Building, New York, United States

On August 4, 2010, we transferred US$15.0 million into an escrow account in order to facilitate negotiations with our creditors. As a result of such negotiations, the parties involved reached an agreement in order to restructure our debt as follows: (i) mortgage debt would be reduced from US$210 million to US$130 million at a rate of Libor + 400 basis points, with a maximum rate of 6.25% and a maturity term of 7 years; (ii) junior debt of US$45.0 million (not including accrued interest) would be canceled by the payment of approximately US$ 2.25 million in cash, and (iii) we will keep two ground leases, on the same terms and conditions they were originally granted, for a remaining term of 66 years. This restructuring has been approved by both creditors and the court.

Payment of Cash Dividend

On November 19, 2010, we paid to our shareholders a cash dividend for the fiscal year ended June 30, 2010 of the sum of Ps.120 million equivalent to 20,796976237% of our outstanding capital.

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Sale of Alto Palermo s Notes

On October 12, 2010, we reported that we had sold in the secondary market, treasury held Class I Notes of Alto Palermo, due 2017, for a nominal value of US$ 39.6 million.- As a result of such sale, we received a total income of US$ 38.07 million.

Solares de Santa María, Ciudad de Buenos Aires, (formerly Santa María del Plata)

In early September 2010, we acquired (through E-Commerce Latina S.A.) 100% of the capital stock of Unicity S.A. for the sum of US$ 2.5 million. Unicity s main asset is a 10% interest in the capital stock of Solares de Santa María S.A. , which acquisition was partially financed with funds we lend to Unicity S.A. On September 28, 2010 such debt s outstanding balance of US$ 9.1 million was capitalized and we received 36,036,000 shares representing 88.61% of Unicity S.A. s capital stock, being held by E-Commerce the remaining 11.39%.

Exercise of purchase option for acquiring Parque Arauco S.A. s direct and indirect interest in Alto Palermo

On October 15, 2010, we executed our option to acquire Parque Arauco S.A. s direct and indirect stake in Alto Palermo S.A. The purchase price was US$ 126.0 million, of which US$ 6 million was paid by the Company at the time the option was granted. According to the terms of the option granted on January 13, 2010, the dividends corresponding to the fiscal year ended on June 30, 2010 were deducted from the purchase price. As a consequence of this transaction, we increased our equity interest in Alto Palermo from 63.35% to 94.9% of its capital stock.

Investment in Hersha Hospitality Trust

On October 22, 2010, through REIG, a company indirectly controlled and managed by us, we acquired 2,952,625 ordinary shares of Hersha at a price of US$ 5.80 per share, totaling US$ 17.1 million. Following this acquisition, our interest in Hersha increased to 10.72% of Hersha s outstanding capital.

Issue of Notes

On July 20, 2010, we issued US$ 150 million of our 11.5 % non-convertibles notes due 2020 under our Global Note Program for the issuance of notes in one or more series up to an aggregate principal amount of US$ 400 million . The issue price was 97.838% of the nominal value.

Sofora Offer

During 2010 fiscal year, we participated, together with other bidders, in a tender process for acquiring the 50% interest held by Telecom Italia SpA. and Telecom Italia International N.V. (Telecom Italia Group) in Sofora Telecomunicaciones S.A. (Sofora) and a call option in respect of the remaining 50% in Sofora, the company that indirectly owns the majority common stock capital of Telecom Argentina. To such end, on June 4, 2010, we submitted a binding offer and a letter of credit for US$ 50.0 million to the Telecom Italia Group. As security for the reimbursement obligations under the referred letter of credit, a pledge was set up over approximately 11% of Hersha s shares and approximately US$ 43.5 million of Alto Palermo s Notes purchased by us.

In late July, 2010, Telecom Italia resolved not to continue with the sale of Telecom Argentina, and concluded the process. Therefore, the pledges set up as security for the above mentioned letter of credit were released.

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Acquisition of TGLT Shares

On November 4, 2010, our subsidiary Alto Palermo acquired 5,214,662 registered non-endorsable common shares, of TGLT S.A. (TGLT) for a total consideration of Ps.47.1 million.

Sale of Beruti Plot to TGLT

On October 13, 2010, our subsidiary Alto Palermo entered into a sale and purchase agreement with TGLT in order to transfer a property located at 3351/3359 Beruti street, between Bulnes street and Coronel Diaz avenue in the City of Buenos Aires . In the aforementioned property, TGLT intends to build an apartment building with both residential and commercial parking spaces. The agreed price for this transaction was US$ 18.8 million. As consideration for the transfer of the Property,TGLT has agreed to transfer Alto Palermo: (i) a number of residential units to be determined, representing 17.33% of the total square meters of residential units to be constructed in the building; (ii) a number of residential parking spaces to be determined, representing 15.82% of the total square meters of residential parking spaces to be constructed in the building; (iii) all of the commercial parking spaces to be constructed in the building; and (iv) the amount of US$ 10.7 million to be paid simultaneously with the signing of the deed of the property in favor of TGLT.

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

On November 5, 2010, TGLT advanced payment of US$ 10.7 million. On December 16, 2010, the title deed to the Beruti plot of land was executed.

Alto Palermo s early dividend

On October 7, 2010, Alto Palermo s board of directors approved the payment of an early dividend in cash for an amount of Ps. 113 million or Ps. 0,08971042033 per share (Ps. 3,588416813 per ADR) and was paid in Argentina on October 15, 2010.

Conversion of Alto Palermo s Convertible Notes

On October 7, 2010, Alto Palermo reported that two holders of the Alto Palermo s Convertible Notes exercised their conversion rights. Hence, Alto Palermo issued 477,544,197 common shares, with nominal value of Ps. 0.1 each, and cancel Convertible Notes for an amount of US$ 15,472,432.

As a result of the conversion, Alto Palermo s capital stock increased from Ps.78,206,421.4 to Ps. 125,960,841.1 and the amount of outstanding shares of Alto Palermo increased from Ps. 782,064,214 to Ps.1,259,608,411. On the other hand, the amount of Convertible Notes outstanding is US$ 31,755,502.

Sale of Tarshop

On August 30, 2010, the Argentine Central Bank approved Alto Palermo s sale of 80% of Tarshop s capital stock to Banco Hipotecario As a result, on September 13, 2010, Alto Palermo transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. The total purchase price was US$ 26.8 million. Immediately after the sale, Alto Palermo s interest in Tarshop was 20 % of its capital stock.

Paraná Plot

On August 12, 2010 we executed the preliminary purchase agreement to acquire a plot of land in Paraná, Entre Ríos, through our subsidiary Alto Palermo. The purchase price was US$ 0.5 million, payable as follows: i) US$ 0.05 million was paid as advance payment on July 14, 2009; ii) US$ 0.1 million was paid upon execution of the preliminary agreement; and iii) US$ 0.35 million will be paid upon execution of the title deed of conveyance of property.

Coto Residential Project.

Alto Palermo owns approximately 24,000 sqm in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. We, through our subsidiary Alto Palermo and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby we acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood. In the course of fiscal 2009, a conditional barter agreement was executed, pursuant to which Alto Palermo would transfer to Cyrsa S.A. (Cyrsa) 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, Cyrsa would deliver to Alto Palermo an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, Cyrsa would deliver to Alto Palermo a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, Cyrsa would pay to Alto Palermo US$ 88,815 and would proceed with the works in the parking lots that we would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which Alto Palermo notifies Cyrsa of compliance with the conditions precedent. The transaction between Cyrsa and Alto Palermo totals US$ 5.9 million.

On December 17, 2010, Alto Palermo and CYRSA signed an instrument which rescinds the abovementioned agreement.

San Miguel de Tucumán Plot

On March 15, 2010 we executed, through our subsidiary Alto Palermo, an offer to purchase, build and operate a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. The transaction was subject to certain conditions precedent that were fulfilled on July 1, 2010 as a result of the execution of the final instrument for the partial transfer of business with INCSA.

Shopping Neuquén Project.

Alto Palermo´s subsidiary, Shopping Neuquén S.A. s (Shopping Neuquén) sole asset is a 50,000 square meter undeveloped parcel of land located in Neuquén, Argentina, where we intend to develop a commercial project including the construction of a shopping center, a hypermarket and other developments.

On December 13, 2006, Shopping Neuquén entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén by which, , the terms to carry out the commercial and residential venture were rescheduled and authorized Shopping Neuquén to transfer to third parties the title to the plots of land into which the property is divided, provided that it is not the plot of land on which the shopping center will be built. Such Agreement was subject to two conditions; both already complied with, (i) the ratification of the agreement by means of an ordinance of the legislative body of the Municipality of Neuquén, and (ii) the approval by the Municipality of Neuquén of the new project and the extension of the environmental impact study.

On June 12, 2009, Shopping Neuquén and the Municipality of Neuquén agreed on a revised project to consider certain road access plans and modify general terms as necessary (the New Agreement). The revised plan was to be submitted within 90 days from the signing date of the New Agreement. Upon submission, the Municipality would have 30 days for comment. On January 18, 2010, the Municipality of Neuquén requested changes to the plans filed, granting a 30-day term to be filed. Finally, Shopping Neuquén S.A. was notified about the registration of the architectural project, so on April 8, 2010 the term of 90 running days to commence the committed works has started. Works would have to commence within 90 days as from the registration date of the new plan.

The construction of the shopping center and the hypermarket will have to be completed within 22 months as from commencement of the works. The Municipality has the right to revoke the New Agreement and initiate actions in case of breach of contract by Shopping Neuquén.

Shopping Neuquén filed the work plans for the first stage of the project (which includes the construction of the shopping center and hypermarket), obtained the consents required for commencing works, and on July 5, 2010, it started the works committed.

The first stage of the project must be completed within 22 months as from the date of commencement of works. In case of default of the conditions set forth in the agreement, the Municipality of Neuquén is entitled to terminate the agreement and take such actions as deemed necessary in such regard, including, inter alia, request reimbursement of the parcels of Shopping Neuquén S.A. sold by the Municipality of Neuquén.

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

Acquisition of Soleil Factory Shopping Center s.

On July 1, 2010, APSA and INC S.A. (INCSA), an unrelated party, executed the final instrument for the partial transfer of business whereby INCSA transferred the business of the commercial center known as Soleil Factory , becoming operational on such date. The business mainly includes a building, other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters.

The transaction was filed with the Argentine Antitrust Authority, which has not rendered a decision yet.

Torres Rosario Project, City of Rosario, Province of Santa Fe.

Alto Palermo owns a block of land of approximately 50,000 square meters divided into 8 smaller plots in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2010, two of the plots had been bartered (plots 2-G and 2-H). During the Fiscal year 2010 Alto Palermo sold the lots designated as 2 A and 2 E.

As consideration for the barter of parcel 2-G (totaling a surface of 10,128 sqm for sale), Condominios de Alto S.A. will transfer 15 apartments, with a total constructed area of 1,504 sqm (which represent 14.85% of the total building to be constructed in this parcel) and 15 parking spaces (which represent 15% of the total parking surface to be constructed in this property). As of the end of fiscal 2010, Alto Palermo executed with Condominios del Alto S.A. a supplementary deed that specifically determines the units involved in the barter that should be transferred to us and the deed of possession of the 15 functional units corresponding to parking spaces. These units are already for sale since May, 2010. The degree of completion in parcel 2-G is 100% and the execution of its deeds of sale is imminent.

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As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios de Alto S.A. will transfer 42 apartments, with a total constructed surface of 3,188 sqm (which represent 22% of the total building to be constructed in this parcel) and 47 parking spaces (which represent 22% of the total parking surface to be constructed in this property). The degree of completion of parcel 2-H is 45% and the works are expected to conclude during the first half of 2011.

During fiscal year 2010 Alto Palermo sold the lots designated as 2-A and 2-E. For more information, please see *Significant acquisitions, dispositions and development of businesses* .

B. Business Overview

Operations and principal activities

We are one of Argentina s leading real estate companies in terms of total assets. We are engaged, directly and indirectly through subsidiaries and joint ventures, in a range of diversified real estate related activities, including:

- the acquisition, development and operation of shopping centers, including consumer financing activities,
- the development and sale of residential properties,
- the acquisition and development of office and other non-shopping center properties primarily for rental purposes,
- the acquisition and operation of luxury hotels,
- the acquisition of undeveloped land reserves for future development and sale, and
- selected real estate investments outside Argentina.

As of June 30, 2009 and 2010, we had total assets of Ps. 4,936.0 million and Ps. 5,633.4 million, respectively and shareholders equity of Ps. 2,095.7 million and Ps. 2,403.0 million, respectively. Our net income for the fiscal years ended June 30, 2008, 2009, and 2010 was Ps.54.9 million, Ps. 158.6 million and Ps. 334.5 million, respectively. We are the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

We currently own 29.78% of Banco Hipotecario S.A. (Banco Hipotecario) (without considering treasury shares), one of the leading financial institutions in Argentina.

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Consolidated Revenues by Business Segment and Geographic Area

	Revenues for fiscal years ended June 30, 2010	2009	2008
	(in thousands of Pesos)		
Offices and other non-shopping center leased properties:			
City of Buenos Aires	153,989	147,142	101,554
Buenos Aires Province	175	607	605
Subtotal Office and other non-shopping center leased properties	154,164	147,749	102,159
Shopping Centers and Consumer Financing Operations:			
City of Buenos Aires	638,694	514,353	532,020
Buenos Aires Province	59,833	47,488	39,958
Salta Province	13,701	10,838	9,598
Santa Fe Province	30,821	24,141	20,040
Mendoza Province	27,206	25,478	24,232
Córdoba Province	13,446	11,262	10,577
Subtotal Shopping Centers and Credit Card Operations	783,701	633,560	636,425
Sales and Developments:			
City of Buenos Aires	214,913	262,646	189,296
Buenos Aires Province	9,461	10,043	4,030
Córdoba Province	21	29	57
Santa Fe Province		7,644	3,428
Mendoza Province	1,172		
Subtotal Sales and Developments	225,567	280,362	196,811
Hotels:			
City of Buenos Aires	101,088	98,427	92,043
Rio Negro Province	58,806	60,486	56,804
Subtotal Hotels	159,894	158,913	148,847
Total The City of Buenos Aires	1,108,684	1,022,568	914,913
Total Buenos Aires Province	69,469	58,138	44,593
Total Rio Negro Province	58,806	60,486	56,804
Total Santa Fe Province	30,821	31,785	23,468
Total Salta Province	13,701	10,838	9,598
Total Córdoba Province	13,467	11,291	10,634
Total Mendoza Province	28,378	25,478	24,232
Total	**1,323,326**	**1,220,584**	**1,084,242**

Shopping centers. We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. Alto Palermo operates and owns majority interests in eleven shopping centers in Argentina, six of which are located in the Buenos Aires metropolitan area, one located in greater Buenos Aires area, and the other four are located in the Provinces of Mendoza, Santa Fé, Córdoba and Salta. Our Shopping center segment had assets of Ps. 2,020.7 million as of June 30, 2009 and Ps. 1,934.3 million as of June 30, 2010, representing 40.9% and 34.3%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 182.3 million, Ps. 214.9 million and Ps. 268.0 million during our 2008, 2009 and 2010 fiscal years respectively, representing 72.7% and 49.6%, respectively, of our consolidated operating income for such years.

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Consumer Financing. We have developed a consumer financing business through Alto Palermo s subsidiaries as of fiscal year end, Tarshop and Metroshop S.A. Tarshop and Metroshop s credit card operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores. We finance a substantial part of our credit card advances through securitization of the receivables underlying the accounts we originate. Our revenues from credit card operations are derived from interest income generated by financing and lending activities, merchants fees, insurance charges for life and disability insurance, and fees for data processing and other services. The Consumer Financing segment had assets of Ps. 174.9 million as of June 30, 2009, and Ps. 327.3 million as of June 30, 2010, which represented 3.5% and 5.8%, respectively, of our consolidated assets at such dates, and generated an operating loss of Ps. 17.7 million and Ps. 125.4 million and an operating income of Ps. 53.3 million for our 2008, 2009 and 2010 fiscal years, respectively, representing 6.9%, 42.4% and 9.9%, respectively, of our consolidated operating income/(loss) for such years. On August 30, 2010, the Central Bank approved the sale of 80% of APSA s interest in Tarshop to Banco Hipotecario. Immediately after the sale, APSA s and Banco Hipotecario s equity interests in Tarshop were 20 % and 80% respectively. For more information please see *Recent Developments* .

Development and sale of properties. The acquisition and development of residential apartment complexes and other residential communities for sale is another of our core activities. Our development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. For the development of residential communities in general, we acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. Our Development and sale of properties segment had assets of Ps. 507.8 million as of June 30, 2009 and Ps. 657.6 million as of June 30, 2010, representing 10.3% and 11.7%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 19.3, Ps. 121.2 million and Ps. 139.5 million during our 2008, 2009 and 2010 fiscal years, respectively, representing 7.6%, 41.0% and 25.8%, respectively, of our consolidated operating income/(loss) for such years.

Office and Other Non-Shopping Center Rental Properties. As of June 30, 2010, we directly and indirectly owned a majority interest in 14 office buildings and Other Non-Shopping Center Rental Properties in Argentina that in the aggregate represented 237,188 square meters of gross leaseable area. Our Offices and Other Non-Shopping Center Rental Properties segment had assets of Ps. 1,014.9 million as of June 30, 2009 and Ps. 1,088.8 million as of June 30, 2010, representing 20.6% and 19.3%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 52.9, Ps. 76.5 million and Ps. 73.5 million during our 2008, 2009 and 2010 fiscal years, respectively, representing 20.8%, 25.9% and 13.6%, respectively, of our consolidated operating income for such years.

