IRSA INVESTMENTS & REPRESENTATIONS INC
Form 20-F
December 29, 2004
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United States

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: June 30, 2004

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to__________

Commission file number: 1-13542

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(Exact name of Registrant as specified in its charter)

IRSA INVESTMENTS AND REPRESENTATIONS INC.

(Translation of Registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

(C1066AAB) Buenos Aires

Argentina

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Global Depositary Shares, each representing ten shares of Common Stock	**New York Stock Exchange**
Common Stock, par value one Peso per share	**New York Stock Exchange***

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* Not for trading, but only in connection with the registration of Global Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of the issuer s common stock as of June 30, 2004 was 248,802,993

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 ¨ Item 18 x

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IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

This annual report contains or incorporates by reference statements that constitute forward-looking statements, regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. Words such as anticipate , expect , intend , plan , believe , seek , variations of such words, and similar expressions are intended to identify such forward-looking statements. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, business or political or other conditions in Argentina or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;
- changes in exchange rates or regulations applicable to currency exchanges or transfers;
- unexpected developments in certain existing litigation;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the factors discussed under Risk Factors beginning on page 14.

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we might issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after filing of this Form to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

CERTAIN MEASUREMENTS AND TERMS

As used throughout this annual report, the terms IRSA, the Company, we, us, and our refer to IRSA Inversiones y Representaciones Socieda Anónima, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

In Argentina the standard measure of area in the real estate market is the square meter (m^2), while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq. ft.). All units of area shown in this annual report (*e.g.*, gross leasable area of buildings and size of undeveloped land) are expressed in terms of square meters. One square meter is equal to approximately 10.764 square feet. One hectare is equal to approximately 10,000 square meters and approximately 2.47 acres.

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As used herein:

- GLA or gross leasable area , in the case of offices and other rental properties, refers to the total leasable area of the units in each property in which we own an interest, irrespective of our ownership interest in such units and excluding common and parking areas;
- GLA or gross leasable area , in the case of shopping centers, refers to the total leasable area of the property, irrespective of our ownership interest in such property (excluding common areas and parking);
- net leasable area , refers to the gross leasable area of the units in each property in which we own an interest, adjusted to give effect to our ownership interest in such units;
- GSA or gross salable area , in the case of development properties refers to the total area of the units or undeveloped land in each property in which we own an interest, held for sale upon completion of development and prior to the sale of any units, irrespective of our ownership interest in such property (including parking areas and storage facilities but excluding common areas);
- GSA or gross salable area , in the case of undeveloped parcels of land, refers to the total area of undeveloped property, irrespective of our ownership interest in such property (including parking areas and storage facilities but excluding common areas);
- net salable area , in the case of development properties, refers to the total area of the units or undeveloped land in each property in which we own an interest held for sale upon completion of development and prior to the sale of any units; and
- net salable area , in the case of undeveloped parcels of land, refers to total area of undeveloped property, adjusted to give effect to our ownership interest and includes parking areas and storage facilities but excludes common areas.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

In this annual report, references to US$ and U.S. Dollars are to United States Dollars, and references to Ps. , Peso or Pesos are to Argentine Pesos.

This annual report contains our audited consolidated financial statements as of June 30, 2004 and 2003 and for the years ended June 30, 2004, 2003 and 2002 (Consolidated Financial Statements). Our Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent auditors, whose report is included herein. The independent auditors report on our Consolidated Financial Statements includes an explanatory paragraph describing uncertainties which might affect the value of our equity investment in Banco Hipotecario S.A. (BHSA). As of June 30, 2004, our equity investment in BHSA accounts for approximately 7% of our total consolidated assets. See Risk Factors Our investment in BHSA subjects us to risks affecting the banking sector .

Except as discussed in the following paragraph, we prepare our Consolidated Financial Statements in thousand of Pesos and in accordance with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* (CNV), which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 20 to our Consolidated Financial Statements contained elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income (loss) and shareholders equity.

As discussed in Note 3.n to our Consolidated Financial Statements, contained elsewhere in this annual report, in order to comply with regulations of the CNV, we recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represents a departure from generally

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accepted accounting principles in Argentina. However, such departure has not had a material effect on our Consolidated Financial Statements.

Additionally, as discussed in Notes 2.c. to our Consolidated Financial Statements, contained elsewhere in this annual report, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the CNV *to* issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1237.

Since Argentine GAAP required companies to discontinue inflation accounting as from October 1, 2003, the application of the CNV resolution represents a departure from generally accepted accounting principles in Argentina. However, due to the low level of inflation rates during the period from March to September 2003, such a departure has not had a material effect on our Consolidated Financial Statements.

