CRESUD INC
Form 6-K
February 19, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

For the month of February, 2009

CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA

FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Moreno 877, 23rd Floor, (C1091AAQ)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F __ü__ Form 40-F ______

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

Yes ______ No __ü__

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CRESUD S.A.C.I.F. and A

(THE COMPANY)

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Financial Statements for the six-month period ended on December 31, 2008 and on December 31, 2007 filed by the Company with the *Bolsa de Comercio de Buenos* Aires and with the *Comisión Nacional de Valores.*

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera y Agropecuaria

Fiscal year No. 74 started on July 1, 2008

Financial Statements for the period ended December 31, 2008

In comparative format with previous fiscal year (Note 1- Consolidated Statement)

(in thousands of pesos)

Legal Address:	Moreno 877, 23rd Floor Ciudad Autónoma de Buenos Aires
Principal Activity:	Agriculture, livestock and real-estate

DATES OF REGISTRATION AT THE PUBLIC REGISTRY OF COMMERCE

Of the by-laws:	February 19, 1937
Of the latest amendment:	July 28, 2008
Duration of the Company:	June 6, 2082

Information on controlled companies in Note 2 to the Consolidated Financial Statements

CAPITAL STATUS (Note 3 of basic financial statements)

SHARES

Type of stock	**Authorized**	**Subscribed**	**Paid-in**
Ordinary certified shares of Ps.1 face value and 1 vote each	501,536,281	501,536,281	501,536,281

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Consolidated Balance Sheet as of December 31, 2008 and 2007 and June 30, 2008

(in thousands of pesos)

	December 31, 2008 (Notes 1 and 2)	June 30, 2008 (Notes 1, and 2)	December 31, 2007 (Notes 1 and 2)
ASSETS			
Current Assets			
Cash and banks (Note 4.a.)	76,399	47,795	6,192
Investments (Note 4.b.)	360,295	485,292	1,039
Trade accounts receivable, net (Note 4.c.)	271,093	35,793	17,738
Other receivables (Note 4.d.)	219,290	55,390	40,361
Inventories (Note 4.e.)	183,037	111,525	92,485
Other assets (Note 4.f.)		1,071	19,802
Total Current Assets	1,110,114	736,866	177,617
Non-Current Assets			
Trade accounts receivable (Note 4.c.)	5,935		
Other receivables (Note 4.d.)	259,002	41,365	38,590
Inventories (Note 4.e.)	237,017	76,113	71,184
Investments on controlled and related companies (Note 4.b.)	979,622	1,132,382	758,831
Other investments (Note 4.b.)	51,295	352	352
Property and Equipment, net (Note 4.g.)	3,087,468	266,616	255,891
Intangible assets, net (Note 4.h.)	44,743	22,829	23,582
Subtotal Non-Current Assets	4,665,082	1,539,657	1,148,430
Goodwill (Note 4.i.)	(315,692)	(206,763)	(134,678)
Total Non-Current Assets	4,349,390	1,332,894	1,013,752
Total Assets	5,459,504	2,069,760	1,191,369
LIABILITIES			
Current Liabilities			
Trade accounts payable (Note 4.j.)	263,617	49,540	41,017
Mortgages payable (Note 4.k.)	3,450		
Short-term debt (Note 4.l.)	430,084	195,600	217,810
Salaries and social security payable (Note 4.m.)	26,914	6,409	2,734
Taxes payable (Note 4.n.)	117,311	10,325	5,186
Advances from customers (Note 4.o.)	95,917		11,970
Other liabilities (Note 4.p)	104,243	474	1,697
Provisions for lawsuits and contingencies (Note 4.q.)	2,045		
Total Current Liabilities	1,043,581	262,348	280,414