Hotels. We own a 50% equity interest in Hotel Llao Llao, located in the outskirts of Bariloche, and a 76.34 % in the Hotel Intercontinental in the City of Buenos Aires and an 80% equity interest in Hotel Sheraton Libertador in Buenos Aires. Our Hotels segment (which consists of our investments in these three hotels), had assets of Ps. 246.4 million as of June 30, 2009 and Ps. 248.3 millions of June 30, 2010, representing 5.0% and 4.4%, respectively, of our consolidated assets at such dates, and generated income of Ps. 18.0 million, Ps. 8.6 million and Ps. 5.4 million during our 2008, 2009 and 2010 fiscal years, representing 7.1%, 2.9% and 1.0%, respectively, of our consolidated operating income for such years.

Banco Hipotecario. During fiscal year 2010, we continued to increase our interest in Banco Hipotecario by acquiring 100,417,816 shares for Ps. 118.7 million, up to a 28.03% investment, held in the form of Class D shares, which are currently entitled to three votes per share, affording us, as of this fiscal year end, a right to 43.75% of the total votes that can be cast at Banco Hipotecario s shareholders meetings. As of June 30, 2010, our investment in Banco Hipotecario represented 14.4% of our consolidated assets, and during our fiscal years ended June 30, 2008, 2009 and 2010, this investment generated losses for Ps. 12.4 million, income for Ps. 142.1 million and income for Ps. 151.6 million, respectively.

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International. During fiscal year 2009 we have recently acquired a 30% interest in a company incorporated in Delaware (United States), whose main asset is the so-called Lipstick office building located in the City of New York, and more recently, we acquired a 10.9% interest, jointly with subsidiaries, in a REIT, called Hersha (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,951 rooms as of June 30, 2010.

In addition, on August 2010, we, among other partners, entered into a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY. For more information please see R*ecent Developments* and *Significant Changes* .

Business Strategy

As a leading company in Argentina dedicated to acquiring, developing and managing real estate, we seek to (i) generate stable cash flows through the operation of our real estate rental assets (shopping centers, office buildings, hotels), (ii) achieve long-term appreciation of our asset portfolio by taking advantage of development opportunities, and (iii) increase the productivity of our land reserves and enhance the margins of our Development and sale of properties segment through the organization of partnerships with other developers.

Shopping centers. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and a level of shopping center penetration that we consider low compared to many developed countries. Our main objectives are to in generate a sustained growth in the cash flow from our shopping centers and increase their value in the long-term, maintaining a leading position in Argentina s shopping center industry.

Development and Sale of Properties. We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering greenspace for recreational activities. We also seek to develop residential communities by acquiring undeveloped properties with convenient access to the City of Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. After the economic crisis in 2001 and 2002, the scarcity of mortgage financing restricted the growth in middle class home purchases, and as a result, we mainly focused on the development of residential communities for middle and high-income individuals, who do not need to finance their home purchases. In addition, we seek to develop residential properties for other segments of the residential market in Argentina and during the first quarter of the fiscal year ended June 30, 2008, we entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in new market segments.

Office and Other Non-Shopping Center Rental Properties. Since the Argentine economic crisis in 2001 and 2002, there has been limited investment in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for those desirable office spaces. We seek to purchase and develop premium office buildings in strategically-located business districts in the City of Buenos Aires and other strategic locations that we believe offer return and potential for long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings. Furthermore, we intend to consider on a selective basis new opportunities to acquire or construct new rental office buildings.

Hotels. We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. We seek to continue with our strategy to invest in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation. We also seek to continue to invest in improvements for our hotels, to maintain a high level of service in the hotel competitive sector.

Banco Hipotecario. We currently seek to keep our investment in Banco Hipotecario, as we believe that Argentina has a low level of mortgages outstanding measured in terms of GDP and as a result, our investment in Banco Hipotecario is interesting in the long term.

Land reserves. We seek to continue to acquire undeveloped land at locations we consider attractive inside and outside Buenos Aires. In each case, our intention is to purchase land with significant development or appreciation potential for subsequent sale. We believe that holding a portfolio of desirable undeveloped plots of land enhances our ability to make strategic long-term investments and affords us a valuable pipeline of new development projects for upcoming years.

International. In the past, we have made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. During fiscal year 2009, we acquired a 30% interest in a company incorporated in Delaware (United States), whose main asset is the so-called Lipstick office building located in the City of New York, and during fiscal year 2010, we acquired a 10.9% interest, jointly with subsidiaries, in a REIT, called Hersha (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,951 rooms as of June 30, 2010 and more recently, we signed a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY, through an investment in a limited liability company, Rigby 183 LLC. We seek to continue to evaluate on a selective basis real estate investment opportunities outside Argentina as long as they offer investment and development attractive opportunities. For more information please see R*ecent Developments* and *Significant Changes* .

Shopping Centers

Overview

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2010, Alto Palermo operated and owned majority interests in eleven shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), one of which is located in the greater Buenos Aires (Alto Avellaneda) metropolitan area and the other four of which are located in the Argentine provinces: Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza and Córdoba Shopping Villa Cabrera in the City of Córdoba.

As of June 30, 2010, we owned 63.35% of Alto Palermo and Parque Arauco S.A. owned 29.55%. The remaining shares are held by the investor public and traded on the *Bolsa de Comercio de Buenos Aires* and the related GDSs are listed and traded on the Nasdaq National Market (USA) under the symbol APSA . In addition, as of June 30, 2010, we owned US$31.7 million of Alto Palermo s convertible notes due July 2014. If we, and all the other holders of such convertible Notes were to exercise their options to convert the convertible notes into shares of Alto Palermo s common stock, our shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital. For more information please see *Recent Developments* and *Significant Changes* .

On January 14, 2010, we announced that Parque Arauco S.A. granted to us an option to purchase its 29.55% interest in Alto Palermo (including its direct and indirect interest in Convertible Notes for a principal amount of US$ 15.5 million issued by Alto Palermo), for a total amount of US$126 million. The option grants us the right to exercise it until August 31, 2010, extendable to November 30 of this year, under certain conditions.

On October 15, 2010, we completed the acquisition of Parque Arauco S.A. s direct and indirect stake in Alto Palermo for an aggregate amount of US$ 126 million. *See Recent Developments and Significant Changes* .

As of June 30, 2010, Alto Palermo s shopping centers comprised a total of 286,286 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo s tenants). For fiscal period 2010, the average occupancy rate of Alto Palermo s shopping center portfolio was approximately 97.5%.

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As a result of our acquisition of several shopping centers, we centralized management of our shopping centers in Alto Palermo, which is responsible for providing common area electrical power, a main telephone switchboard, central air conditioning and other basic common area services.

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The following table shows certain information concerning our Alto Palermo subsidiary s shopping centers as of June 30, 2010:

Shopping Centers

	Date of Acquisition	Leaseable Area sqm (1)	APSA s Effective Interest (3)	Occupancy rate (2)	Accumulated Annual Rental Income for the fiscal year (in Ps./000) (4)			Book Value (Ps./000) (5)
					2010	2009	2008	
Shopping Centers (6)								
Alto Palermo	11/97	18,629	100.0%	100.0%	98,020	82,450	69,847	134,984
Abasto Shopping (7)	07/94	37,603	100.0%	99.6%	91,304	77,773	69,639	163,556
Alto Avellaneda	11/97	36,579	100.0%	96.0%	59,833	47,488	39,958	73,454
Paseo Alcorta	06/97	14,390	100.0%	97.5%	42,714	39,067	37,293	70,663
Patio Bullrich	10/98	11,736	100.0%	99.7%	37,254	31,537	28,864	89,638
Alto Noa Shopping	03/95	18,869	100.0%	99.9%	13,701	10,838	9,598	21,570
Buenos Aires Design	11/97	13,786	53.7%	98.4%	14,613	12,965	12,020	8,811
Alto Rosario Shopping (7)	11/04	28,650	100.0%	93.7%	30,821	24,141	20,040	77,401
Mendoza Plaza Shopping	12/94	40,651	100.0%	93.1%	27,206	25,478	24,232	80,552
Fibesa and others (8)		N/A	99.99%	N/A	24,928	25,235	23,327	
Neuquén (9)	07/99	N/A	98.1%	N/A				12,389
Panamerican Mall S.A. (10)	12/06	49,750	80.0%	100.0%	64,515	8,499		583,355
Córdoba Shopping Villa Cabrera	12/06	15,643	100.0%	98.8%	13,446	11,262	10,577	68,958
TOTAL SHOPPING CENTERS		**286,286**	**94.8%**	**98.0%**	**518,355**	**396,733**	**345,395**	**1,385,331**
Consumer Financing revenues		N/A	100.0%	N/A	265,346	236,827	291,030	
GENERAL TOTAL (11)		286,286	N/A%	97.5%	783,701	633,560	636,425	1,385,331

Notes:

(1) Total leaseable area in each property. Excludes common areas and parking spaces.-
(2) Calculated dividing occupied square meters by leaseable area on the last day of the period.-
(3) APSA s effective interest in each of its business units. we have a 63.35% interest in APSA.-
(4) Corresponds to total leases, consolidated as per the RT21 method.-
(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances, if applicable.-
(6) Through Alto Palermo S.A.
(7) Excludes Museo de los Niños (3,732 in Abasto and 1,261 in Alto Rosario).-
(8) Includes revenues from Fibesa S.A., Comercializadora Los Altos S.A. (merged with Fibesa S.A.), and others.
(9) Land for the development of a shopping center.
(10) During May 2009, a shopping center, a hypermarket and a movie theater complex were opened. Still pending is the completion of an office building.
(11) Corresponds to the shopping center business unit mentioned in Note 6 to the Consolidated Financial Statements; includes revenues from Credit Cards (Tarshop and Metroshop).-

Tenant Retail Sales

The following table sets forth the total approximate tenant retail sales in Pesos at the shopping centers in which APSA had an interest for the periods shown below:

	Fiscal year ended June 30, (1) (in Ps./000)		
	2010	**2009**	**2008**
Abasto	926,373	774,496	720,398
Alto Palermo	879,728	745,008	631,821
Alto Avellaneda	885,195	696,502	560,693
Paseo Alcorta	414,652	374,756	385,515
Patio Bullrich	344,789	274,923	271,411
Alto Noa	280,241	211,353	173,998
Buenos Aires Design	140,974	129,075	132,958
Mendoza Plaza	559,359	436,599	433,394
Alto Rosario	419,143	318,443	271,331
Cordoba Shopping-Villa Cabrera	164,257	133,526	120,827
Dot Baires Shopping	763,528	99,478	
Total retail sales (2)	**5,778,238**	**4,194,159**	**3,702,346**

Notes:

(1) Retail sales based upon information provided to us by retailers and past owners. The amounts shown reflect 100% of the retail sales of each shopping center, although in certain cases we own less than 100% of such shopping centers.

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(2) Excludes sales from the booths and spaces used for special exhibitions.

Lease Expirations

The following table shows a schedule of estimated lease expirations for our shopping center for leases in effect as of June 30, 2010, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expirations as of June 30,	Number of Leases Expiring(1)	Square Meters Subject to Expiring Leases (sqm)	Percentage of Total Square Meters Subject to Expiration (%)	Annual Base Rent Under Expiring Leases (Ps.)	Percentage of Total Base Rent Under Expiring Leases (%)
2011	573	94,456	33%	91,438,628	35%
2012	331	44,031	15%	65,011,180	25%
2013	333	43,359	15%	60,966,057	23%
2014 and subsequent	123	104,441	37%	43,606,081	17%
Total (2)	1,360	286,287	100%	261,021,946	100%

(1) Includes vacant stores as of June 30, 2010. A lease agreement may be linked to one or more premises.
(2) Includes the basic rental income amount. Does not give effect to our ownership interest in each property.

Occupancy Rate

The following table sets forth the occupancy rate of expressed as a percentage of gross leasable area as of dates stated below:

	Fiscal year ended June 30, (in Ps./000)		
	2010	2009	2008
Abasto	99.6	99.8	99.6
Alto Palermo	100.0	100.0	100.0
Alto Avellaneda	96.0	100.0	99.8
Paseo Alcorta	97.5	97.9	99.5
Patio Bullrich	99.7	99.6	100.0
Alto Noa	99.9	99.9	100.0
Buenos Aires Design	98.4	98.8	100.0
Mendoza Plaza	93.1	96.8	97.7
Alto Rosario	93.7	95.0	99.2
Córdoba Shopping Villa Cabrera	98.8	96.4	97.2
Dot Baires Shopping	100	99.9	
Weighted Average	**97.5**	**98.6**	**99.3**

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Rental Price

The following table shows the average rental price per square meter per year/period for the fiscal years ended June 30, 2010, 2009 and 2008:

	Fiscal year ended June 30, (1) (in Ps./000)		
	2010	**2009**	**2008**
Abasto	1,986.8	1,710.8	1,436.8
Alto Palermo	4,033.8	3,580.8	3,058.5
Alto Avellaneda	1,469.2	1,156.0	972.4
Buenos Aires Design	810.2	731.1	672.8
Paseo Alcorta	2,498.9	2,408.7	2,313.8
Patio Bullrich	2,673.9	2,254.6	2,095.6
Alto Noa	658.6	502.6	461.2
Alto Rosario	948.4	746.5	608.6
Mendoza Plaza	598.8	546.8	537.0
Córdoba Shopping- Villa Cabrera (2)	731.6	590.7	557.8
Dot Baires Shopping	1,081.9	1,162.4	

(1) The annual price of rentals per square meter of gross leasable area reflects basic and supplementary rental charges as well as revenues from admission rights divided by the square meters of the gross leasable area.
(2) The values for 2008 were modified on the basis of the movie theaters surface areas.

The annual rental price per square meter of gross leasable area reflects the sum of the base rent, supplementary rent and income from admission rights divided by the gross leasable area s square meters.

Depreciation

The net book value of the properties has been determined using the straight-line method of depreciation calculated over the useful life of the property. For more information, see APSA´s Audited Consolidated Financial Statements, as filed with Argentine Securities Commission (CNV).

Principal Terms of Alto Palermo s Leases

Under Argentine Law, terms of commercial leases must be between three to ten years, with most leases in the shopping center business having terms of no more than five years. APSA´s lease agreements are generally denominated in Pesos.

Decree No. 214/2002 and Decree No. 762/2002, which modify Public Emergency Law No. 25,561, determine that duties to turn over sums of money which are denominated in U.S. dollars and which are not related to the financial system as of January 7, 2002 are subject to the following:

obligations will have to be paid in Pesos at a rate of Ps.1.00 = US$1.00. Additionally, these obligations are subject to inflation adjustment through the CER index;

if, as a consequence of this adjustment, the agreement is unfair to any of the parties, as long as the party that has the obligation to pay is not overdue and the adjustment is applicable, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision in order to preserve the continuity of the contract relation in a fair way; and

new lease agreements may be freely entered into between parties, even U.S. dollar denominated lease agreements.

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Leaseable space in Alto Palermo s shopping centers is marketed through an exclusive arrangement with its real estate brokers, Fibesa S.A. (Fibesa) and Comercializadora Los Altos S.A. (merged with Fibesa S.A. as of July 1, 2009). Alto Palermo has a standard lease agreement, the terms and conditions of which are described below, which we use for most tenants. However, Alto Palermo s largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (Fixed Monthly Minimum Rent) and (ii) a specified percentage of the tenant s monthly gross sales in the store (the Variable Rent Dependent on Sales) (which generally ranges between 4% and 10% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 7% and 12% each year on an annual and cumulative basis as from the thirteenth (13^{th}) month of the lease effective term. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, no assurance can be given that Alto Palermo may be able to enforce such clauses contained in its lease agreements. See Risk Factors for a detailed analysis.

In addition to rent, Alto Palermo charges most of its tenants an admission right, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal, which is negotiated with each of the tenants. The admission fee is normally paid in one lump sum or in a small number of monthly installments. If the tenant pays this fee in installments, it is the tenant s responsibility to pay for the balance of any such amount unpaid in the event the tenant terminates its lease prior to its expiration. In the event of unilateral termination and/or resolution for breach of duties by the tenant, a tenant will not be refunded its admission right without Alto Palermo s consent.

Alto Palermo is responsible for supplying each shopping center with the electrical power connection and provision, a main telephone switchboard, central air conditioning connection and a connection to a general fire detection system. Each rental unit is connected to these systems. Alto Palermo also provides the food court tenants with sanitation and with gas systems connections. Each tenant is responsible for completing all the necessary installations within its own rental unit, in addition to the direct expenses generated by these items within each rental unit. These direct expenses generally include: electricity, water, gas, telephone and air conditioning. Tenants must also pay for a percentage of total charges and general taxes related to the maintenance of the common areas. Alto Palermo determines this percentage based on different factors. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

Alto Palermo carries out promotional and marketing activities to increase attendance to its shopping centers. These activities are paid for with the tenants contributions to the Common Promotional Fund (CPF), which is administered by Alto Palermo. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Fixed Monthly Minimum Rent or Variable Rent Dependent on Sales, as applicable), in addition to rent and expense payments. Alto Palermo may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. Alto Palermo also may require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. Alto Palermo may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

Each tenant leases its rental unit as a shell without any fixtures. Each tenant is responsible for the interior design of its rental unit. Any modifications and additions to the rental units must be pre-approved by Alto Palermo. Alto Palermo has the option to decide tenants responsibility for all costs incurred in remodeling the rental units or for removing any additions made to the rental unit when the lease expires. Furthermore, tenants are responsible for obtaining adequate insurance for their rental units, which must include, among other things, coverage for fire, glass breakage, theft, flood, civil liability and workers compensation.