As a result of this matter, our Consolidated Financial Statements were prepared on the basis of general price-level accounting which reflects changes in the purchasing power of the Peso until February 28, 2003 in our historical financial statements using changes in the Argentine wholesale price index, as published by the *Instituto Nacional de Estadística y Censos,* as follows:

- we adjusted non-monetary items and consolidated statements of income amounts to reflect the then current general purchasing power;

- we did not adjust monetary items as such items were, by their nature, stated in terms of current general purchasing power in our Consolidated Financial Statements;

- we recognized monetary gains or losses in our consolidated statements of income, reflecting the effect of holding monetary items, and

- we included the gain or loss on exposure to inflation (monetary gain or loss) in our consolidated statements of income within financing results.

Also contained in this annual report are the consolidated financial statements of BHSA as of June 30, 2004 and 2003 and for the years ended June 30, 2004, 2003 and 2002, which also have been audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent auditors, whose report is included herein. As a result of the purchase of additional shares and the exercise of warrants of BHSA, effective June 30, 2004 we changed the method of accounting for our investment in BHSA from market value to the equity method of accounting. We recognized the cumulative effect of the change in earnings during the year ended June 30, 2004. The independent auditors report on the consolidated financial statements of BHSA includes an explanatory paragraph describing that the quality of BHSA s financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. The political and economic crisis of late 2001 and early 2002 and the Argentine Government s actions to address such crisis have had a significant adverse effect on BHSA´s business activity. Currently, BHSA is significantly dependent on the Argentine Government s ability to perform on its obligations to BHSA and to the entire financial system in Argentina, in connection with Federal secured loans, federal government securities and on its obligation to approve and deliver government securities under various laws and regulations.

As a result of the increase in the ownership interest and the consolidation of our subsidiary Alto Palermo S.A. (APSA), during 2003 we discontinued the application of the proportional consolidation method that was used for reporting results of our jointly controlled subsidiaries in prior years. Therefore, when issuing our 2003 financial statements, we restated our prior year financial statements and related data to reflect such investments under the equity method of accounting.

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Also contained in this annual report are the consolidated financial statements of APSA as of June 30, 2004 and 2003 and for the years ended June 30, 2004, 2003 and 2002, which have been audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent auditors, whose report is included herein. Our investment in APSA has been consolidated since fiscal year 2003. In prior years, APSA was an unconsolidated equity investee of the Company. As of June 30, 2004, 2003 and 2002 we owned 53.81%, 54.79% and 49.69% of APSA, respectively.

Except as discussed in the following paragraph, APSA prepares its financial statements in accordance with Argentine GAAP under regulations of the CNV, which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 16 to APSA s Consolidated Financial Statements contained elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to APSA, and a reconciliation to U.S. GAAP of net income (loss) and shareholders equity.

As discussed in Notes 2.a. to APSA´s Consolidated Financial Statements, contained elsewhere in this annual report, in order to comply with regulations of the CNV, APSA discontinued inflation accounting as of March 1, 2003 as well as recognized deferred tax assets and liabilities on a non-discounted basis. These accounting practices represent a departure from generally accepted accounting principles in Argentina. However, such departure has not had a material effect on its consolidated financial statements.

During the year ended June 30, 2004 we adopted Technical Resolution No. 21 and, as a result, we began consolidating Llao Llao Resort S.A.. As required by the transition provisions of this standard, we restated our prior year´s consolidated financial statements and related data to reflect such investment on a consolidated basis.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. You should not construe the translations as a representation that the amounts shown could have been, or could be, converted into U.S. Dollars at that or any other rate.

References to fiscal years 2000, 2001, 2002, 2003 and 2004 are to the fiscal years ended June 30 of each such year.

MARKET DATA

Market data used throughout this annual report were derived from reports prepared by unaffiliated third-party sources. Such reports generally state that the information contained therein has been obtained from sources believed by such sources to be reliable. Certain market data which appear herein (including percentage amounts) may not sum due to rounding.

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PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

This item is not applicable.

ITEM 2. Offer Statistics and Expected Timetable

This item is not applicable.

ITEM 3. Key Information

A. Selected Financial Data

The following selected consolidated financial data has been derived from our Consolidated Financial Statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our Consolidated Financial Statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this annual report. The selected consolidated statement of income data for the years ended June 30, 2004, 2003 and 2002 and the selected consolidated balance sheet data as of June 30, 2004 and 2003 have been derived from our Consolidated Financial Statements included in this annual report which have been audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent auditors. The independent auditors report on our Consolidated Financial Statements includes an explanatory paragraph describing uncertainties which might affect the value of our equity investment in BHSA. As of June 30, 2004, our equity investment in BHSA accounted for approximately 7% of our total consolidated assets. See Risk Factors Our investment in BHSA subjects us to risks affecting the banking sector .