Non-Current Liabilities			
Trade accounts payable (Note 4.j.)	47,001		
Advances from customers (Note 4.o.)	143,471		
Long-term debt (Note 4.l.)	1,006,498		
Taxes payable (Note 4.n.)	178,109	41,818	56,945
Other liabilities (Note 4.p.)	71,460	293	320
Provisions for lawsuits and contingencies (Note 4.q.)	10,084	1,803	1,773
Total Non-Current Liabilities	1,456,623	43,914	59,038
Total Liabilities	2,500,204	306,262	339,452
Minority interest	1,283,078	1,160	934
SHAREHOLDERS EQUITY	1,676,222	1,762,338	850,983
Total Liabilities and Shareholders Equity	5,459,504	2,069,760	1,191,369

The accompanying notes are an integral part of the consolidated financial statements

Saul Zang
Vice-president I

Acting as President

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Consolidated Statement of Income

Corresponding to the periods beginning on July 1, 2008 and 2007

and ended December 31, 2008 and 2007

(in thousands of pesos)

	December 31, 2008	December 31, 2007
Agricultural production income (Note 6)	31,039	35,708
Cost of agricultural production (Note 6)	(41,241)	(26,453)
Production Profit - Agricultural	(10,202)	9,255
Sales - crops, beef cattle, milk and others (Note 6)	109,539	68,124
Sales of farm (Note 6)		5,917
Cost of sales - crops, beef cattle, milk and others (Note 6)	(88,595)	(59,823)
Cost of farms (Note 6)		(2,684)
Sales profit - Agricultural business	20,944	11,534
Sales and development of properties (Note 6)	61,427	
Income from lease and service of offices, shopping centers, hotels, consumer financing and others (Note 6)	263,586	
Cost of sales and development of properties (Note 6)	(47,258)	
Cost of lease and service offices, shopping centers, hotels, consumer financing and others (Note 6)	(98,468)	
Sales profit - Real estate business	179,287	
Gross profit - Agricultural business	10,742	20,789
Gross profit - Real estate business	179,287	
Gross profit	190,029	20,789
Selling expenses	(76,249)	(5,069)
Administrative expenses	(63,116)	(9,000)
Unrealized gain on farm held for sale	4,090	17,424
Unrealized loss on inventories (Note 4.r)	(4,022)	(1,732)
Net income from retained interest in securitized receivables	(18,482)	
Operating gain	32,250	22,412
Amortization of goodwill	8,494	
Financial results		
Generated by assets:		
Exchange gains	71,874	2,800

Interest income	4,241	1,429
Gain on hedging operations	25,556	
Interest on discount by assets	(6,230)	
Tax on bank account operations	(2,609)	(1,915)
(Loss) gain on financial operations	(17,933)	555
Others	(216)	(19)
Subtotal	74,683	2,850
Generated by liabilities:		
Interest on discounts by liabilities	106	
Interest on short and long-term debts and convertible notes	(47,985)	(9,302)
Net income for repurchase of convertible notes (Note 14)	111,844	
Others	(301)	(417)
Exchange loss	(99,879)	(407)
Subtotal	(36,215)	(10,126)
Financial results, net	38,468	(7,276)
(Loss) gain on equity investees	(56,750)	9,005
Other income and expenses (Note 4.s)	(4,230)	(2,414)
Management fee	(1,496)	(1,583)
Net gain before income tax and minority interest	16,736	20,144
Income tax expenses	(23,348)	(5,632)
Minority interest	18,908	(40)
Net income for the period	12,296	14,472
Earnings per share :		
Basic net gain per share (Note 5)	0.02	0.05
Diluted net gain per share (Note 5)	0.02	0.05

The accompanying notes are an integral part of the consolidated financial statements

Saul Zang

Vice-president I

Acting as President

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Consolidated Statement of Cash Flows

Corresponding to the periods beginning on July 1, 2008 and 2007

and ended December 31, 2008 and 2007

(in thousands of pesos)