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Sources of Shopping Center Revenues

Set forth below is a breakdown of the sources of shopping center revenues for the fiscal years ended June 30, 2008, 2009 and 2010:

	Fiscal Year ended June 30,		
	2010 (in million of Ps.)	2009 (in million of Ps.)	2008 (in million of Ps.)
Fixed monthly minimum rent	259.7	196.0	159.1
Variable rent dependent on prices	95.4	70.9	73.3
Booth and kiosk rentals	39.4	31.8	27.1
Admission rights	62.7	47.7	40.3
Miscellaneous	36.3	33.3	32.0
Parking	24.9	17.1	13.6
Total rentals and services	518.4	397.0	345.4

Detailed Information About Each of APSA s Shopping Centers

Set forth below is a brief description of APSA s shopping center portfolio

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 145-store shopping center that opened in 1990 and is located in the densely populated neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access. Alto Palermo Shopping has a total constructed area of 65,029 square meters that consists of 18,629 square meters of gross leaseable area. The shopping center has a food court with 19 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars. In the fiscal year ended on June 30, 2010, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 879.7 million, which represents annual sales for approximately Ps. 47,223.3 per square meter. Principal tenants currently include Zara, Garbarino, Sony Style, Frávega and Just For Sport. Alto Palermo Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 15.1% of its gross leaseable area at June 30, 2010 and approximately 8.8% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 142-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. Alto Avellaneda has a total constructed area of 108,598.8 square meters that includes 36,579 square meters of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, an 18-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Wal-Mart (not included in the gross leaseable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda s parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters. In the fiscal year ended June 30, 2010, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 885.2 million, which represents annual revenues for approximately Ps. 24,199.5 per square meter. Principal tenants currently include Falabella, Garbarino, Frávega, Compumundo and Musimundo. Alto Avellaneda s five largest tenants (in terms of sales in this shopping center) accounted for approximately 36.8% of its gross leaseable area at June 30, 2010 and approximately 22.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 111-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553.8 square meters that consists of 14,390 square meters of gross leaseable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 17-restaurant food court, a Carrefour hypermarket, and a parking lot with approximately 1,300 spaces. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center s parking lot. In the fiscal year ended

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June 30, 2010, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 414.7 million, which represents annual sales for approximately Ps. 28,814.7 per square meter. Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Jazmín Chebar. Paseo Alcorta s five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.3% of Paseo Alcorta s gross leaseable area at June 30, 2010 and approximately 9.7% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

Abasto Shopping, City of Buenos Aires. Abasto Shopping is a 173-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by subway, railway and highway. Abasto Shopping opened in November 1998. The principal building is a landmark building, which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 116,646 square meter shopping center, with approximately 37,603 square meters of gross leaseable area (41,335sqm including Museo de los Niños). The shopping center includes a food court with 27 stores covering an area of 8,021 square meters, a 12-screen multiplex movie theatre, entertainment facilities and the Museo de los Niños Abasto, a museum for children. Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 926.4 million, which represents annual sales for approximately Ps. 24,635.5. Principal tenants currently include Hoyts General Cinema, Garbarino, Zara, Frávega and Compumundo. Abasto Shopping Center s five largest tenants (in terms of sales in this shopping center) accounted for approximately 30.8% of its gross leasable area and approximately 10.7% of the Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

Patio Bullrich, City of Buenos Aires. Patio Bullrich is an 85-store shopping center located in Recoleta, a popular tourist zone in City of Buenos Aires a short distance from the Caesar Park, Four Seasons and Hyatt hotels. Patio Bullrich has a total constructed area of 29,982 square meters that consists of 11,736 square meters of gross leaseable area. The four-story shopping center includes a 13-store food court, an entertainment area, a four-screen multiplex movie theatre and a parking lot with 215 spaces. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 344.8 million, which represents sales for approximately Ps. 29,378.7 per square meter. Principal tenants currently include Zara, Etiqueta Negra, Rouge International, Cacharel and Rapsodia. Patio Bullrich s five largest tenants (in terms of sales in the shopping center) accounted for approximately 20.6% of Patio Bullrich s gross leaseable area at June 30, 2010, and approximately 15.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

Alto Noa, City of Salta. Alto Noa is an 90-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 18,869 square meters of gross leaseable area and includes a 14-store food court, an entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 280.2 million, which represents annual sales for approximately Ps. 14,852.1 per square meter. Principal tenants currently include Supermercado Norte, Garbarino, Boulevard Casino, Y.P.F., and Frávega. Alto Noa s five largest tenants (in terms of sales in this shopping center) represented approximately 32.4% of Alto Noa s gross leaseable area as of June 30, 2010 and approximately 15.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a 63-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zones in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,786 square meters of gross leaseable area and 8 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 140.9 million, which represents annual sales for approximately Ps. 10,225.7 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar

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Geo and Kalpakian. Buenos Aires Design s five largest tenants (in terms of sales in this shopping center) accounted for approximately 21.6% of Buenos Aires Design s gross leaseable area as of June 30, 2009 and 19.6% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

Alto Rosario, City of Rosario. Alto Rosario is a shopping center of 144 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,650 square meters of gross leaseable area. This center is primarily devoted to clothing and entertainment and includes a food court with 17 stores, a children s entertainment area, a 14-screen cinema complex and parking lot for close to 1,736 vehicles. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 491.1 million, which represents annual sales for approximately Ps. 14,629.6 per square meter. Principal tenants are Frávega, Showcase, Sport 78, Red Megatone and Compumundo. Alto Rosario s five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.0% of Alto Rosario s gross leaseable area as of June 30, 2010 and 10.8% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

Mendoza Plaza, City of Mendoza. Mendoza Plaza Shopping is a 151-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 40,651 square meters of gross leaseable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,659 square meters, the Chilean department store Falabella, a food court with 22 stores, an entertainment center and a supermarket which is also a tenant. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 559.4 million, which represents annual sales for approximately Ps. 13,760.1 per square meter. Principal tenants currently include Falabella, Super Plaza Vea, Garbarino, Frávega and Village Cines. Mendoza Plaza Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 44.3% of Mendoza Plaza Shopping s gross leaseable area at June 30, 2010, and approximately 23.2% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

Córdoba Shopping, Villa Cabrera, Córdoba. Córdoba Shopping is a 104-store commercial center located in Villa Cabrera, Province of Córdoba. It covers 15,643 square meters of gross leaseable area (GLA). Córdoba Shopping has a 12-screen movie theatre complex, a food court an entertainment area and a parking lot for 1,500 vehicles. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 164.3 million, which represents annual sales for approximately Ps. 10,500.2 per square meter. Principal tenants are Showcase, Mc Donald s, New Sport, Nike and Rapsodia. Córdoba Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 41.4% of Córdoba Shopping s gross leaseable area and approximately 11.2% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

Dot Baires Shopping, City of Buenos Aires. Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, of which 49,750 constitute Gross Leasable Area, 153 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles. Alto Palermo is owner of Dot Baires Shopping through an 80% ownership interest in this shopping center. For the fiscal year ended on June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately Ps. 763.5 million, which represents annualized sales for approximately Ps. 15,347.4 per square meter. The main tenants include Falabella, Wal-Mart, Zara, Garbarino and Frávega. Dot Baires Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 46.3% of Dot Baires Shopping s gross leasable area and approximately 23.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

Acquisition of Soleil Factory, San Isidro, Province of Buenos Aires. On December 28, 2007, Alto Palermo entered into a preliminary agreement with INC S.A. concerning a partial conveyance of goodwill whereby Alto Palermo agreed to buy a shopping center located in San Isidro, in northern Greater Buenos Aires, called Soleil Factory . The closing of this transaction is subject to certain conditions precedent. The total price was US$ 20.7 million, of which Alto Palermo paid US$ 8.1 million as down payment. The balance of US$ 12.6 million is payable in 2014. At that time, Alto Palermo signed a letter of offer for the acquisition, construction and operation of a Shopping Center in the premises owned by INC S.A. in the City of San Miguel

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de Tucumán, Province of Tucumán. This transaction is subordinated to certain conditions precedent, including, but not limited to, the partial acquisition from INC S.A. of the going concern formed by the Shopping Center operating in Soleil Factory. On July 1, 2010, the final deed of conveyance of title of the ongoing concern was executed and possession of the property where the shopping center is operating was delivered.

Control Systems

APSA has computer systems to monitor tenants sales in all of its shopping centers. APSA also conducts regular manual audits of its tenants accounting sales records in all of our shopping centers. Almost every store in those shopping centers has a computerized cash register that is linked to a main computer server in the administrative office of such shopping center. APSA uses the information generated from the computer monitoring system for auditing the Percentage Rent to be charged to each tenant and use the statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Paseo Alcorta, Patio Bullrich, Buenos Aires Design (only with respect to agreements signed after its acquisition), Abasto, Alto Rosario Shopping, Alto Noa, Dot Baires Shopping, Villa Cabrera Córdoba and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system, there being certain expemptions to this requirement.

Related Business

Consumer financing segment

We participate in the consumer financing business through our subsidiaries Tarshop and Metroshop, in which as of June 30, 2010 we held a 100% and a 50% interest, respectively. During year 2010, Alto Palermo entered into an agreement for the sale of 80% of its shareholding in Tarshop to Banco Hipotecario. On May 21, 2010 and as part of the above mentioned agreement, Alto Palermo and Tarshop. entered into an agreement that perfected the transfer of shares, pursuant to which Tarshop sold to Alto Palermo 18,400,000 registered, non-endorsable common shares issued by Metroshop, representing 50% of Metroshop S.A. s capital stock . On August 30, 2010, the Central Bank notified Banco Hipotecario of the approval of the transaction. Consequently, on September 13, 2010, the transaction was closed.

The Argentine consumer financing market revolves basically around two main instruments: credit cards and unsecured loans, both in cash and through consumption financing at retail stores. These two modalities entail the involvement of two types of entities: those regulated by the Law of Financial Institutions (Law No. 21,526) that include banks and financial institutions and unregulated institutions, such as Tarshop.

In turn, Tarshop s business structure includes (i) Credit Cards, (ii) Unsecured Loans, (iii) Consumer Financing at Retail Stores and (iv) Peripherals. As regards the Credit Card segment that does business as Tarjeta Shopping , Tarshop is responsible for issuance, processing and sales which in turn affords the company the advantage of being flexible in the design of plans that meet the needs of both target customers and the retail stores that operate with the company.

As of June 30, 2010, Tarshop had 872,000 customer accounts, 347,000 of which posted balances, with an average outstanding amount of Ps. 1,727 per account. The total portfolio amounted to Ps. 884.3 million, with 42.4% being securitized through the Tarjeta Shopping Financial Trust Program.

As of June 30, 2010, Tarshop s loan portfolio, net of write-offs and including securitized coupons was Ps. 608.0 million, 2.9% lower than the Ps. 627.0 million loan portfolio held as of June 30, 2009.

Tarshop s current business network is made up by 23 points of sale scattered throughout the City of Buenos Aires, Greater Buenos Aires, Córdoba, Tucumán, Salta and Jujuy. As of June 30, 2010, the retail stores that accepted payments through the Tarshop credit card were more than 50,000, 30.2% of which post transactions on a regular basis. On the whole, more than 6.2 million transactions have been posted during the year mentioned.

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As regards collections, loans overdue for periods ranging from 90 to 180 days as of June 30, 2010 stood at 3.1% (over the portfolio net of write-offs).

On October 30, 2009, the Tarshop s shareholders resolved upon a capital increase, through the capitalization of irrevocable capital contributions on account of future capital increases, for the amount of Ps. 105.0 million. This amount was provided as financial aid to Tarshop during the second quarter of 2009, which was subsequently accepted as irrevocable capital contributions. The adoption of this measure sought strengthening Tarshop s balance sheet and reinforcing its financial position ,considering the delicate situation prevailing in the financial trust market in which a part of Tarshop s businesses are conducted and Tarshop s very low capitalization compared to its competitors.

During fiscal year 2010, Tarshop had total net income of Ps. 27,12 which compares favourably to the net loss of Ps. 94,074 for fiscal year 2009, that can be explained by the decisions implemented and the improvement in capitalization combined with a relative stabilization in local financial markets, a drop in uncollectibility charges and a decrease in operating expenses. It should be highlighted that, during the last months of fiscal year 2009, a drop in losses was observed compared to previous quarters.

The table below contains information about our consumer financing business for the relevant fiscal years:

	Year ended June 30,		
	2008	**2009**	**2010**
	(in million Pesos - constant currency)		
Revenues from sales:			
Revenues from services (1)	160.1	117.7	116.4
Interest	52.0	56.1	70.9
Commissions to retail stores	31.4	25.2	26.6
Revenues from services rendered to Metroshop	5.6	5.9	4.3
Other revenues from services rendered	6.4	6.4	7.1
Income on portfolio securitization	13.4	11.5	26.4
Total revenues from sales	**268.9**	**222.8**	**251.7**

(1) These are revenues from: fees on the grant of loans, account maintenance and management, collections procedures, selling expenses and purchases in installments.

Purchase and credit card

Tarshop operates in this business as an issuing and financing company, as a processor of its own card trademark, and as payer to the network of stores accepting the product.

Tarjeta Shopping is accepted in over 50,000 affiliated stores, including the main supermarket, household appliances chains, and shopping centers.

Through its product Tarjeta Shopping, Tarshop provides a wide variety of benefits, such as exclusive discounts and promotions, financing plans in installments, cash advances in the ATM networks all over the country, balance financing through minimum payments, and it also facilitates balance payments at several collection entities, automatic teller machine networks, internet, direct debits through customers debit cards and certainly at Tarshop s own branch network.

A differentiating element of Tarshop s competitive strategy is its ability to establish the eligibility of customers, and grant them their credit card immediately embossing plastics on the spot, at the branch, which allows the customers to have immediate use of the product.

The main channels for attracting customers are our branch offices, reinforced by booths and points of sale in our shopping centers and retail stores.

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Cash loans and consumer financing at stores

Tarshop s loans business operates through two distinct modalities:

- Personal loans granting cash amounts without a fixed use, called Préstamos Tarshop.
- Consumer financing at stores, granting loans to individuals intending to purchase a specific good, for a fixed amount in a store, called Créditos Tarshop.

Cash loans are granted in fixed installments in pesos and the terms offered vary according to market conditions.

Ease of access also applies to payments of installments as they can be channeled through different means, such as collections entities, networks of automatic teller machines, over the Internet, through direct debits from customers bank accounts and through Tarshop s own branch of networks.

Créditos Tarshop are loans granted immediately, upon the customer s submittal of the relevant documents. The store submits this documentation to our processing center where, after the relevant analysis of the documents, we decide whether the credit is granted.

Créditos Tarshop constitutes a product with major potential: they turn each affiliated store into a small branch, with no need for the infrastructure of a store. This modality applies mainly to stores that sell durable and semi-durable products.

Distribution Network

At present, Tarshop has 23 points of sale, including our shopping centers Alto Avellaneda, Alto Palermo and Abasto and Dot Baires, as well as storefronts in major commercial centers located in the District of Avellaneda, downtown Buenos Aires and in the cities of Lomas de Zamora, Morón, Quilmes, Liniers, Florencio Varela, San Justo, Moreno and Merlo, among others. It also has branches in the Provinces of Córdoba, Tucumán, Salta and San Salvador de Jujuy.

We have promotion booths and account representatives at Supermercados Coto in the cities of Lanús and Temperley and Supermercado Hiper Libertad located in the city of Salta. We have strategic alliances with certain major household appliances and motorcycle stores, where purchases can be made through the Créditos Tarshop system: credit can be granted on the spot with no need for a card for making the first purchase.

Each branch is organized as an independent business unit as regards commercial matters: they handle the resources required for attaining their commercial objectives concerning invoicing and account opening. Besides, Tarshop has its own structure of cashiers at branches for collection of account statement balances and for the automatic grant of cash loans to customers with facilities and procedures for fund management and transportation similar to those used in banks.

Loan Origination Process

The loan origination process is based on the enforcement of credit policies laid down by the Risk Committee with parameters set up in the system, by means of a Scoring Model.

Credit assessment is a three-step process: verification and control of documents submitted and data provided by the customer, analysis of credit history in the financial market and credit limit allocation. Such information is validated by various credit bureaus.

As a part of the credit assessment process, there is the involvement of the Fraud Department in the validation of data through the enforcement of prevention policies, by means of automatic identity validation tools.

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The allocation of a credit limit consists in the assessment of the amount to be granted according to the level of indebtedness, income and risk score within certain parameters. The calculation of income may take into account the income of one or more members of the applicant s family group, who are required to submit evidence of the documents as a guarantee.

For existing customers, Tarshop defines limit share reclassification policies, either individual or collective, processed by the Credit Department.

Portfolio Analysis and Maintenance

Resorting to statistical techniques and massive information handling tools geared towards mitigating credit risk, Tarshop supervises and monitors the behavior of its customer portfolio and the various economic conditions in the market that may have an adverse bearing customers repayment duties.

Besides, Tarshop deploys strategies consisting in acquisitions, cross-selling and maintenance of its portfolio in connection with its various target segments.

Collection Process

Tarshop s collection process is carried out according to the strategy defined by its Risk Management group.

It is divided into different tranches of default and it starts with preventive actions taken through a system of automatic calls to accounts deemed by Tarshop as prospectively risky.

The internal management process starts through a telephone call by the Collection Group Call Center and relies on telephone management supported by a predictive dialing device. It is simultaneously supplemented by letters and automatic messages.

This process intensifies as account default moves forward. When internal management is unsuccessful, collection management is referred in a pre-litigation instance to external law firms hired for that purpose.