	December 31, 2008	December 31, 2007
Changes in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	521,086	85,244
Cash and cash equivalents at the end of the period	241,148	6,317
Net decrease in cash and cash equivalents	(279,938)	(78,927)
Causes of changes in cash and cash equivalents		
Operating activities		
Income for the period	12,296	14,472
Income tax	23,348	5,632
Adjustments made to reach net cash flow from operating activities		
Loss (gain) on equity investees	56,750	(9,005)
Minority interest	(18,908)	97
Increase in allowances, provisions and accruals	51,556	5,639
Depreciation	37,675	2,385
Unrealized loss on Inventories	4,022	1,732
Financial results	94,032	(3,708)
Unrealized gain on farm held for sale	(4,090)	(17,424)
Amortization	(8,494)	
Capitalized financial costs	(11,768)	
Result from barter of inventories	(2,867)	
Result from repurchases of non-convertible notes	(111,844)	
Changes in operating assets and liabilities		
(Increase) Decrease in current investments	(77,052)	216
(Increase) decrease in trade accounts receivable, leases and services	(52,164)	20,132
Increase in other receivables	(94,139)	(12,349)
Increase in inventories	(27,921)	(45,386)
Increase in intangible assets	(432)	
Increase in social security payables, taxes payable and advances from customers	46,960	8,972
Increase in trade accounts payable	3,147	5,866
Dividends collected	1,759	1,551
Increase in accrued interest	6,445	9,296
Increase in other liabilities	25,640	691
Cash flows applied to operating activities	(46,049)	(11,191)
Investment activities		

Decrease in non-current investments	37,768	
Increase in interest in equity method investees	(3,597)	(15,921)
Increase in IRSA s interest	(89,893)	(127,077)
Acquisition , upgrading and collected of fixed assets	(160,749)	6,279
Increase in goodwill	(45)	
Purchase and improvements of undeveloped parcels of lands	4,701	
Loans granted	(934)	
Payment for subsidiary acquired, net of cash acquired	171,481	
Cash flows applied to investment activities	(41,268)	(136,719)
Financing activities		
Contributions received by subsidiaries from minority shareholders	10,778	
Exercise of Warrants and Options	23	11,162
Cash Dividends paid	(41,608)	(8,250)
Proceeds from short-term and long-term debt	76,620	93,863
Payment of short-term debt	(119,826)	(24,099)
Decrease in other liabilities		(3,693)
Repurchase of treasury stocks	(48,612)	
Expenditures for repurchase of non-convertible notes	(69,196)	
Decrease in mortgages payable	(800)	
Cash flows (applied to) provided by financing activities	(192,621)	68,983
Net decrease in cash and cash equivalents	(279,938)	(78,927)

Saul Zang

Vice-president I

Acting as President

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Consolidated Statement of Cash Flows

Corresponding to the periods beginning on July 1, 2008 and 2007

and ended December 31, 2008 and 2007

(in thousands of pesos)

	December 31, 2008	December 31, 2007
Items not involving changes in cash and cash equivalents		
Inventory transferred to Property and Equipment	771	791
Increase in other receivables by sale of fixed assets		311
Acquisition of subsidiary companies through a decrease of non-current investment		37,764
Decrease in inventories through a decrease in advances from customers	15,285	
Increase in inventories through a decrease in property and equipment	11,999	
Transfer of undeveloped parcels of land to an inventories	101	
Increase in other receivables through a decrease in undeveloped parcels of land	4,065	
Increase in property and equipment through an increase in other liabilities	10,882	
Decrease in non-current investments by transitory conversion differences	30,283	
Increase in trade accounts receivable through a decrease in current investments	31,630	
Increase in trade accounts receivable through a decrease in others assets	19,434	
Increase in goodwill through a decrease in minority interest	8,150	
Increase in fixed assets through an increase in trade accounts payable	24,368	
Repayment of financial loans through issue of stock by exercise of conversion right		8,519
Repurchase of treasury stock unpaid	544	
Complementary information		
Interest paid	106,517	4,992
Income tax paid	15,880	1,304