Upon expiration of the term for external pre-litigation we perform a portfolio analysis and the accounts that may be subject to judicial proceedings are grouped together. Any accounts not fulfilling the requirements to bring legal action are referred to Collection Agents who visit the defaulting customers personally at their home address.

Throughout the process the use of mitigation tools is assessed, ranging from refinancing to payment reduction settlements.

The policies for allowances for bad debts are similar to those established by the Central Bank[1].

The following table describes the allowance percentages calculated by Tarshop based on the regulations of the Central Bank.

Condition	Arrears (days)	%
Regular Compliance	0 to 31	1
Inadequate Compliance	32 to 90	5
Deficient Compliance	91 to 180	25
Difficult Recovery	181 to 365	50

1 The allowance for bad debts was estimated based on credit classification performed according to criteria related to debtors obligation default levels, and according to this classification the minimum allowance criteria arising from Communication A 2729 and amendments of the Central Bank have been applied. In addition, the Company verifies whether the allowance raised as explained in the paragraph above is sufficient by assessing the portfolio that exhibits uncollectibility risk and based on its performance.

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The table below provides information about our loan portfolio (including the securitized fraction):

Accumulated temporary differences

25.5 16.7

Accumulated tax losses

29.2 21.2 **54.7 37.9**

Deferred tax assets are attributable to the following:

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Trading stock tax adjustments	2.5	1.6		
Provisions	11.4	10.6		
Accruals	1.5	1.2		
Plant and equipment and capital allowances	3.3	0.3		
Capitalised development costs	6.1			
Accumulated tax losses	29.2	21.2		
Other	0.7	3.0		
Total temporary differences	**54.7**	**37.9**		

The consolidated entity has not recognised deferred tax assets in respect of trading tax losses of $260.9 million (2005 - $292.1 million) and $207.0 million of capital losses (2005 - $360.7 million). The Company (as the head entity in the Australian tax-consolidated group) has unrecognised deferred tax assets of $185.7 million in respect of trading losses (2005 - $194.9 million) and capital losses of $186.6 million (2005 - 197.1 million). Deferred tax assets in respect of these losses have not been recognised as it is not probable that future taxable profits will be available against which these losses can be utilised.

The expiry dates of gross trading and capital losses for which deferred tax assets have not been recognised are as follows (in respect of financial years ending on 30 June):

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Year				
2007	33.1	28.1		
2008	0.3	0.3		
2009	49.0	48.9		
2011	52.3	83.1		
2012	65.4	63.5		
2013	0.9	0.9		
2019	24.8	24.0		
2022	9.0	8.7		
No expiry date	1274.1	1,331.5	1,240.9	1,306.5

Details of the movement in the balance of deferred tax assets are as follows:

$ in millions	Consolidated 2006	2005	The Company 2006	2005
Balance at the beginning of the financial year	37.9	25.1		
Over provision of prior year balance	(2.9)	(4.5)		
Amount credited to the income statement	19.2	19.8		
Net exchange differences on translation of foreign operations	0.5	(2.5)		
Balance at the end of the financial year	**54.7**	**37.9**		

There were no movements in deferred tax assets taken directly to equity during the year.

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16. Trade and Other Payables

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Current				
Amounts owing to subsidiaries			609.9	612.6
Trade creditors	126.1	106.8	5.1	4.3
Other creditors	16.0	22.3	6.1	12.0
Total Current	**142.1**	**129.1**	**621.1**	**628.9**
Non-Current				
Other creditors	0.7	0.8		
Total Non-Current	**0.7**	**0.8**		
Total Payables	**142.8**	**129.9**	**621.1**	**628.9**

17. Interest Bearing Liabilities

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Current				
Bank overdrafts	15.0	1.4		
Bank loans repayable in:				
Canadian dollars	3.0	5.3		
Chinese yuan	3.4			
Indian rupees	2.4	1.4		
Other loans repayable in:				
Australian dollars	66.0		66.0	
Japanese yen	24.5		24.5	
U.S. dollars		26.2		26.2
Total Current	**114.3**	**34.3**	**90.5**	**26.2**
Non-Current				
Bank loans repayable in:				
U.S. dollars	263.7	229.5		
Other loans repayable in:				
Australian dollars		66.0		66.0
Japanese yen		23.7		23.7
U.S. dollars	12.2	11.8	12.2	11.8
Total Non-Current	**275.9**	**331.0**	**12.2**	**101.5**
Total Interest Bearing Liabilities	**390.2**	**365.3**	**102.7**	**127.7**

At 30 June 2006 bank loans totalling $1.2 million (2005: $1.7 million) were secured, principally against property, plant and equipment having carrying values slightly in excess of the secured amounts payable. These security arrangements were in place prior to the subsidiaries concerned becoming part of the consolidated entity.

A US$250 million revolving credit bank facility was established on 30 April 2004 of which US$200 million had a five year term and US$50 million had a 364 day term. On 29 April 2005, US$150 million of the US$200 million was extended to 30 April 2010 and US$50 million to 30 April 2012. The US$50 million 364 day facility was initially extended to 30 April 2006 and has subsequently been extended to 30 April 2007. This facility can be accessed by the parent company and certain US subsidiaries. US$195 million of the term facilities had been drawn down at 30 June 2006 (June 2005 US$175 million) leaving an unused balance of the total facilities at that date of US$55 million.

There are a number of financial covenants attaching to this facility including restrictions on the level of borrowings of non guarantor subsidiaries, ensuring the assets of the guarantor subsidiaries are in excess of a specified percentage of total group assets and ensuring certain financial ratios are maintained. If any breaches of these covenants occur all monies outstanding under the facility become immediately due and payable. The Company is in compliance with all covenants. The interest rate for this facility is determined based on market rates at the time amounts are drawn down.

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17. Interest Bearing Liabilities (continued)

The following table sets out details in respect of the major components of Interest Bearing Liabilities at 30 June, 2006.

Nature and Currency of Borrowing	Amount $ m	Interest Rate % p.a.	Maturity Date
Bank Overdrafts			
Euros	8.0	2.80	At Call
Malaysian ringgits	1.4		At Call
UK pounds	4.4	4.50	At Call
United States dollars	1.2	4.60	At Call
Total Bank Overdrafts	**15.0**		
Bank Loans			
Current			
Canadian dollars	3.0	5.71	2007
Chinese yuan	1.7	5.58	2007
Chinese yuan	1.7	6.70	2007
Indian rupees	1.2	8.50	2007
Indian rupees	1.2	10.60	2007
	8.8		
Non-Current			
United States dollars	54.1	4.70	2008
United States dollars	108.2	4.82	2009
United States dollars	74.4	5.27	2010
United States dollars	27.0	5.28	2012
	263.7		
Total Bank Loans	**272.5**		
Other Loans			
Current			
Australian dollars	50.0	6.94	2007
Australian dollars	16.0	7.92	2007
Japanese yen	24.5	3.61	2007
	90.5		
Non-Current			
United States dollars	12.2	6.19	2010
	12.2		
Total Other Loans	**102.7**		

Total Interest Bearing Liabilities	**390.2**
Maturity Schedule	
Term to maturity:	
Within one year	114.3
One to two years	54.1
Two to three years	108.2
Three to four years	86.6
Greater than five years	27.0
Total	**390.2**

	Consolidated		The Company	
$ in millions	**2006**	**2005**	**2006**	**2005**
Net Interest Bearing Debt				
Current interest bearing liabilities	114.3	34.3	90.5	26.2
Non-current interest bearing liabilities	275.9	331.0	12.2	101.5
Cash at bank and short-term deposits	(311.1)	(218.7)	(1.2)	(0.5)
Net interest bearing debt	**79.1**	**146.6**	**101.5**	**127.2**

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18. Provisions

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Current				
Provision for employee entitlements	30.5	26.4	4.4	3.7
Provision for rationalisation and restructuring costs	8.5	8.5		
Provision for Accufix pacing lead related expenses	6.9	8.9		
Provision for insurance claims	4.7	4.9		
Total Current	**50.6**	**48.7**	**4.4**	**3.7**
Non-Current				
Provision for employee entitlements	20.8	20.2	0.2	0.3
Total Non-Current	**20.8**	**20.2**	**0.2**	**0.3**
Total Provisions	**71.4**	**68.9**	**4.6**	**4.0**

Reconciliations of the carrying amount of each class of provision, except for employee entitlements, are set out below:

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Provision for rationalisation and restructuring				
Balance at the beginning of the financial year	8.5	9.2		0.2
Amounts charged to the income statement	0.5	2.0		
Amounts utilised for intended purposes	(0.5)	(2.7)		(0.2)
Balance at the end of the financial year	**8.5**	**8.5**		
Provision for Accufix pacing lead related expenses				
Balance at the beginning of the financial year	8.9	11.2		
Amounts charged to the income statement		2.3		
Amounts utilised for intended purposes	(2.2)	(3.9)		
Net exchange differences on translation of foreign operations	0.2	(0.7)		
Balance at the end of the financial year	**6.9**	**8.9**		
Provision for insurance claims (Captive Insurance Companies)				
Balance at the beginning of the financial year	4.9	6.0		
Amounts utilised for intended purposes	(0.2)	(1.1)		
Balance at the end of the financial year	**4.7**	**4.9**		

Provision for rationalisation and restructuring costs

This provision covers a variety of matters predominantly relating to the sale of businesses and controlled entities and is regularly reviewed in light of issues that have been settled or new events that have arisen during the reporting period.

Provision for Accufix pacing lead related expenses

This provision is to meet the costs of patients associated with the monitoring and (where appropriate) explantation of Accufix pacing leads and for legal costs in defence of claims made in respect of the Accufix pacing leads. This provision is predominantly covered by cash required to be set aside by the Courts (refer Note 8 - Cash and Cash Equivalents - Restricted deposits).

Provision for insurance claims (Captive Insurance Companies)

Corrvas Insurance Pty. Ltd. and Corrvas Insurance (Singapore) Pte. Ltd. are entities authorised by their respective jurisdiction s regulatory authority to operate as captive insurance companies for Ansell Limited and its subsidiaries. This provision comprises current open claims where the reserves are set for the total estimated costs of individual claims that have not been fully paid out and Incurred but not reported (IBNR) claims.

In Australia, the provision is required to be supported by a Liability Valuation Report prepared by an actuary approved by the Australian Prudential Regulatory Authority. In Singapore, captives are exempted from undertaking an actuarial assessment of their insurance liabilities and are not required to lodge such a report with the Monetary Authority of Singapore (MAS). In line with MAS regulations, the IBNR estimates are in accordance with a policy approved by the board of Corrvas Insurance (Singapore) Pte. Ltd.

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19. Retirement Benefit Obligations

Ansell Limited and certain subsidiaries contribute to defined benefit and defined contribution superannuation plans maintained to provide superannuation benefits for employees.

The following sets out details in respect of defined benefit plans.

(a) Balance sheet amounts

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Present value of defined benefit obligations	84.3	83.7	16.5	17.4
Fair value of defined benefit plan assets	70.8	58.5	17.2	17.0
Net liability/(asset) in the balance sheet	13.5	25.2	(0.7)	0.4

The Company and its subsidiaries are obliged to contribute to the various superannuation plans as a consequence of legislation or Trust Deeds; legal enforceability is dependent on the terms of the legislation or the Trust Deeds.

In accordance with the various Trust Deeds, the Company and its subsidiaries are under no legal or constructive obligation to make up any shortfall in the plans assets to meet payments due to employees.

(b) Reconciliations of benefit obligations and plan assets

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Present value of defined benefit obligations				
Balance at the beginning of the financial year	83.7	76.6	17.4	17.0
Current service cost	2.4	4.0	1.3	0.8
Interest cost	4.0	4.1	0.7	0.8
Contributions by plan participants	0.4	0.1	0.2	0.1
Actuarial (gains)/losses	(2.7)	7.0	(0.2)	0.6
Taxes and expenses paid	(0.2)		(0.2)	
Past service cost		0.1		
Curtailment (gain)/loss		(0.9)		(0.1)
Settlements	(1.8)	(3.8)		
Benefits paid	(4.0)	(3.4)	(2.7)	(1.8)
Exchange rate changes/other movements	2.5	(0.1)		
Balance at the end of the financial year	84.3	83.7	16.5	17.4
Fair value of plan assets				
Balance at the beginning of the financial year	58.5	56.6	17.0	16.6
Expected return on plan assets	4.0	4.5	1.1	1.0
Actuarial gains/(losses)	5.0		1.8	1.1
Contributions by employer	7.5	4.9		
Contributions by plan participants	0.4	0.1	0.2	0.1
Taxes and expenses paid	(0.2)		(0.2)	

Settlements	(2.0)	(4.2)		
Benefits paid	(4.0)	(3.4)	(2.7)	(1.8)
Exchange rate changes/other movements	1.6			
Balance at the end of the financial year	70.8	58.5	17.2	17.0

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		The Company	
	2006	**2005**	**2006**	**2005**
Equity securities	66%	67%	63%	65%
Fixed interest securities	24%	25%	19%	20%
Property	7%	5%	11%	9%
Other	3%	3%	7%	6%

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Notes to the Financial Statements

19. Retirement Benefit Obligations (continued)

(d) Amounts recognised in the income statement

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Current service cost	2.4	4.0	1.3	0.8
Interest cost	4.0	4.1	0.7	0.8
Past service cost		0.1		
Curtailment (gain)/loss		(0.9)		(0.1)
Settlements	0.2	0.4		
Expected return on plan assets	(4.0)	(4.5)	(1.1)	(1.0)
Total expense recognised in the income statement	2.6	3.2	0.9	0.5

The expense is recognised in the following lines within the income statement:

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Cost of goods sold	0.2	1.0		
Selling, distribution and administration	2.4	2.2	0.9	0.5
	2.6	3.2	0.9	0.5
Actual return on plan assets	9.0	4.5	2.9	2.1

(e) Amounts recognised directly in accumulated losses

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Actuarial gain/(loss) recognised for year	7.7	(7.0)	2.0	0.5
Cumulative actuarial gain/(loss)	0.7	(7.0)	2.5	0.5

(f) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as a weighted average) were as follows:

	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Discount rate	4.8%	5.3%	4.9%	4.4%
Expected return on plan assets	6.5%	7.5%	7.0%	7.0%
Future salary increases	3.8%	4.1%	4.0%	4.0%

(g) Historic summary

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Defined benefit plan obligation	84.3	83.7	16.5	17.4
Plan assets	70.8	58.5	17.2	17.0

Deficit/(Surplus)	13.5	25.2	(0.7)	0.4
Experience adjustments (gain)/loss - plan liabilities	(0.2)	1.9	0.1	0.3
Experience adjustments (gain)/loss - plan assets	(5.1)		(1.8)	(1.1)

(h) Defined contribution superannuation plans

	Consolidated		The Company	
$ in millions	**2006**	**2005**	**2006**	**2005**
Contributions to defined contribution plans during the year	3.2	4.9	0.3	1.2

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Notes to the Financial Statements

19. Retirement Benefit Obligations (continued)

(i) Surplus/deficit for each material defined benefit superannuation plan (or section thereof) on a funding basis

The table below shows the surplus/deficit of the material defined benefit superannuation plans measured as the difference between the net market value of plan assets and accrued benefits, as determined in accordance with AAS 25 *Financial Reporting by Superannuation Plans*. These figures (rather than those disclosed above) are calculated for funding purposes and are used to determine the required level of company contributions. The effective date of the amounts is 30 June 2005 being the date of the most recent financial statements of the plans.

$ in millions	**Fund assets**	**2006 Accrued benefit**	**Excess/ (Deficit)**
Plan sponsored by the Company			
Equipsuper superannuation plan (Ansell Ltd defined benefit section)	17.4	16.7	0.7
Plans sponsored by other entities in the consolidated entity			
USA Plans			
Ansell Cash Balance Pension Plan	35.9	41.5	(5.6)
Ansell Healthcare Products Inc Union Retirement Plan	9.0	9.9	(0.9)
Ansell Cash Balance Pension Restoration Plan		1.9	(1.9)
Total for plans sponsored by the consolidated entity	62.3	70.0	(7.7)

(j) Funding arrangements for employer contributions

Equipsuper superannuation plan

Contribution recommendations occur in accordance with Equipsuper Contribution and Funding policy after the update of the employer benefit accounts each six months. The last such update occurred as at 30 June 2005. The minimum recommended contribution rate effective 1 July 2005 was 12.6% of defined benefit members salaries.

The method used to determine the employer contribution recommendations at the last actuarial review was the Target Funding Method. The method adopted affects the timing of the cost to the Company. Under the Target Funding method, the employer contribution rate is set at a level such that the Plan s assets are expected to equal 105% of the Plan s liabilities (on the actuarial funding basis) within 5 years.

USA Funds

The relevant entities make annual contributions each year to the Cash Balance Plan and the Union Plan that are at least equal to the minimum required contribution determined under U.S. pension plan funding laws. Contributions that are made in excess of the minimum funding requirement produce a funding credit that may be used to satisfy the minimum funding requirements of subsequent years. Contributions are not made in excess of the amount that is immediately tax deductible. During the year ended 30 June 2006 contributions made to the Cash Balance Plan and the Union Plan were US$4,050,000 and US$950,000, respectively. The Restoration Plan is not subject to U.S. minimum funding requirements. Contributions to the Restoration Plan are equal to the benefit payments to participants (pay-as-you-go basis).

The contribution requirements and recommendations described above were determined using the Projected Unit Credit funding method. Under this method, the projected benefits of each individual included in the actuarial valuation are allocated to valuation years based on years of service. The normal cost is the portion of the actuarial present value of benefits that is allocated to the current year. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial accrued liability. Under this method, the actuarial gains (losses), as they occur, generally reduce (increase) the actuarial accrued liability.

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Notes to the Financial Statements

20. Deferred Tax Liabilities

The tax effect of temporary differences that give rise to significant portions of the provision for deferred income tax are presented below:

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Depreciation on plant adjustments	9.9	7.9		
Amortisation of intangible assets	15.8	10.2		
Other	(0.2)	0.2		
Total	**25.5**	**18.3**		

Details of the movement in the balance of deferred tax liabilities are as follows:

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Balance at the beginning of the financial year	18.3	23.3		
Over provision of prior year balance	(1.3)	(3.6)		
Amount charged to the income statement	7.7	0.6		
Net exchange differences on translation of foreign operations	0.8	(2.0)		
Balance at the end of the financial year	**25.5**	**18.3**		

There were no movements in deferred tax liabilities taken directly to equity during the year.

21. Expenditure Commitments

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
(a) Capital expenditure commitments				
Contracted but not provided for in the financial statements:				
Plant and equipment	2.4	0.9		
	2.4	0.9		
Payable within one year	2.4	0.9		
(b) Operating Lease Commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	10.5	9.5	3.9	3.3
One year or later and no later than five years	24.6	27.0	2.0	5.7
Later than five years	6.3	9.5		1.8
	41.4	**46.0**	**5.9**	**10.8**

The consolidated entity leases property under operating leases expiring from one to fifteen years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

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Notes to the Financial Statements

22. Ownership-Based Remuneration Schemes
Ansell Limited Stock Incentive Plan

The Company only operates one equity incentive plan, the Ansell Limited Stock Incentive plan. Details of the operation of the Plan and the details and number of Performance Share Rights (PSRs) granted during the year are set out in Section 2B of the Remuneration Report and Note 25 Key Management Personnel Disclosures.

In accordance with the disclosure requirements of Australian Accounting Standards remuneration includes a proportion of the fair value of options and PSRs granted or outstanding during the year. The fair value is determined as at grant date and is progressively allocated over the vesting period for these securities. The amount included as remuneration (as disclosed in the Remuneration Report and Note 25) is not related to, or indicative of, the benefit (if any) that individual executives may ultimately realise should the options or PSRs vest.

The fair value of options and PSRs is calculated at the date of grant using binomial tree techniques. The fair values and the factors and assumptions used in determining the fair values of the tranches of options and PSRs applicable for financial year 2006 are as follows:

Instrument	Number Issued	Grant Date	Expiry Date	Fair Value per Option/PSR	Exercise Price	Share Price on Grant Date	Risk Free Interest Rate	Dividend Yield
Options	525,000	30/6/2004	30/6/2014	$ 2.35 -$ 2.38	$ 7.40	$ 7.74	6.1%	2.0%
PSRs	515,000	18/12/2003	30/6/2006	$ 5.89 -$ 6.12	N/A	$ 6.19	N/A	2.0%
PSRs	150,000	30/6/2004	30/6/2007	$ 6.94 -$ 7.22	N/A	$ 7.74	N/A	2.0%
PSRs	391,000	8/8/2004	30/6/2007	$ 7.34 -$ 7.64	N/A	$ 7.78	N/A	2.0%
PSRs	500,000	16/8/2005	30/6/2008	$ 9.45 -$ 9.83	N/A	$ 10.00	N/A	2.0%

An estimated volatility factor of up to 20% has been applied in the above valuations and is based on an analysis of historical share price data.

Options - Generally

As at the date of this report 712,358 unissued ordinary shares in the Company remain under option (refer to Note 25 for details).

Discontinued Executive and Employee Share Plans

The Company (when it was Pacific Dunlop Limited) historically operated two share plans for employees and Directors of the consolidated entity:

- the Pacific Dunlop Executive Share Plan (Executive Plan) - discontinued in 1996, and
- the Pacific Dunlop Employee Share Plan (Employee Plan) - discontinued in 1994.

The Employee Plan permitted eligible employees to acquire a number of shares in the Company. The shares were issued at market value, payable as to 50 cents per share by the employee, the balance financed by an interest free loan from the Company repayable, at latest, on cessation of employment. The shares are not transferable while a loan remains outstanding, but carry a voting right and an entitlement to dividends (although dividends are applied in reduction of the loan).

Shares issued under the Executive Plan to selected employees (Executives) were paid up to 5 cents and were subject to restrictions for a period. While partly paid, the shares are not transferable, carry no voting rights and no entitlement to dividends (but are entitled to participate in bonus or rights issues as if fully paid). The price payable for shares issued under the Executive Plan varies according to the event giving rise to a call being made. Once restrictions ceased the price payable upon a call being made is the lesser of $10.00 ($2.50 for issues prior to 13 September 1991) and the last sale price of the Company s ordinary shares on Australian Stock Exchange Limited.

The number of Employee Share Plan Shares and the number of Executive Plan Shares (ordinary plan shares paid to five cents) as at balance date are shown in Note 4. A loss of $9,884 pre-tax in respect of the Employee Share Plan was recognised in the Company and the consolidated financial statements for 2006 (2005 - $13,801 pre-tax).

The market price of the Company s shares as at 30 June 2006 was $9.67.

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Notes to the Financial Statements

23. Contingent Liabilities and Contingent Assets
Indemnities and Guarantees

Ansell Limited (the Company) has previously entered into Deeds of Indemnity with each of the Directors of the Company and certain officers of subsidiaries, in relation to liabilities that they may incur (other than to the Company or subsidiaries) as Directors of the Company and Directors and officers of certain subsidiaries respectively, to the extent permitted by law and the Company s Constitution.

The Company has also guaranteed the performance of certain wholly-owned subsidiaries which have negative shareholders funds.

At this time, no liabilities the subject of any such indemnity or guarantee have been identified and, accordingly, it is not possible to quantify any financial obligation of the consolidated entity under these indemnities and of the Company pursuant to its guarantee.

Accufix Litigation

Only a limited number of lawsuits in relation to the Accufix pacing leads which have been made against certain subsidiaries remain on foot, the majority of which have been brought in France.

As at 30 June 2006, the balance of the provisions made for settlements in relation to claims (as disclosed in Note 18) is considered adequate to address any remaining liability of members of the consolidated entity.

Latex Allergy Litigation

As at 30 June 2006, there were approximately eight product liability cases pending against one or more subsidiaries in the United States in relation to allergic reaction to exposure to natural rubber latex gloves.

In a number of additional cases, distributors of latex gloves, who have also been named as defendants, are pursuing cross-claims and third party claims against several manufacturers of natural rubber latex gloves, including subsidiaries of the Company, in an effort to recover their costs related to the latex litigation. In some cases, judgement has been entered against a subsidiary. The relevant subsidiaries are appealing these decisions. The Company is not a defendant in any cases in the United States.

It is not possible at this time to quantify the potential financial impact of the remaining cases on the consolidated entity, however they are not considered to have a material potential impact on the results either individually or on an aggregate basis.

Business and Asset Sales

The Company and various subsidiaries have, as part of the consolidated entity s historical asset and business sale program, provided warranties, indemnities and other undertakings and, in some instances, the Company has guaranteed the warranties, indemnities and other obligations of various subsidiaries, to the purchasers of assets and businesses. At this time, it is not possible to quantify the potential financial impact of those warranties, indemnities, undertakings or guarantees upon the consolidated entity. From time to time, the Company has received notices from purchasers of its businesses and assets pursuant to the relevant sale agreements. No formal proceedings are currently on foot and, accordingly, it is not possible at this time to quantify the potential financial impact on the consolidated entity.

Exide Corporation

US legal proceedings are continuing against entities in the Exide Group in connection with the sale of the GNB business. Proceedings against those entities in the Exide Group that have not filed for bankruptcy (Non-bankrupt Entities) were transferred to the Delaware bankruptcy court (the Court) where the Court determined that all of the consolidated entity s claims against the Non-bankrupt Entities may only be asserted against Exide Technologies, Inc., a company which has emerged from bankruptcy.

The consolidated entity has requested that the Court reconsider its decision and the Court has denied that request. The consolidated entity has filed an appeal to the United States District Court (the Appeal Court) and, under the rules of the Appeal Court, the consolidated entity participated in a mediation with the Exide Group. The mediation did not result in an agreement among the parties regarding any of the claims each has asserted against the other. The parties have fully briefed the issues on appeal, but no decision has yet been issued by the Appeal Court. The consolidated entity will continue to pursue recovery of the amounts owed by the Exide Group, but as to the reorganised company, Exide Technologies, Inc, the consolidated entity expects to recover only stock in that company. The ultimate amount of the consolidated entity s claims has not yet been determined and therefore the amount and value of the stock that may be recovered from Exide Technologies, Inc. is also undetermined.

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Notes to the Financial Statements

24. Financial Instruments
Derivative Financial Instruments

The consolidated entity is involved in a range of derivative financial instruments, which can be defined in the following broad categories:

(i) Forward / Future Contracts

These transactions enable the consolidated entity to buy or sell specific amounts of foreign exchange, financial instruments or commodities at an agreed rate/price at a specified future date. Maturities of these contracts are principally between six months and two years.

(ii) Foreign Exchange Options

This is a contract between two parties, which gives the buyer of the put or call option the right, but not the obligation, to transact at a specified exchange rate. The consolidated entity typically uses a combination of a bought and sold option, generally for zero cost, to hedge foreign currency receivable and payable cash flows out to one year.

(iii) Swaps

These agreements enable parties to swap interest rate (from or to a fixed or floating basis) or currency (from one currency to another currency) positions for a defined period of time. Maturities of the contracts are principally between two and five years.

Interest Rate Risk

The exposure to interest rate risk and the effective weighted average interest rate for classes of income earning financial assets and interest bearing financial liabilities is set out below:

			Fixed Interest repricing in:				
$ in millions	**Weighted Average Effective Interest Rate %**	**Floating**	**1 year or less**	**1 to 5 years**	**Over 5 years**	**Non Interest Bearing**	**Total**
Consolidated							
2006							
Interest earning financial assets							
Cash on hand and at bank	3.4%	35.2	10.4			29.8	75.4
Short-term and restricted deposits	4.9%	183.5	56.3			2.8	242.6
Interest bearing financial liabilities							
Bank overdraft	4.7%	(13.6)				(1.4)	(15.0)
Bank and other loans	5.3%	(78.2)	(33.3)	(236.7)	(27.0)		(375.2)
Effect of interest rate swaps	(1.3%)	12.2		(12.2)			
		139.1	**33.4**	**(248.9)**	**(27.0)**	**31.2**	**(72.2)**
2005							
Interest earning financial assets							
Cash on hand and at bank	1.6%	19.2	6.5			43.7	69.4
Short-term and restricted deposits	4.5%	48.8	105.4			3.7	157.9
Receivables - other	6.1%	66.8				44.8	111.6
Interest bearing financial liabilities							
Bank overdraft	4.5%	(0.3)				(1.1)	(1.4)

Bank and other loans	5.1%	(127.7)	(43.6)	(192.6)		(363.9)
Effect of interest rate swaps	(0.8%)	38.0		(38.0)		
		44.8	**68.3**	**(230.6)**	**91.1**	**(26.4)**
The Company						
2006						
Interest earning financial assets						
Cash on hand and at bank	5.3%	0.6			0.6	1.2
Amounts owing by subsidiaries	4.9%	482.8			348.7	831.5
Interest bearing financial liabilities						
Bank and other loans	6.2%	(78.2)	(24.5)			(102.7)
Effect of interest rate swaps	(2.2%)	12.2		(12.2)		
		417.4	**(24.5)**	**(12.2)**	**349.3**	**730.0**
2005						
Interest earning financial assets						
Cash on hand and at bank	5.1%	0.1			0.4	0.5
Amounts owing by subsidiaries	3.8%	598.0			503.1	1,101.1
Interest bearing financial liabilities						
Bank and other loans	5.5%	(127.7)				(127.7)
Effect of interest rate swaps	(1.2%)	38.0		(38.0)		
		508.4		**(38.0)**	**503.5**	**973.9**

A separate analysis of debt by currency can be found at Note 17 - Interest Bearing Liabilities.

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Notes to the Financial Statements

24. Financial Instruments (continued)

Credit Risk and Net Fair Value

(i) Credit Risk

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for impairment.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counter parties in various countries.

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

(ii) Net Fair Value

The Directors consider that the carrying amount of recognised financial assets and financial liabilities approximates their net fair value. Refer to Note 1 for accounting policies in respect of the carrying values of financial assets and financial liabilities.

The following table displays:

(i) Face Value

This is the contract s value upon which a market rate is applied to produce a gain or loss which becomes the settlement value of the derivative financial instrument.

(ii) Credit Risk

This is the maximum exposure to the consolidated entity in the event that all counterparties who have amounts outstanding to the consolidated entity under derivative financial instruments, fail to honour their side of the contracts. The consolidated entity s exposure is almost entirely to banks (see (v) below). Amounts owed by the consolidated entity under derivative financial instruments are not included.

(iii) Net Fair Value

This is the amount at which the instrument could be realised between willing parties in a normal market in other than a liquidation or forced sale environment. The net amount owed by / (owing to) financial institutions under all derivative financial instruments would have been ($1.5 million) (2005 - $2.8 million), if all contracts were closed out on 30 June 2006.

	Face Value		Credit Risk		Net Fair Value	
$ in millions	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Foreign Exchange Contracts						
Purchase/Sale Contracts:						
- U.S. dollars	26.5	78.5	0.1	0.5		0.4
- Australian dollars	87.8	5.0	0.1			
- Euro	39.6	20.7	0.1		(0.2)	(0.7)
- Other currencies	8.7	5.3			(0.2)	(0.1)
Cross Currency Swaps:						

- U.S. dollars	24.5	23.7	0.1	0.9	0.1	(0.1)
Foreign Exchange Options						
Zero Cost Collar						
- Euro/U.S. dollars	124.8	99.3	0.8	2.6	(1.2)	3.1
- U.S. dollars/Thai baht	39.1	16.5	7.0	0.4	(0.1)	
- Australian dollars/U.S. dollars	27.0	6.0	0.5		0.6	
- Canadian dollars/U.S. dollars	42.9	29.1	0.2	0.2	(0.9)	(0.1)
- Pounds sterling/U.S. dollars	2.2	0.9				
- U.S. dollars/Euro		6.6				
- U.S. dollars/Mexican peso	19.7		2.5		(0.1)	
Interest Rate Contracts						
Interest Rate Swaps:						
- U.S. dollars	12.2	38.0	0.5	0.4	0.5	0.3
Total	**455.0**	**329.6**	**11.9**	**5.0**	**(1.5)**	**2.8**

From time to time in the ordinary course of business, the consolidated entity enters into forward exchange contracts to hedge a proportion of its purchase and sale commitments denominated in foreign currencies (principally US dollars). Hedge cover does not exceed 12 months.

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Notes to the Financial Statements

24. Financial Instruments (continued)

(iv) Market/Liquidity Risk

The consolidated entity seeks to reduce the risk of:

(a) being forced to exit derivative financial instrument positions at below their real worth; or

(b) finding it cannot exit the position at all, due to lack of liquidity in the market;
by:

(a) dealing only in liquid contracts dealt by many counterparties; and

(b) dealing only in large and highly liquid and stable international markets.

(v) Credit Risk by Maturity

The following table indicates the value of amounts owing by counterparties by maturity. Based on the policy of not having overnight exposures to an entity rated lower than A- by Standard & Poor s or A3 by Moody s Investors Service, it is felt the risk to the consolidated entity of the counterparty default loss is not material.

$ in millions	Foreign Exchange Related Contracts 2006	Foreign Exchange Related Contracts 2005	Interest Rate Contracts 2006	Interest Rate Contracts 2005	Foreign Exchange Options 2006	Foreign Exchange Options 2005	Total 2006	Total 2005
Term:								
0 to 6 mths	0.4	0.5			3.9	2.1	4.3	2.6
6 to 12 mths					7.1	1.1	7.1	1.1
1 to 2 yrs		0.9						0.9
2 to 5 yrs			0.5	0.4			0.5	0.4
Total	**0.4**	**1.4**	**0.5**	**0.4**	**11.0**	**3.2**	**11.9**	**5.0**

(vi) Historical Rate Rollovers

It is the consolidated entity s policy not to engage in historical rate rollovers except in circumstances where the maturity date falls on a bank holiday. In these instances, settlement occurs on the next trading day.

(vii) Hedges and Anticipated Future Transactions

The following table shows the consolidated entity s deferred gains and (losses), both realised and unrealised, that are currently held on the balance sheet and the expected timing of recognition as revenue or expense:

	Interest Rate		Foreign Exchange	
$ in millions	**2006**	**2005**	**2006**	**2005**
Realised Swaps Deferred				
1 to 2 years	(0.2)	(0.3)		
2 to 5 years	(3.0)	(3.6)		
Unrealised Swaps Deferred				
Less than 1 year	(0.5)		0.9	

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Notes to the Financial Statements

25. Key Management Personnel Disclosures

This note is to be read in conjunction with the Remuneration Report.