	December 31, 2008	December 31, 2007
Acquisition of subsidiaries companies		
Investments	175,097	
Trade accounts receivable and rentals	179,640	
Other receivables	283,653	
Inventories	198,387	
Non-Current Investments	862,740	
Property and equipment, net	2,581,810	
Intangible assets	8,935	
Goodwill	(65,724)	
Trade accounts payable	243,502	
Mortgage payable	(3,882)	
Advances from customers	(237,539)	
Financial loans	(1,369,227)	
Salaries and social security payable	(31,674)	
Taxes payable	(122,574)	
Other liabilities	(134,325)	
Minority interest	(458,374)	

Acquired assets that do not affect cash, net value	**1,623,441**
Acquires funds	230,472
Acquired assets, net value	**1,853,913**
Minority interest	(852,656)
Equity method previous to the purchase	(885,370)
Goodwill generated by the purchase	(56,896)
Purchase value of subsidiaries companies	**58,991**
Acquires funds	(230,472)
	(171,481)

Saul Zang

Vice-president I

Acting as President

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Cresud Sociedad Anónima,

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

Corresponding to the periods beginning on July 1, 2008 and 2007

and ended on December 31, 2008 and 2007

NOTE 1: BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

As a consequence of the application of the unifying accounting standards approved by the Comisión Nacional de Valores (CNV), which require that consolidated Financial Statements be presented as established by Technical Resolution No. 21 of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE), the Balance Sheet as of December 31, 2008 and 2007 and the Statements of Income and the Statements of Cash Flows for the periods ended on those dates were consolidated on a line by line basis with the financial statements of such companies in which it holds a majority of the voting shares.

During the semester ended December 31, 2008, the Company acquired directly and indirectly 68,712,008 additional shares of IRSA Inversiones y Representaciones Sociedad Anónima (IRSA). Thus, the Company s direct and indirect interest in IRSA through its affiliates amounts to 54.01%, therefore, from October 1, 2008, the Company begins to consolidate the financial statements of IRSA Inversiones y Representaciones Sociedad Anónima in accordance with Technical Resolution No. 21.

The consolidated financial statements as of June 30, 2008 and as of December 31, 2007, disclosed in comparative balances do not include information consolidated with IRSA. (See Note 18).

The financial statements of the subsidiary companies Inversiones Ganaderas S.A., Futuros y Opciones.Com S.A. and Agropecuaria Anta S.A. (ex Agropecuaria Cervera S.A.) as of December 31, 2008 and 2007 have been used in order to determine line by line consolidation. Likewise, as the companies Fyo Trading S.A. and Agrology S.A were organized on May 2 and 8, 2008, respectively, their financial statements are only consolidated as of December 31, 2008 and June 30, 2008.

For purposes of comparability, certain reclassifications have been made on the information as of June 30, 2008 and December 31, 2007.

The consolidated statement of Income as of December 31, 2008, includes income (loss) of IRSA Inversiones y Representaciones Sociedad Anónima from October 1 through December 31, 2008.

These Financial Statements and the corresponding notes are presented in thousand of Argentine Pesos. Figures expressed in United States dollars (US$), in whole millions.

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Cresud Sociedad Anónima,

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 2: CORPORATE CONTROL

The Company s interest in other companies is shown in the following table:

COMPANY	CRESUD PERCENTAGE OF VOTING SHARES OWNED	CONSOLIDATED PERCENTAGE OF VOTING SHARES OWNED
IRSA Inversiones y Representaciones Sociedad Anónima	50.23	54.01(1)
Inversiones Ganaderas S.A.	99.99	99.99
Futuros y Opciones.Com S.A.	66.20	66.20
Agropecuaria Anta S.A. (ex Agropecuaria Cervera S.A.)	90.00	99.99(2)
Agrology S.A.	97.00	99.99(2)
FyO Trading S.A.	3.63	67.43(3)

(1) Includes interests in participations of Agrology S.A.
(2) Includes interests in participations of Inversiones Ganaderas S.A.
(3) Includes interests in participations of Futuros y Opciones.Com S.A.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of the Subsidiary Companies mentioned in Note 2 have been prepared based on accounting principles consistent with those followed by Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria for the preparation of its Financial Statements, as detailed in Note 2 of the basic financial statements.

High relevant valuation and disclosure criteria applied in preparing the financial statements of consolidated companies and not explained in the valuation criteria note of the holding company are as follows:

a) Revenue recognition

Real Estate Business

1) Revenue recognition of IRSA Inversiones y Representaciones Sociedad Anónima

Sales of properties

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

- The sale has been consummated.
- There is sufficient evidence to demonstrate the buyer s ability and commitment to pay for the property.
- The Company s receivable is not subject to future subordination.
- The Company has transferred the property to the buyer.

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Cresud Sociedad Anónima,

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

In addition, IRSA uses the percentage-of-completion method of accounting with respect to sales of development properties under construction. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs according to budgeted costs. IRSA does not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun. The percentage-of-completion method of accounting requires the Company s Management to prepare budgeted costs in connection with sales of properties/units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Revenues from leases

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

2) Revenue recognition of Alto Palermo S.A. (APSA)

Net income for admission rights and rental of stores and stands

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

Furthermore, pursuant to the rent adjustment clause in most leases, the tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Minimum rental income is recognized following the accrue method.

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

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

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Cresud Sociedad Anónima,

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

Additionally, APSA monthly charges its tenants administration fees relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. These fees are prorated among the tenants according to their leases and varies from shopping center to shopping center.

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

Lease agent operations

Fibesa S.A. and Comercializadora Los Altos S.A., companies in which APSA have shares of 99.9999% and 100% respectively, act as the leasing agents for APSA bringing together that company and potential lessees for the retail space available in certain of APSA s shopping centers. Fibesa S.A. s and Comercializadora Los Altos S.A´s revenues are derived primarily from collected commissions calculated as a percentage of the final rental income value. Revenues are recognized at the time the transaction is successfully concluded.

Credit card operations Consumer Financing

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

Hotel operations

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

Net operating results from each business unit are disclosed in Note 6.

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Cresud Sociedad Anónima,

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

b) Inventories

Real Estate Business

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

Properties classified as inventories have been valued at acquisition or construction cost restated as mentioned in Note 1.c. to the basic financial statements or estimated market value, whichever is lower. Costs include land and land improvements, direct construction costs, construction overhead costs, financial costs and real estate taxes.

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

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

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

Credits in kind:

IRSA has credits in kinds related to rights to receive certain property units to be built. The units have been valued according to the accounting measuring standards corresponding to inventories receivables and there have been disclosed under Inventories .

c) Others assets

Agricultural Business

The other assets for which price-fixing prepayments were received and the contractual conditions of the transaction ensure the actual materialization of the sale and the income and they are valued at net realization value. Profits arising from such valuation are shown in the Unrealized gain on farm held for sale caption of the Statements of Income.

Cresud Sociedad Anónima,

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

d) Non-current investments

Real Estate Business

Investments in debt securities:
Investments in debt securities were valued based on the best estimate of the discounted amount receivable, applying the corresponding internal rate of return estimated at the time of incorporation to assets, as IRSA will hold them to maturity. The value thus obtained does not exceed the respective estimated recoverable value at the end of the period/year.

Investments in subsidiaries and affiliated companies:
Long term investments in subsidiaries and affiliated companies, have been valued by using the equity method of accounting based on the unaudited financial statements at December 31, 2008 issued by them. The accounting standards used by the subsidiaries to prepare their unaudited financial statements are the same as those used by the Company. The accounting standards used by the related companies to prepare their unaudited financial statements are those currently in effect.

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

This item also includes the lower or higher value paid for the purchase of shares in subsidiaries and affiliated companies assignable to the assets acquired, and goodwill related to the subsidiary Banco Hipotecario S.A. and Manibil S.A..

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

As of December 31, 2008, the equity method was applied on preliminary figures because as of the time of issuance of these financial statements, Banco Hipotecario S.A. had not yet concluded with the preparation and subsequent approval of its financial statements.