Details of remuneration

Directors of Ansell Limited

Details of the remuneration of all directors of Ansell Limited is set out in the following tables:

	Short-term Benefits			Post Employment Benefits	Termination Benefits	Share-based Payments	
	Cash salary and fees		Non-monetary benefits	Superannuation Contributions		Options and Performance Share Rights	
2006	**$**	**Cash bonus**	**$**	**$**	**$**	**$**	**Total $**
Non-executive							
P L Barnes	206,879			18,707			225,586
G L L Barnes	77,715						77,715
R J S Bell	85,736			2,928			88,664
L D Crandall	98,145			8,833			106,978
H J Elliott	97,538		11,774	8,778			118,090
M J McConnell	32,827			2,954			35,781
E D Tweddell	21,484			1,934			23,418
Executive							
D D Tough (CEO and Managing Director)	984,164	1,059,949	189,936	229,062		637,804	3,100,915
Total	1,604,488	1,059,949	201,710	273,196		637,804	3,777,147

	Short-term Benefits			Post Employment Benefits	Termination Benefits	Share-based Payments	
	Cash salary and fees		Non-monetary benefits	Superannuation Contributions		Options and Performance Share Rights	Total
2005	**$**	**Cash bonus**	**$**	**$**	**$**	**$**	**$**
Non-executive							
P L Barnes	91,875		1,287	8,269			101,431
L D Crandall	82,500		17,690	7,425			107,615
H J Elliott	82,500			7,425			89,925
M J McConnell	82,500		16,034	7,425			105,959
E D Tweddell	234,375		1,044	21,094			256,513
Executive							
D D Tough (CEO and Managing Director)	854,139	705,283	70,637	114,260		1,409,968	3,154,287
Total	1,427,889	705,283	106,692	165,898		1,409,968	3,815,730

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Notes to the Financial Statements

25. Key Management Personnel Disclosures (continued)

Details of remuneration (continued)

Other Key Management Personnel

Details of the remuneration of each of the Other Key Management Personnel of the consolidated entity are set out in the following tables:

	Short-term Benefits			Post Employment Benefits	Termination Benefits	Share-based Payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation Contributions		Options and Performance Share Rights	Total
2006	$	$	$	$	$	$	$
P W Corke	332,906	214,854	58,925	71,861		199,427	877,973
W Heintz	532,222	233,649	61,092	150,718		219,561	1,197,242
R F Jilla	489,971	316,266	50,305	107,635		462,249	1,426,426
N R O Donnell	212,000	91,201	33,967	42,400		126,855	506,423
W Reed	366,167	75,074	139,087	92,115		216,290	888,733
W G Reilly	352,688	227,746	37,459	75,655		199,427	892,975
Total	2,285,954	1,158,790	380,835	540,384		1,423,809	5,789,772

	Short-term Benefits			Post Employment Benefits	Termination Benefits	Share-based Payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation Contributions		Options and Performance Share Rights	Total
2005	$	$	$	$	$	$	$
P W Corke	315,147	179,385	60,080	59,193		133,886	747,691
W Heintz	365,737	129,230	220,903	117,218		181,757	1,014,845
R F Jilla	442,181	261,603	35,593	94,540		403,242	1,237,159
N R O Donnell	205,000	49,003	33,768	41,000		98,535	427,306
W Reed	348,074	126,380	161,811	83,260		176,855	896,380
W G Reilly	321,794	183,122	36,255	62,329		133,886	737,386
P Soszyn*	178,879	112,712	16,920	24,855	752,784	26,863	1,113,013
Total	2,176,812	1,041,435	565,330	482,395	752,784	1,155,024	6,173,780

* P Soszyn ceased employment on 28 February 2005 and is included in the above table as he met the definition of one of the highest remunerated executives for the year under the Corporations Act. Mr Soszyn would not have met the definition of a key management person under AASB 124 *Related Party Disclosures* and as such is excluded from the comparative information in respect of other disclosures required by AASB 124.

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Notes to the Financial Statements

25. Key Management Personnel Disclosures (continued)

Equity Instruments

Options and Performance Share Rights (PSRs) granted as compensation

Equity grants made to Key Management Personnel

The number of PSRs granted to key management personnel as compensation is set out in the tables below. No grants of options were made.

2006	Number of PSRs granted during the year	Future financial years that grant may vest	Maximum total value of grant ($ per tranche) (1)
P W Corke	25,000	2007	81,913
		2008	80,330
		2009	78,757
W Heintz	25,000	2007	81,913
		2008	80,330
		2009	78,757
R F Jilla	55,000	2007	180,213
		2008	176,730
		2009	173,256
N R O Donnell	15,000	2007	49,150
		2008	48,200
		2009	47,250
W Reed	25,000	2007	81,913
		2008	80,330
		2009	78,757
W G Reilly	25,000	2007	81,913
		2008	80,330
		2009	78,757

(1) The values per PSR were calculated as $9.83, $9.64 and $9.45 for the tranches that may vest in 2007, 2008 and 2009 respectively.

2005	Number of PSRs granted during the year	Future financial years that grant may vest	Maximum total value of grant ($ per tranche) (2)
P W Corke	20,000	2006	50,928
		2007	49,936
		2008	48,936
W Heintz	25,000		

		2006	63,664
		2007	62,415
		2008	61,172
R F Jilla	50,000	2006	127,329
		2007	124,836
		2008	122,336
N R O Donnell	20,000	2006	50,928
		2007	49,936
		2008	48,936
W Reed	25,000	2006	63,664
		2007	62,414
		2008	61,172
W G Reilly	20,000	2006	50,928
		2007	49,936
		2008	48,936

(2) The values per PSR were calculated as $7.64, $7.49 and $7.34 for the tranches that may vest in 2006, 2007 and 2008 respectively.

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Notes to the Financial Statements

25. Key Management Personnel Disclosures (continued)

Equity Instruments (continued)

Options and Performance Share Rights (PSRs) granted as compensation (continued)

Movement in Options and PSRs on issue

The movement in the number of options and PSRs over ordinary shares of Ansell Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

						Vested at the date of this report	
2006	**Held at 1 July 2005**	**Granted during the year**	**Options exercised/ PSRs vested during the year**	**Options lapsed/ forfeited**	**Held at 30 June 2006**	**Options vested and exercisable/ PSRs vested(1)**	**Options not yet exercisable**
Options							
Director							
D D Tough	525,000			52,642	472,358	122,358	129,833
Other Key Management Personnel							
R F Jilla	300,000		60,000		240,000	240,000	
PSRs							
Director							
D D Tough	150,000		34,959		115,041	40,491	
Other Key Management Personnel							
P W Corke	38,334	25,000	20,000		43,334	20,000	
W Heintz	53,334	25,000	26,667		51,667	26,666	
R F Jilla	83,334	55,000	33,333		105,001	51,667	
N R O Donnell	30,334	15,000	15,667		29,667	15,667	
W Reed	51,667	25,000	26,666		50,001	25,000	
W G Reilly	38,334	25,000	20,000		43,334	20,000	

						Vested at the date of the 2005 financial report	
2005	**Held at 1 July 2004**	**Granted during the year**	**Options exercised/ PSRs vested during the year**	**Options lapsed/ forfeited**	**Held at 30 June 2005**	**Options vested and exercisable/ PSRs vested (1)**	**Options not yet exercisable**
Options							
Director							
D D Tough	525,000				525,000	122,358	129,833
Other Key Management Personnel							
R F Jilla	300,000				300,000	200,000	100,000
PSRs							
Director							
D D Tough	150,000				150,000	34,959	
Other Key Management Personnel							
P W Corke	31,667	20,000	13,333		38,334	20,000	
W Heintz	46,667	25,000	18,333		53,334	26,667	
R F Jilla	50,000	50,000	16,666		83,334	33,333	

N R O Donnell	30,000	12,000	11,666	30,334	15,667
W Reed	45,000	25,000	18,333	51,667	26,666
W G Reilly	31,667	20,000	13,333	38,334	20,000

(1) PSRs that vest after 30 June result in the allocation of one fully paid ordinary share to the holder of each PSR that has vested. The date of testing of the performance condition and vesting of the PSRs for each of the years above was 22 August 2006 and 16 August 2005.

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Notes to the Financial Statements

25. Key Management Personnel Disclosures (continued)

Equity Instruments (continued)

Movements in shares

The movement in the number of ordinary shares of Ansell Limited held directly, indirectly or beneficially, by each of the Key Management Personnel, including their personally-related entities during the 2006 financial year is as follows:

	Held at 1 July 2005	Purchases [a]	Received on vesting of PSRs	Sales	Held at 30 June 2006
Directors					
P L Barnes	12,639	1,906			14,545
G L L Barnes		5,658			5,658
R J S Bell		746			746
L D Crandall	8,963	899			9,862
H J Elliott	9,831	899			10,730
M J McConnell	5,354	960		6,314	
D D Tough	20,000		34,959	11,641	43,318
E D Tweddell	16,664			16,664	
Other Key Management Personnel					
P W Corke	16,105		20,000	14,000	22,105
W Heintz	26,666		26,667	39,999	13,334
R F Jilla	22,666	60,000	33,333	60,000	55,999
N O Donnell	5,833		15,667	13,667	7,833
W Reed	16,482		26,666		43,148
W G Reilly	14,913		20,000		34,913

The movement in the number of ordinary shares of Ansell Limited held directly, indirectly or beneficially, by each of the Key Management Personnel, including their personally-related entities during the 2005 financial year is as follows:

	Held at 1 July 2004	Purchases [a]	Received on vesting of PSRs	Sales	Held at 30 June 2005
Directors					
P L Barnes	11,685	954			12,639
L D Crandall	8,108	855			8,963
H J Elliott	8,976	855			9,831
S P Gold (alternate to M J McConnell)	16,444,079			16,444,079	0
M J McConnell	26,406	5,678		26,730	5,354
D D Tough		20,000			20,000
E D Tweddell	34,220	2,444		20,000	16,664
Other Key Management Personnel					
P W Corke	8,333		13,333	5,561	16,105
W Heintz	8,333		18,333		26,666
R F Jilla	6,000		16,666		22,666

N R O Donnell	5,000	11,666	10,833	5,833
W Reed	3,602	18,333	5,453	16,482
W G Reilly	5,545	13,333	3,965	14,913

[a] Includes shares purchased on market pursuant to the Non-executive Directors Share Plan.

Service Agreements

The Company has no service agreements with the Non-executive Directors. Refer to Section 2D of the Remuneration Report for details of service agreements with the Managing Director and other Key Management Personnel.

Other Transactions with specified directors and specified executives

From time to time, Key Management Personnel of the Company or its subsidiaries, or their personally-related entities, may purchase goods from the consolidated entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

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Notes to the Financial Statements

26. Notes to the Industry and Regional Segments Report
(a) Corporate Revenue and Costs

Represents costs of Statutory Head Office, part of the costs of Ansell Healthcare s Corporate Head Office and non-sales revenue.

(b) Cash

Cash also includes Accufix pacing leads restricted deposits.

(c) Inter-Segment Transactions

Significant inter-segment sales were made by Asia Pacific - $206.8 million (2005 - $196.8 million) and Americas - $218.5 million (2005 - $219.9 million). Inter-segment sales are predominantly made at the same prices as sales to major customers. Operating revenue is shown net of inter-segment values. Accordingly, the Operating revenues shown in each segment reflect only the external sales made by that segment.

(d) Industry Segments

The consolidated entity comprises the following main business segments:

Occupational Healthcare - manufacture and sale of occupational health and safety gloves.

Professional Healthcare - manufacture and sale of medical, surgical and examination gloves for hand barrier protection and infection control.

Consumer Healthcare - manufacture and sale of condoms, household gloves and other personal products.

(e) Regions

The allocation of Operating Revenue and Operating Results reflect the geographical regions in which the products are sold to external customers. Assets Employed are allocated to the geographical regions in which the assets are located.

Asia Pacific - manufacturing facilities in 4 countries and sales.

Americas - manufacturing facilities in USA and Mexico and significant sales activity.

Europe, Middle East and Africa - principally a sales region with one manufacturing facility in the UK.

	2006 $m	2005 $m
(f) Segment Capital Expenditure		
Occupational Healthcare	6.8	5.1
Professional Healthcare	7.8	6.0
Consumer Healthcare	1.9	3.0
(g) Region Capital Expenditure		
Asia Pacific	10.6	8.3
Americas	4.7	4.6
Eur Europe, Middle East and Africa	1.2	1.2
(h) Segment Depreciation		
Occupational Healthcare	10.2	9.1

Professional Healthcare	10.7	11.1
Consumer Healthcare	4.3	4.2
(i) Segment Other Non Cash Expenses		
Occupational Healthcare	10.5	11.3
Professional Healthcare	4.8	2.7
Consumer Healthcare	0.7	1.3

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Notes to the Financial Statements

27. Notes to the Cash Flow Statements

(a) Reconciliation of Net Cash Provided by Operating Activities to Net Profit

$ in millions	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Net profit	118.7	56.2	54.2	64.3
Add/(less) non-cash items:				
Depreciation	23.9	23.4	0.2	0.2
Amortisation	1.5	1.4		
Impairment - trade debtors	0.9	(0.1)		0.1
Impairment - amounts owing by subsidiaries			55.0	16.4
Impairment of investments in subsidiaries			21.0	42.3
Impairment of investment in SPT partnership	4.7	80.0		
Share-based payments expense	4.9	4.6	4.9	4.6
Add/(less) items classified as investing/financing activities:				
Interest received	(14.0)	(8.5)	(32.7)	(85.6)
Interest and financing costs paid	19.8	23.3	5.5	13.0
Loss on sale of investments, property, plant and equipment	0.1	0.1		
Gain on sale of subsidiary			(46.0)	
Net cash provided by operating activities before change in assets and liabilities	160.5	180.4	62.1	55.3
Change in assets and liabilities net of effect from acquisitions and disposals of subsidiaries and businesses:				
(Increase)/Decrease in trade and other receivables	(9.8)	10.0	5.5	(1.5)
(Increase)/Decrease in inventories	(26.9)	28.5	(0.4)	0.4
Decrease/(Increase) in other assets	(2.8)	(0.5)	0.2	0.5
Increase/(Decrease) in trade and other payables	8.7	(32.8)	(5.1)	(0.7)
(Decrease)/Increase in provisions	2.5	2.0	0.6	0.2
(Decrease)/Increase in retirement benefit obligations	(4.0)	(1.8)	0.9	0.5
Increase/(Decrease) in provision for deferred income tax	7.2	(5.0)		
(Increase)/Decrease in future income tax benefit	(16.8)	(12.8)		
(Decrease)/Increase in provision for income tax	0.1	3.1		
Other non-cash items (including foreign currency impact)	13.0	(18.3)	2.0	(1.8)
Net cash provided by operating activities	**131.7**	**152.8**	**65.8**	**52.9**

(b) Components of Cash and Cash Equivalents

For the purposes of the Cash Flow Statements, cash and cash equivalents includes cash on hand and at banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents, at the end of the financial year, as shown in the Cash Flow Statements, comprise:

$ in millions	Note	Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
Cash on hand	8	0.3	0.2		
Cash at bank	8	75.1	69.2	1.2	0.5
Short-term deposits	8	236.0	149.5		
Restricted deposits	8	6.6	8.4		

Bank overdrafts	17	(15.0)	(1.4)		
		303.0	**225.9**	**1.2**	**0.5**

(c) Net Loans to Subsidiaries

In the Cash Flow Statement of the Company, loan movements with subsidiaries are disclosed as a net movement due to such transactions being large in number and rapid in turnover.

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Notes to the Financial Statements

28. Acquisition of Subsidiaries

On 30 March 2006, the consolidated entity acquired 75% of the shares of Wuhan Jissbon Sanitary Products Company Ltd., a leading Chinese condom marketer for US$18.5 million (A$25.1 million) cash. In the three months to 30 June 2006 the subsidiary contributed $1.1 million to consolidated net profit. The impact on the results of the consolidated entity had the subsidiary been acquired at the beginning of the financial year has not been calculated as the subsidiary was accounted for under the Enterprise Accounting System of the People s Republic of China (Chinese GAAP) up to the date of acquisition and it was not practical to restate its Chinese GAAP results to AIFRS for the period 1 July 2005 to 30 March 2006.

The fair value of the identifiable assets and liabilities of Wuhan Jissbon Sanitary Products Company Ltd. as at the date of acquisition are:

	Acquiree s carrying value $ m	Fair Value Adjustments* $ m	Acquired values $ m
Property, plant and equipment	0.3		0.3
Intangible assets	0.2	(0.2)	
Cash	1.1		1.1
Trade and other receivables	16.8		16.8
Inventories	2.8	(1.0)	1.8
Other assets	0.2		0.2
Interest bearing liabilities	(7.0)		(7.0)
Trade and other payables	(4.2)		(4.2)
Provision for income tax	(0.5)		(0.5)
Net identifiable assets	9.7	(1.2)	8.5
Minority interest	(2.4)		(2.4)
Net identifiable assets acquired	7.3	(1.2)	6.1
Goodwill on acquisition			19.0
Consideration paid in cash			25.1
Outflow of cash			
Cash consideration			25.1
Less: Cash acquired			1.1
			24.0

* An Independent valuer has been appointed to value the brand names and other identifiable intangible assets of the acquired entity. This exercise had not been completed as at the date of this report and any adjustments that may be necessary to recognise any such assets will be made in the report for the year ended 30 June 2007.

29. Disposal of Subsidiaries

	Date of Disposal	Voting Shares Disposed %	Consideration (Cash) $ m	Net Tangible Assets Disposed $ m	Profit on Disposal* $ m
Pacific Dunlop Tyres Pty Ltd	25 January 2006	100	46.0		46.0

* The profit on the disposal of Pacific Dunlop Tyres Pty. Ltd. was reported in the accounts of the Company and was eliminated in full in the accounts of the consolidated entity.

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Notes to the Financial Statements

30. Related Party Disclosures
(a) Subsidiaries

Ansell Limited is the parent entity of all entities detailed in Note 32 and from time to time has dealings on normal commercial terms and conditions with those entities, the effects of which are eliminated in the consolidated financial statements.

Refer to the following Notes for additional information:

Note 2 Total Revenue - Dividends and interest received or receivable from subsidiaries

Note 9 Trade and Other Receivables - Amounts owing by subsidiaries

Note 12 Other Financial Assets - Investments in subsidiaries

Note 16 Trade and Other Payables - Amounts owing to subsidiaries

(b) Key management personnel

Disclosures relating to key management personnel are set out in Note 25.