Cresud Sociedad Anónima,

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

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

Tyrus S.A.:

Uruguay-based Tyrus S.A. has been classified as not integrated into the Company s operations because it is a company engaged in holding the shares pertaining to the investment in Metropolitan (See Note 9.B.e.) whose operations are carried out fully abroad. IRSA does not control foreign operations, which are conducted with a significant degree of autonomy with respect to the Company s own operations. Besides, such operations are mainly financed with funds originating in its own transactions or in local loans.

Given that Tyrus S.A. s assets and liabilities are located outside Argentina, they were converted into Pesos at the exchange rate in force at the close of the period. The Statement of Income accounts have been converted into Pesos at the exchange rates in force at the time of each transaction. Foreign exchange gains/losses arising from the conversion have been charged to the Shareholders equity caption of IRSA Inversiones y Representaciones Sociedad Anónima, in the line Transitory conversion differences and they amounted to Ps. 9,361 as of December 31, 2008.

The Company is now following the procedures to analyze the current value of the assets and liabilities acquired for purposes of allocating the purchase value, in conformity with Technical Resolution No. 21.

Certificates of participation in IRSA I financial trust:

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

Undeveloped parcels of lands:

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

Land held for development and sale and improvements are stated at cost restated as mentioned in Note 1.c. to the basic financial statements or market value, whichever is lower. As of June 30, 2008, IRSA maintained allowances for impairment of certain parcels of undeveloped land for which their market value is lower than cost.

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Cresud Sociedad Anónima,

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Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

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

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

e) Business combinations

Real Estate Business

Entities purchased by the Company were recorded in line with the acquisition method set forth in Technical Resolution No. 18. All assets and liabilities acquired to third independent parties were adjusted to show their fair value. In to such extent, IRSA identified the assets and liabilities acquired including intangible assets such as:

- The estimated current value of the costs that IRSA avoids incurring as a result of acquiring effective rent contracts, for which the estimated costs of entering into similar contracts were taken into account as well as other factors such as the geographical location and the size of the area rented. The value of the effective rent contracts is included in intangibles and it is amortized as a rental cost in the remaining initial term of each contract.

- The value of the rent contracts acquired, for which the market conditions to the date of acquisition were taken into account as well as other factors including geographical location, size and location of the area rented in the building, profile and credit risk conditions of the lessees to determine if the rental contracts acquired have higher or lesser conditions to those of the market at the time of the acquisition. The current value of the difference between the contracts acquired under the terms of the contracts and the market conditions were taken into account, disclosing an asset or a liability (shown in Other liabilities) depending if the contracts acquired are higher or lesser to the market values.

The values thus determined should be amortized as an increase or decrease of the income for rentals during the remaining term of the respective contracts, including any renewal considered in the valuation. If a lessee terminates its rent contract, the non-amortized portion of the intangible assets will be recorded in the Statement of Income.

- Relationships with clients. The items that IRSA considered to assign value to such relationships include the nature and extension of the commercial relationships currently existing with lessees, growth prospects for development of new business, lessee´s credit qualities and renewal prospects. IRSA has not identified any lessee with whom it has developed a type of relationship allowing the recognition of an intangible asset.

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Cresud Sociedad Anónima,

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Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

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

IRSA used the information contained in valuations estimated by independent appraisers as primary base for assigning the price paid for the land and the building acquired. The amounts assigned to all the other assets and liabilities were based on independent valuations or on the IRSA´s own analysis on comparable assets and liabilities. The current value of tangible assets acquired considers the property value as if it was empty.

In accordance with the terms of Technical Resolution No. 21, the difference between the price paid and the addition of the current values of the net assets acquired generate goodwill. If the value of identified tangible and intangible assets and liabilities exceeds the price paid, the intangible assets acquired are not recognized as they would cause an increase of the negative goodwill generated by these acquisitions at the time of the purchase. The goodwill generated due to an acquisition of net assets is shown in line with the tangible asset acquired. Amortizations have been calculated by the straight line method on the basis of the estimated useful life considering the weight average of the remaining useful life of the tangible assets acquired.

f) Property and equipment, net

Agricultural Business

The tree plantations (wood) comprising this account has been valued at cost less respective accumulated depreciation as the Company has no intention to sell it, but use it in the production process.

Its cost was calculated according to a Report on forestry mass increase carried out by a forestry engineer at the request of the preceding shareholders of Agropecuaria Anta S.A. (ex Agropecuaria Cervera S.A.) (ANTA).

ANTA former Board of Directors based on such report as well as on owns estimates accepted the value of the tree plantations (wood) in Ps. 4,320.

Depreciation for the period was calculated based on the remaining concession term.

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Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

Real Estate Business

Fixed assets comprise primarily of rental properties and other properties and equipment held for use by IRSA Inversiones y Representaciones Sociedad Anónima.

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

Rental properties

Rental properties are carried at acquisition and/or construction cost, restated as mentioned in Note 1.c. to the basic financial statements , less accumulated depreciation and allowance for impairment at the end of the period. IRSA capitalizes the financial costs accrued costs associated with long-term construction projects. During the period/year ended December 31 and June 30, 2008, financial costs were capitalized in the building known as DIQUE IV for Ps. 6,999 and Ps. 109, respectively.

Accumulated depreciation is computed under the straight-line method over the estimated useful lives of each asset. Expenditures for ordinary maintenance and repairs are charged to results in the period incurred.

IRSA has allowances for impairment of certain rental properties.

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

Other properties and equipment

Other properties and equipment properties are carried at cost, restated as mentioned in Note 1.c. to the basic financial statements, less accumulated depreciation at the end of the period. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets.

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Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (Continued)

g) Intangible assets

Agricultural Business

Other considerations concessions granted

Among other goods and rights ANTA has the concession planning and execution of an integral development project including: biological, economical and social issues on several real estates located in the department of Anta, province of Salta. The company is also duty authorized to perform a significant agricultural, cattle farming and forestry project which was awarded under resolution No. 190/99 and bidding No. 58/98 of the Ministry of Production and Employment.

Such concession was granted for a 35 year term with a postponement option of 29 additional years by ANTA.

Among other obligations ANTA has to invest Ps. 16,000 in agriculture, cattle farming, hydraulic resources, continuing education, forestry development, forest planting, fauna, natural reserve and eco-tourism, and has to pay an annual US$ 0.06 million cannon to the province of Salta to be paid as from the 20th year as from the commencement of the concession.

On July 2, 2008, a memorandum of understanding was executed by which the concession agreement mentioned in Note 12 was renegotiated.

The total price paid for acquiring Agropecuaria Anta S.A. (ex Agropecuaria Cervera S.A.) was allocated to identified individual assets; they include Ps. 22,453 as concession rights that are booked as intangible assets to these consolidated financial statements.

The amortization of the concession right of Agropecuaria Anta S.A. (ex Agropecuaria Cervera S.A.) is calculated according to its duration, whose remaining time is 30 years.

Real Estate Business

Intangible assets are carried at cost restated as mentioned in Note 1.c. to the basic financial statements, less accumulated amortization and corresponding allowances for impairment in value. Included in the Intangible Assets caption are the following:

Trademarks

Trademarks include the expenses and fees related to their registration.

Pre-operating and organization expenses

This item reflects expenses generated by the opening of new shopping malls restated as mentioned in Note 1.c. to the basic financial statements. Those expenses are amortized by the straight-line method in 3 years, beginning as from the date of opening of the shopping center.

Cresud Sociedad Anónima,

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Notes to the Consolidated Financial Statements (continued)

(in thousands of pesos)

NOTE 3: (continued)

Saving expenses of contracts

Intangible assets, related to new projects development expenses, have been valued at acquisition cost and they will be amortized during the period in which IRSA starts developing the project.

Intangible assets correspond to expenses t