(c) Other Related Company

Effective 25 January 2006, the consolidated entity disposed of its interest in South Pacific Tyres N.Z. Ltd. Up until the date of disposal, the consolidated entity received royalties from South Pacific Tyres N.Z. Ltd. as detailed below:

	Consolidated		The Company	
$ in millions	**2006**	**2005**	**2006**	**2005**
Royalty revenue				
South Pacific Tyres N.Z. Ltd.	0.4	0.6		

(d) Partnership

Effective 28 January 2006, the consolidated entity disposed of its share of the South Pacific Tyres partnership. Up until the date of disposal the consolidated entity conducted financial transactions with South Pacific Tyres on normal commercial terms and conditions being:

	Consolidated		The Company	
$ in millions	**2006**	**2005**	**2006**	**2005**
Other revenue				
South Pacific Tyres	2.4	4.0		
Aggregate current amounts receivable [a]				
South Pacific Tyres		0.6		
Aggregate non-current amounts receivable				
South Pacific Tyres [a]		66.2		

[a] Amount included within Other Amounts Receivable (Note 9)

Loans

The consolidated entity had a loan to the South Pacific Tyres partnership which was repaid immediately prior to the sale of the consolidated entity s share of the partnership.

Interest was charged at the 90 day bank bill rate plus a margin of 0.6% per annum.

Interest brought to account in relation to this loan during the year:

$ in millions	Consolidated 2006	The Company 2006
Interest revenue	2.4	

In addition, under the partnership agreement, South Pacific Tyres leased certain properties on a basis of equitable rentals mutually agreed by the partners. Lease payments of $0.1 million (2005 - $0.2 million) were made by South Pacific Tyres to the consolidated entity up to the date of sale. The Company, through its corporate treasury operations, also provided on the basis of normal commercial terms and conditions, forward exchange cover on behalf of the partnership.

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Notes to the Financial Statements

31. Earnings per Share

$ in millions	**Consolidated 2006**	**2005**
Earnings reconciliation		
Net profit	118.7	56.2
Net profit attributable to minority interests	2.6	1.8
Basic earnings	**116.1**	**54.4**
Diluted earnings	**116.1**	**54.4**
Weighted average number of ordinary shares used as the denominator		
Number of ordinary shares for basic earnings per share	158.3	167.5
Effect of partly paid Executive Plan shares, options and PSR s	1.5	1.6
Number of ordinary shares for diluted earnings per share	159.8	169.1

Partly paid Executive Plan shares, options and PSR s have been included in diluted earnings per share in accordance with accounting standards.

Conversion, Call, Subscription or issue after 30 June 2006

Refer to Note 4 Issued Capital for further information.

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Notes to the Financial Statements

32. Particulars Relating to Subsidiaries

	Country of Incorporation	Beneficial Interest 2006 %	2005 %
Ansell Limited	Australia		
Ansell Healthcare Japan Co. Ltd.	*Japan	**100**	100
Ativ Pac Pty. Ltd.	Australia	**100**	100
BNG Battery Technologies Pty. Ltd.	Australia	**100**	100
Cliburn Investments Pty. Ltd.	Australia	**100**	100
Dexboy International Pty. Ltd.	Australia	**100**	100
Corrvas Insurance Pty. Ltd.	Australia	**100**	100
Dunlop Olympic Manufacturing Pty. Ltd.	Australia	**100**	100
FGDP Pty. Ltd.	Australia	**100**	100
H.C. Sleigh Services Pty. Ltd.	Australia	**100**	100
N Harvesters Pty. Ltd.	Australia	**100**	100
PSL Industries Pty. Ltd.	Australia	**100**	100
International Better Brands Pty Ltd	Australia	**100**	100
Licknib Pty. Ltd.	Australia	**100**	100
Nucleus Ltd.	Australia	**100**	100
Lifetec Project Pty. Ltd.	Australia	**100**	100
Medical TPLC Pty. Ltd.	Australia	**100**	100
N&T Pty. Ltd.	Australia	**100**	100
Nucleus Trading Pte. Ltd.	*Singapore	**100**	100
THLD Ltd.	Australia	**100**	100
TNC Holdings Pte. Ltd.	*Singapore	**100**	100
TPLC Pty. Ltd.	Australia	**100**	100
Societe de Management Financier S.A.	*France	**100**	100
Olympic General Products Pty. Ltd.	Australia	**100**	100
Foamlite (Australia) Pty. Ltd.	Australia	**100**	100
Pacific Distribution Properties Pty. Ltd.	Australia	**100**	100
Pacific Dunlop Finance Pty. Ltd.	Australia	**100**	100
Pacific Dunlop Holdings (China) Co. Ltd.	*China	**100**	100
Ansell (Shanghai) Commercial and Trading Co. Ltd.	*China	**100**	
Pacific Dunlop Linings Pty. Ltd.	Australia	**100**	100
P.D. Holdings Pty. Ltd.	Australia	**100**	100
P.D. International Pty. Ltd.	Australia	**100**	100
Ansell Canada Inc.	*Canada	**100**	100
Llesna Healthcare Pty. Ltd.	Australia	**100**	100
CE Gloves (India) Limited (formerly Ansell Kemwell Ltd)	*India	**(a) 100**	74.9
Ansell Lanka (Pvt.) Ltd.	*Sri Lanka	**100**	100
Ansell (Thailand) Ltd.	*Thailand	**100**	100
Medical Telectronics N.V.	*Netherlands Ant.	**100**	100
Medical Telectronics Holding & Finance (Holland) B.V.	*Netherlands	**100**	100
Mt Waverley Estates Pty. Ltd.	Australia	**100**	100
Pacific Dunlop (Hong Kong) Limited.	*Hong Kong	**100**	100
Corrvas Insurance (Singapore) Pte. Ltd.	*Singapore	**100**	100
Pacific Dunlop Investments (USA) Inc.	*USA	**100**	100
Ansell Brazil LTDA	*Brazil	**100**	100
Ansell Edmont Industrial de Mexico S.A. de C.V.	*Mexico	**100**	100
Ansell Perry de Mexico S.A. de C.V.	*Mexico	**100**	100
Commercializadora GNK S.A de C.V.	*Mexico	**100**	100

Golden Needles de Mexico S.A de C.V.	*Mexico	**100**	100
Pacific Dunlop Holdings (USA) Inc.	*USA	**100**	100
Ansell Healthcare Products LLC.	*USA	**100**	100
Ansell Protective Products Inc.	*USA	**100**	100
Pacific Chloride Inc.	*USA	**100**	100
Pacific Dunlop Holdings Inc.	*USA	**100**	100
Pacific Dunlop USA Inc.	*USA	**100**	100
TPLC Holdings Inc.	*USA	**100**	100
Accufix Research Institute Inc.	*USA	**100**	100
TPLC S.A.	*France	**100**	100

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Notes to the Financial Statements

32. Particulars Relating to Subsidiaries (continued)

	Country of Incorporation	Beneficial Interest 2006 %	2005 %
Cotac Corporation	*USA	**100**	100
Pacific Dunlop Finance Company Inc.	*USA	**100**	100
Pacific Dunlop Holdings (Europe) Ltd.	*U.K.	**100**	100
Ansell Healthcare Europe N.V.	*Belgium	**100**	100
Ansell GmbH	*Germany	**100**	100
Ansell Italy Srl	* Italy	**100**	100
Ansell S.A.	*France	**100**	100
Ansell Spain SL (Sociedad de Responsabilidad Limitada)	*Spain	**100**	100
Ansell UK Limited	*U.K.	**100**	100
Pacific Dunlop Holdings (Singapore) Pte. Ltd.	*Singapore	**100**	100
JK Ansell Ltd.	*India	**(b) 50**	(b) 50
Ansell Services (Asia) Sdn. Bhd.	*Malaysia	**100**	100
Ansell Ambi Sdn. Bhd.	*Malaysia	**100**	100
Ansell (Kedah) Sdn. Bhd.	*Malaysia	**100**	100
Ansell (Kulim) Sdn. Bhd.	*Malaysia	**100**	100
Ansell Malaysia Sdn. Bhd.	*Malaysia	**75**	75
Ansell Medical Sdn. Bhd.	*Malaysia	**75**	75
Ansell N.P. Sdn. Bhd.	*Malaysia	**75**	75
Ansell Shah Alam Sdn. Bhd.	*Malaysia	**100**	100
PDOCB Pty. Ltd.	Australia	**100**	100
Ansell Medical Products Pvt. Ltd.	*India	**100**	100
Suretex Ltd.	*Thailand	**100**	100
Latex Investments Ltd.	Mauritius	**100**	100
Suretex Prophylactics (India) Ltd.	*India	**100**	100
STX Prophylactics S.A .(Pty.) Ltd.	*Sth Africa	**100**	100
Wuhan Jissbon Sanitary Products Company Ltd.	*China	**(c) 75**	
Dongguan Junwen Trading Co. Ltd.	*China	**(d) 90**	
Guangzhou Kangwei Trading Co. Ltd.	*China	**(d) 90**	
PD Licensing Pty. Ltd.	Australia	**100**	100
PD Shared Services Pty. Ltd.	Australia	**100**	100
PD Shared Services Holdings Pty. Ltd.	Australia	**100**	100
Siteprints Pty. Ltd.	Australia	**100**	100
S.T.P. (Hong Kong) Ltd.	*Hong Kong	**100**	100
Pacific Dunlop Holdings N.V.	*Netherlands Ant.	**100**	100
Pacific Dunlop (Netherlands) B.V.	*Netherlands	**100**	100
Textile Industrial Design & Engineering Pty. Ltd.	Australia	**100**	100
The Distribution Group Holdings Pty. Ltd.	Australia	**100**	100
The Distribution Group Pty. Ltd.	Australia	**(e) 100**	(e) 100
Nwodhsa Enterprises (Wholesale) Pty. Ltd.	Australia	**100**	100
TDG Warehousing Pty. Ltd.	Australia	**100**	100
The Distribution Trust	Australia	**100**	100
Union Knitting Mills Pty. Ltd.	Australia	**100**	100
Xelo Pty. Ltd.	Australia	**100**	100
Xelo Sacof Pty. Ltd.	Australia	**100**	100
Subsidiary Sold in Year Ended 30 June 2006			
Pacific Dunlop Tyres Pty. Ltd.	Australia		100
Subsidiary in Voluntary Liquidation at 30 June 2006			
TPLC Medizinprodukte GmbH.	*Germany	**100**	100

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* Subsidiaries incorporated outside Australia carry on business in those countries.

(a) Owned 74.9% by P.D. International Pty. Ltd. and 25.1% by Suretex Prophylactics (India) Ltd.

(b) Ansell Healthcare has day-to-day management control of this entity.

(c) Owned 34.2% by P.D. International Pty. Ltd. and 40.8% by Pacific Dunlop Holdings (China) Co. Ltd.

(d) Owned 90% by Wuhan Jissbon Sanitary Products Company Ltd.

(e) The trustee of The Distribution Trust is The Distribution Group Pty. Ltd. The beneficiary of the trust is Ansell Limited.

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Notes to the Financial Statements

33. Impact of Adopting Australian Equivalents to IFRS

As stated in note 1, these are the Company s and consolidated entity s first consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRSs.

In preparing its opening AIFRS balance sheet at 1 July 2004 and comparative information for the year ended 30 June 2005, the Company and the consolidated entity have adjusted amounts previously reported in financial statements prepared in accordance with its old basis of accounting (previous AGAAP) with the exception of comparative information in respect of AASB 132 and AASB 139.

Details of the impact of adopting AIFRS on the Company s and consolidated entity s income statement and balance sheet is set out in the following tables and the notes that accompany the tables. There was no material impact on previously reported cash flow information as a result of the adoption of AIFRS.

Impact on the Income Statements for the year ended 30 June 2005

			Consolidated			The Company	
	Note	Previous AGAAP $m	Transition Impact $ m	AIFRS $ m	Previous AGAAP $ m	Transition Impact $ m	AIFRS $ m
Revenue							
Total revenue	(g)	1,094.8	(1.4)	1,093.4	240.0		240.0
Expenses							
Cost of goods sold		650.1		650.1	74.8		74.8
Selling, distribution and administration	(a) (b) (d) (g)	308.0	(23.0)	285.0	27.8	1.4	29.2
Other		80.0		80.0	58.7		58.7
Total expenses, excluding financing costs		1,038.1	(23.0)	1,015.1	161.3	1.4	162.7
Financing costs		21.9		21.9	13.0		13.0
Profit before income tax		**34.8**	**21.6**	**56.4**	**65.7**	**(1.4)**	**64.3**
Income tax	(f)	21.7	(21.5)	0.2			
Net profit		**13.1**	**43.1**	**56.2**	**65.7**	**(1.4)**	**64.3**
Minority interests in net profit		1.8		1.8			
Net profit attributable to Ansell Limited shareholders		**11.3**	**43.1**	**54.4**	**65.7**	**(1.4)**	**64.3**

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Notes to the Financial Statements

33. Impact of Adopting Australian Equivalents to IFRS (continued)

Impact on the Balance Sheet of the consolidated entity at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005

		Consolidated					
			1 July 2004			30 June 2005	
	Note	Previous AGAAP $ m	Transition Impact $ m	AIFRS $ m	Previous AGAAP $ m	Transition Impact $ m	AIFRS $ m
Current Assets							
Cash on hand		0.9		0.9	0.2		0.2
Cash at bank and on deposit		306.9		306.9	218.7		218.7
Cash assets - restricted deposits		10.3		10.3	8.4		8.4
Trade and other receivables		228.7		228.7	214.1		214.1
Inventories		185.8		185.8	157.3		157.3
Other		16.4	(1.6)	14.8	14.4	(1.2)	13.2
Total Current Assets		**749.0**	**(1.6)**	**747.4**	**613.1**	**(1.2)**	**611.9**
Non-Current Assets							
Trade and other receivables		63.6		63.6	68.3		68.3
Other financial assets		141.4		141.4	59.0		59.0
Property, plant and equipment		227.8		227.8	195.4		195.4
Intangible assets	(d) (e)	293.4		293.4	246.2	22.6	268.8
Deferred tax assets	(f)	24.2	0.9	25.1	15.1	22.8	37.9
Other	(e)				2.1	(2.1)	
Total Non-Current Assets		**750.4**	**0.9**	**751.3**	**586.1**	**43.3**	**629.4**
Total Assets		**1,499.4**	**(0.7)**	**1,498.7**	**1,199.2**	**42.1**	**1,241.3**
Current Liabilities							
Trade and other payables	(b)	159.4		159.4	132.8	(3.7)	129.1
Interest bearing liabilities		190.2		190.2	34.3		34.3
Provisions		47.4		47.4	48.7		48.7
Current tax liabilities		7.2		7.2	10.3		10.3
Total Current Liabilities		**404.2**		**404.2**	**226.1**	**(3.7)**	**222.4**
Non-Current Liabilities							
Trade and other payables		3.3		3.3	0.8		0.8
Interest bearing liabilities		236.0		236.0	331.0		331.0
Provisions		23.9	(4.4)	19.5	23.7	(3.5)	20.2
Retirement benefit obligations	(a)		20.0	20.0		25.2	25.2
Deferred tax liabilities	(f)	20.2	3.1	23.3	14.8	3.5	18.3
Total Non-Current Liabilities		**283.4**	**18.7**	**302.1**	**370.3**	**25.2**	**395.5**

Total Liabilities		**687.6**	**18.7**	**706.3**	**596.4**	**21.5**	**617.9**
Net Assets		**811.8**	**(19.4)**	**792.4**	**602.8**	**20.6**	**623.4**
Equity							
Issued capital		1,383.9		1,383.9	1,232.8		1,232.8
Reserves	(b) (c)	(275.6)	280.7	5.1	(296.6)	261.9	(34.7)
Accumulated losses	(a) (b) (c) (d) (f)	(306.7)	(300.1)	(606.8)	(342.5)	(241.3)	(583.8)
Total equity attributable to Ansell Limited shareholders		**801.6**	**(19.4)**	**782.2**	**593.7**	**20.6**	**614.3**
Minority interests		10.2		10.2	9.1		9.1
Total Equity		**811.8**	**(19.4)**	**792.4**	**602.8**	**20.6**	**623.4**

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Notes to the Financial Statements

33. Impact of Adopting Australian Equivalents to IFRS (continued)

Impact on the Balance Sheet of the Company at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005

		Company					
			1 July 2004			30 June 2005	
	Note	Previous AGAAP $m	Transition Impact $m	AIFRS $m	Previous AGAAP $m	Transition Impact $m	AIFRS $m
Current Assets							
Cash at bank and on deposit		0.8		0.8	0.5		0.5
Trade and other receivables	(b)	594.2		594.2	321.3	3.7	325.0
Inventories		13.1		13.1	12.7		12.7
Other		1.8		1.8	1.3		1.3
Total Current Assets		**609.9**		**609.9**	**335.8**	**3.7**	**339.5**
Non-Current Assets							
Trade and other receivables		0.8		0.8	1.4		1.4
Other financial assets		1,526.6		1,526.6	1,484.3		1,484.3
Property, plant and equipment		0.4		0.4	0.2		0.2
Intangible assets					21.5		21.5
Total Non-Current Assets		**1,527.8**		**1,527.8**	**1,507.4**		**1,507.4**
Total Assets		**2,137.7**		**2,137.7**	**1,843.2**	**3.7**	**1,846.9**
Current Liabilities							
Trade and other payables		628.8		628.8	628.9		628.9
Interest bearing liabilities		179.1		179.1	26.2		26.2
Provisions		3.6		3.6	3.7		3.7
Total Current Liabilities		**811.5**		**811.5**	**658.8**		**658.8**
Non-Current Liabilities							
Interest bearing liabilities		134.4		134.4	101.5		101.5
Provisions		0.2		0.2	0.3		0.3
Retirement benefit obligations	(a)		0.4	0.4		0.4	0.4
Total Non-Current Liabilities		**134.6**	**0.4**	**135.0**	**101.8**	**0.4**	**102.2**
Total Liabilities		**946.1**	**0.4**	**946.5**	**760.6**	**0.4**	**761.0**
Net Assets		**1,191.6**	**(0.4)**	**1,191.2**	**1,082.6**	**3.3**	**1,085.9**
Equity							
Issued capital		1,383.9		1,383.9	1,232.8		1,232.8
Reserves	(b)		1.1	1.1		5.7	5.7
Accumulated losses	(a) (b)	(192.3)	(1.5)	(193.8)	(150.2)	(2.4)	(152.6)

Total Equity	**1,191.6**	**(0.4)**	**1,191.2**	**1,082.6**	**3.3**	**1,085.9**

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Notes to the Financial Statements

33. Impact of Adopting Australian Equivalents to IFRS (continued)

Notes to the Income Statement and Balance Sheet tables

(a) Defined benefit superannuation plans/post retirement health benefits

AIFRS requires the consolidated entity to record on its balance sheet as an asset or liability any surplus or deficit of each of its defined benefit superannuation plans. The AASB 1 election to recognise all cumulative actuarial gains and losses at the date of transition through accumulated losses was adopted as was the option available as a result of the early adoption of AASB 119 *Employee Benefits* to record all subsequent actuarial gains or losses directly in accumulated losses.

In prior years certain US subsidiaries had recorded liabilities in respect of commitments under defined benefit superannuation plans and post retirement health benefit schemes. In addition amounts had been remitted to the superannuation plans in excess of required contributions and included within prepayments. Adjustments were required to restate these balances.

The effect of this on the consolidated entity is to:

- increase retirement benefit obligations by $20.0 million at 1 July 2004 and by $25.2 million at 30 June 2005;
- decrease non-current provisions by $4.4 million at 1 July 2004 and by $3.5 million at 30 June 2005;
- decrease current other assets by $1.6 million at 1 July 2004 and by $1.2 million at 30 June 2005; and
- increase accumulated losses by $17.2 million at 1 July 2004, decrease expenses by $2.0 million and increase accumulated losses by actuarial losses of $7.7 million for the year 30 June 2005.

The effect of this on the Company is to:

- increase retirement benefit obligations by $0.4 million at 1 July 2004 and 30 June 2005; and
- increase expenses by $0.5 million and decrease accumulated losses by actuarial gains of $0.5 million for the year ended 30 June 2005.

(b) Share-based payments

Options and/or Performance Share Rights (PSRs) are granted to executives under the Ansell Limited Stock Incentive Plan. Under previous AGAAP no expense was required to be recognised for options/PSRs issued to employees however the consolidated entity had previously recorded a charge to the profit and loss based on the expected vesting of PSRs with the accrual for the previous year of $3.7 million being recorded within current payables. AIFRS requires the recognition of an expense for the fair value of both options and PSRs with a corresponding increase in a share-based payments reserve. The consolidated entity has applied AIFRS to all options/PSRs granted but had not vested at 1 January 2005.

The effect of this on the consolidated entity is to:

- decrease current payables by $3.7 million at 30 June 2005;
- increase the share-based payments reserve by $1.1 million at 1 July 2004 and by $5.7 million at 30 June 2005; and
- increase accumulated losses by $1.1 million at 1 July 2004 and increase expenses by $0.9 million for the year ended 30 June 2005.

The effect of this on the Company is to:

- increase amounts owed by subsidiaries by $3.7 million at 30 June 2005;
- increase the share-based payments reserve by $1.1 million at 1 July 2004 and by $5.7 million at 30 June 2005; and
- increase accumulated losses by $1.1 million at 1 July 2004 and increase expenses by $0.9 million for the year ended 30 June 2005;

(c) Foreign Currency

The consolidated entity elected to apply the exemption in AASB 1 resulting in the cumulative balance of the foreign currency translation reserve being deemed to be zero as at the date of transition to AIFRS. This had the effect of resetting the debit balance in the foreign currency translation reserve of $279.6 million at 1 July 2004 to zero and increasing accumulated losses by this amount. At 30 June 2005 the foreign currency translation reserve was increased by $256.2 million and accumulated losses increased by $256.2 million. There was no impact on reported profit for the year ended 30 June 2005.

There was no impact on the Company.

(d) Business Combinations

The consolidated entity has elected not to apply AASB 3 Business Combinations retrospectively. Under AASB 3 goodwill amortisation is prohibited and replaced by impairment testing. Goodwill was amortised under previous AGAAP. The effect is to reduce goodwill amortisation by $20.5 million for the year ended 30 June 2005 and to increase the carrying value of goodwill by $20.5 million as at 30 June 2005.

There was no impact on the Company.

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Notes to the Financial Statements

33. Impact of Adopting Australian Equivalents to IFRS (continued)

Notes to the Income Statement and Balance Sheet tables (continued)

(e) Intangible Assets
Under previous AGAAP capitalised development costs net of provision for amortisation were included on the balance sheet under the classification Non-current assets - other. Under AASB 138 *Intangible Assets*, capitalised development costs are disclosed within Intangible Assets. The effect of this is on the consolidated entity is to reduce Non-current assets - other by $2.1 million and increase Intangible Assets by $2.1 million as at 30 June 2005.

There was no impact on the Company.

(f) Income Tax
Under previous AGAAP a deferred tax asset for accumulated tax losses was only recognised when it was virtually certain that such losses would be recouped. Under AIFRS a deferred tax asset is recognised in respect of accumulated tax losses when it is probable that such losses will be recouped. Management has reassessed the potential recovery of tax losses and has considered, among other things, the fact that the Group s US operations had generated taxable income in the three years to 30 June 2005 and expect to continue to generate taxable income in the foreseeable future. Available projections for the foreseeable future indicate that a portion of available US revenue losses will probably be recouped, and as such a deferred tax asset in respect of such losses has been recognised at 30 June 2005.

In addition the tax status of subsidiaries in other countries was also reviewed and it was deemed necessary to book additional deferred tax assets and deferred tax liabilities under the stricter requirements of AIFRS.

The effect of this on the consolidated entity is to:

increase deferred tax assets by $0.9 million at 1 July 2004 and $22.8 million at 30 June 2005;

increase deferred tax liabilities by $3.1 million at 1 July 2004 and $3.5 million at 30 June 2005; and

increase accumulated losses by $2.2 million at 1 July 2004 and decrease income tax by $21.5 million for the year ended 30 June 2005.
There was no impact on the Company

(g) Revenue
Under previous AGAAP proceeds from the disposal of property, plant and equipment and other investments were disclosed as part of revenue in the income statement. Under AIFRS the gain or loss on such disposals is recognised on a net basis as income or an expense rather than recognising the consideration received as revenue. The effect of this on the consolidated entity is to reduce revenue and expenses by $1.4 million for the year ended 30 June 2005.

There was no impact on the Company.

(h) Impact on Total Equity reported under previous AGAAP

The effect of the above adjustments on total equity is as follows:

		Consolidated		Company	
	Note	1 July 2004 $m	30 June 2005 $m	1 July 2004 $m	30 June 2005 $m
Total equity under previous AGAAP		**811.8**	**602.8**	**1,191.6**	**1,082.6**
Adjustment to accumulated losses					
Defined benefit superannuation plans	(a)	(17.2)	(22.9)	(0.4)	(0.4)
Share-based payments	(b)	(1.1)	(2.0)	(1.1)	(2.0)
Transfer from foreign currency translation reserve	(c)	(279.6)	(256.2)		
Business combinations	(d)		20.5		
Income tax	(f)	(2.2)	19.3		
Adjustments to reserves					
Share-based payments	(b)	1.1	5.7	1.1	5.7
Transfer from foreign currency translation reserve	(c)	279.6	256.2		
Total equity under AIFRS		**792.4**	**623.4**	**1,191.2**	**1,085.9**

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Directors Declaration

1. In the opinion of the directors of Ansell Limited (the Company):

(a) the financial statements and notes, set out on pages 26 to 76, and the remuneration disclosures that are contained in the Remuneration report in the Directors report, set out on pages 14 to 23, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Australian Accounting Standards, and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the directors:

Peter L Barnes
Chairman
Dated in Melbourne this 5th day of September 2006

Douglas D Tough
Director

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Independent Audit Report

to the members of Ansell Limited

Scope

The financial report, remuneration disclosures and directors responsibility

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, cash flow statements, accompanying notes 1 to 33 to the financial statements and the directors declaration for both Ansell Limited (the Company) and its Subsidiaries (the Consolidated Entity), for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 Related Party Disclosures (AASB 124), under the heading Remuneration report in the directors report and not in the financial report.

The Remuneration report also contains information in table 2 not required by AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards . The directors are also responsible for the remuneration disclosures contained in the directors report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company s and the Consolidated Entity s financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management s internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion:

(1) the financial report of Ansell Limited is in accordance with:

a) the Corporations Act 2001, including:

i) giving a true and fair view of the Company s and Consolidated Entity s financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained under the heading Remuneration report in the directors report, with the exception of table 2 which is not subject to audit, comply with Australian Accounting Standard AASB 124 Related Party Disclosures .

KPMG	Peter Jovic
Melbourne	Partner
5 September 2006	

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Supplementary Unaudited U.S. Dollar Financial Information

For the year ended 30 June 2006 Ansell Limited and Subsidiaries

The following unaudited US dollar financial information is supplementary to the Company s Financial Report for the year ended 30 June 2006. It is provided as additional information for the Company s shareholders. This financial information does not form part of the Company s financial statements that are required to be prepared under the Corporations Act 2001, Australian Accounting Standards and the ASX listing rules.

This financial information has been derived from the Company s Financial Report.

Translation of amounts from Australian dollars to US dollars in the Income Statement, Cash Flow Statement and Operating Revenue and Operating Result within the Industry and Regional Segments have been made at the average of the 10.00 am mid buy/sell rate for Australian dollars as quoted by Reuters on the last working day of each month for the 13 month period June 2005 to June 2006.

Translation of amounts from Australian dollars to US dollars in the Balance Sheet and Assets Employed and Liabilities within the Industry and Regional Segments have been made at the 10.00 am mid buy/sell rate for Australian dollars as quoted by Reuters, on Friday 30 June 2006, at US$0.73945 = A$1 (30 June 2005 US$0.76265 = A$1).

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Supplementary Unaudited U.S. Dollar Financial Information

Income Statement

of Ansell Limited and Subsidiaries for the year ended 30 June 2006

	2006 US$m	2005 US$m
Revenue		
Sales	849.1	812.1
Other revenue	10.5	9.3
Total revenue	859.6	821.4
Expenses		
Cost of goods sold	534.5	488.6
Selling, distribution and administration	211.6	213.6
Other	4.1	60.9
Total expenses, excluding financing costs	750.2	763.1
Financing costs	14.9	16.6
Profit before income tax	**94.5**	**41.7**
Income tax	5.8	0.2
Net profit	**88.7**	**41.5**
Minority interests in net profit	2.0	1.4
Net profit attributable to Ansell Limited shareholders	**86.7**	**40.1**

	2006 US cents	2005 US cents
Earnings per share is based on net profit attributable to Ansell Limited shareholders		
Basic earnings per share	54.8	24.0
Diluted earnings per share	54.2	23.7

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Supplementary Unaudited U.S. Dollar Financial Information

Balance Sheet

of Ansell Limited and Subsidiaries as at 30 June 2006

	2006 US$m	2005 US$m
Current Assets		
Cash on hand	0.2	0.2
Cash at bank and on deposit	230.0	166.8
Cash assets - restricted deposits	4.9	6.4
Trade and other receivables	164.0	163.1
Inventories	137.6	120.1
Other	9.3	10.1
Total Current Assets	**546.0**	**466.7**
Non-Current Assets		
Trade and other receivables	14.6	52.1
Other financial assets		45.0
Property, plant and equipment	144.6	149.0
Intangible assets	221.7	205.0
Deferred tax assets	40.4	28.9
Total Non-Current Assets	**421.3**	**480.0**
Total Assets	**967.3**	**946.7**
Current Liabilities		
Trade and other payables	105.2	98.5
Interest bearing liabilities	84.4	26.3
Provisions	37.4	37.1
Current tax liabilities	8.1	7.9
Total Current Liabilities	**235.1**	**169.8**
Non-Current Liabilities		
Trade and other payables	0.5	0.6
Interest bearing liabilities	204.0	252.4
Provisions	15.4	15.4
Retirement benefit obligations	10.0	19.2
Deferred tax liabilities	18.9	14.0
Total Non-Current Liabilities	**248.8**	**301.6**
Total Liabilities	**483.9**	**471.4**
Net Assets	**483.4**	**475.3**
Equity		
Issued capital	840.6	940.2
Reserves	(3.9)	(26.6)

Accumulated losses	(363.7)	(445.2)
Total Equity Attributable to Ansell Limited Shareholders	**473.0**	**468.4**
Minority interests	10.4	6.9
Total Equity	**483.4**	**475.3**

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Supplementary Unaudited U.S. Dollar Financial Information

Cash Flow Statement

of Ansell Limited and Subsidiaries for the year ended 30 June 2006

	2006 US$m	2005 US$m
Cash flows Related to Operating Activities		
Receipts from customers	849.4	848.2
Payments to suppliers and employees	(738.9)	(721.3)
Net receipts from customers	110.5	126.9
Income taxes paid	(12.2)	(12.3)
Net Cash Provided by Operating Activities	**98.3**	**114.6**
Cash Flows Related to Investing Activities		
Payments for businesses, net of cash acquired	(17.9)	
Payments for property, plant and equipment	(12.3)	(10.6)
Proceeds from sale of property, plant and equipment	0.6	
Loans repaid	49.9	
Proceeds from sale of other investments	39.6	1.1
Net Cash Provided by/(Used in) Investing Activities	**59.9**	**(9.5)**
Cash Flows Related to Financing Activities		
Proceeds from borrowings	21.2	109.0
Repayments of borrowings	(25.7)	(128.9)
Net repayments of borrowings	(4.5)	(19.9)
Proceeds from issues of shares	3.1	3.8
Payments for share buy-back	(76.1)	(121.7)
Dividends paid	(23.4)	(18.6)
Interest received	10.4	6.4
Interest and borrowing costs paid	(14.8)	(17.3)
Net Cash Used in Financing Activities	**(105.3)**	**(167.3)**
Net increase/(decrease) in cash and cash equivalents	**52.9**	**(62.2)**
Cash and cash equivalents at the beginning of the financial year	172.3	216.8
Effects of exchange rate changes on the balances of cash and cash equivalents held in foreign currencies at the beginning of the financial year	(1.2)	17.7
Cash and Cash Equivalents at the End of the Financial Year	**224.0**	**172.3**

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Supplementary Unaudited U.S. Dollar Financial Information

Industry and Regional Segments

of Ansell Limited and Subsidiaries for the year ended 30 June 2006

	Operating Revenue 2006	2005	Operating Result 2006	2005
	US$m	US$m	US$m	US$m
INDUSTRY				
Ansell Healthcare				
Occupational Healthcare	424.6	409.8	60.7	61.0
Professional Healthcare	289.0	276.3	29.0	32.7
Consumer Healthcare	135.5	126.0	17.9	22.0
Total Ansell Healthcare	**849.1**	**812.1**	**107.6**	**115.7**
Corporate revenue/costs	10.5	9.3	(4.6)	(5.8)
Operating EBIT			**103.0**	**109.9**
Impairment loss on investment in South Pacific Tyres and sale costs			(4.1)	(60.9)
Earnings before Net Interest and Tax (EBIT)			**98.9**	**49.0**
Financing costs net of interest revenue			(4.4)	(7.3)
Operating Profit before Tax			**94.5**	**41.7**
Tax			(5.8)	(0.2)
Minority interests			(2.0)	(1.4)
Total Consolidated	**859.6**	**821.4**	**86.7**	**40.1**
REGION				
Asia Pacific	133.2	122.4	27.3	29.3
Americas	402.2	387.9	46.4	51.1
Europe, Middle East and Africa	313.7	301.8	33.9	35.3
Total Ansell Healthcare	**849.1**	**812.1**	**107.6**	**115.7**

	Assets Employed 2006	2005	Liabilities 2006	2005
	US$m	US$m	US$m	US$m
INDUSTRY				
Ansell Healthcare				
Occupational Healthcare	326.6	312.9	75.0	63.7
Professional Healthcare	255.9	247.9	49.0	47.7
Consumer Healthcare	106.7	77.5	18.0	16.1
Total Ansell Healthcare	**689.2**	**638.3**	**142.0**	**127.5**
Corporate assets/liabilities	43.0	135.0	341.9	343.9
Cash	235.1	173.4		
Total Consolidated	**967.3**	**946.7**	**483.9**	**471.4**

REGION				
Asia Pacific	185.7	175.7	51.2	45.8
Americas	160.2	150.1	56.0	56.1
Europe, Middle East and Africa	125.8	109.1	34.8	25.6
Goodwill and brand names	217.5	203.4		
Total Ansell Healthcare	**689.2**	**638.3**	**142.0**	**127.5**

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SIGNATURE

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

	ANSELL LIMITED (Registrant)
By:	/s/ DAVID M. GRAHAM
Name:	DAVID M. GRAHAM
Title:	GENERAL MANAGER FINANCE & TREASURY

Date: September 19, 2006