The consolidated statements of income for the years ended June 30, 2001 and 2000 and the selected consolidated balance sheet data as of June 30, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements that are not included herein.

As discussed in Notes 2.d. to our Consolidated Financial Statements, contained elsewhere in this annual report, on January 14, 2003, the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA) and the CNV approved, with certain amendments, Technical Resolutions No. 16, 17, 18, 19 and 20 issued by the *Federación Argentina de Consejos Profesional en Ciencias Económicas* (FACPCE), which establish new accounting and disclosure principles under Argentine GAAP. We adopted such standards on July 1, 2002, except for Technical Resolution No. 20, which we adopted on July 1, 2003. As required by Argentine GAAP, when issuing the 2003 Consolidated Financial Statements, we restated our prior year financial statements to give retroactive effect to the newly adopted accounting standards.

In addition, during 2003 the CPCECABA approved and the Comisión Nacional de Valores adopted with certain amendments Technical Resolution No. 21, which became effective to us for the fiscal year ended June 30, 2004. As a result of the adoption of RT No. 21, we started to consolidate Llao Llao during fiscal year 2004. As required by the transition provisions of this standard, we restated our prior year´s consolidated financial statements and related data to reflect such investment on a consolidated basis.

Our financial statements are presented in thousands of Pesos. Except as discussed in the following paragraph, our financial statements are prepared in accordance with Argentine GAAP and the regulations of the CNV, which differs in certain significant respects from U.S. GAAP. Note 20 to our Consolidated Financial Statements provides a description of the principal differences between Argentine GAAP and U.S. GAAP affecting our consolidated figures and a reconciliation to U.S. GAAP of net income (loss) reported under Argentine GAAP for the years ended June 30, 2004, 2003 and 2002, and of shareholders equity reported under Argentine GAAP as of June 30, 2004 and 2003. The differences involve methods of

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measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and regulations of the SEC.

As discussed in Note 3.n. to our financial statements, contained elsewhere in this annual report, in order to comply with regulations of the CNV, we recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represents a departure from generally accepted accounting principles in Argentina. However, such departure has not had a material effect on our Consolidated Financial Statements.

Additionally, as discussed in Note 2.c. to our Consolidated Financial Statements, contained elsewhere in this annual report, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the CNV to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1237.

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As a result of this, our Consolidated Financial Statements were prepared on the basis of general price-level accounting which reflected changes in the purchasing power of the Peso until February 28, 2003 in our historical financial statements using changes in the Argentine wholesale price index, as published by the *Instituto Nacional de Estadística y Censos,* as follows:

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As a result of the increase in the ownership interest and the consolidation of our subsidiary APSA, during 2003, we discontinued the application of the proportional consolidation method that was used for reporting results of our jointly controlled subsidiaries in prior years. Therefore, when issuing our 2003 financial statements, we restated our financial statements of prior years and related data to reflect such investments under the equity method of accounting.

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	As of and for the year ended June 30,					
	2004	2004	2003	2002	2001	2000
	(US$ 000) (2)	*(Ps.000)* (3)	(As restated) (1) *(Ps.000)* (3)	(As restated) (1) *(Ps.000)* (3)	(As restated) (1) *(Ps.000)* (3)	(As restated) (1) *(Ps.000)* (3)
INCOME STATEMENT DATA						
Argentine GAAP						
Revenues	88,169	260,805	236,495	156,244	244,052	256,608
Costs	(49,836)	(147,416)	(154,667)	(96,962)	(140,226)	(131,766)
Gross profit	38,333	113,389	81,828	59,282	103,826	124,842
Selling expenses	(7,787)	(23,033)	(28,555)	(14,246)	(26,284)	(22,624)
Administrative expenses	(16,984)	(50,240)	(45,194)	(36,258)	(44,798)	(47,373)
Gain on purchasers rescissions of sales contracts			9			
Gain (loss) in credit card trust	88	261	(4,077)			
Gain (loss) from operations and holdings of real estate assets, net (4)	21,752	64,343	21,507	(46,840)	(7,127)	(3,029)
Operating income (loss)	35,402	104,720	25,518	(38,062)	25,617	51,816
Amortization of goodwill	(982)	(2,904)	(6,631)			
Equity gain (loss) from related parties	9,010	26,653	(14,701)	(4,571)	9,509	23,332
Financial results, net	3,565	10,546	315,301	(496,498)	(99,465)	(45,446)
Other expenses, net	(4,257)	(12,591)	(859)	(4,483)	(5,983)	(7,160)
Income (loss) before taxes and minority interest	42,738	126,424	318,628	(543,614)	(70,322)	22,542
Income and asset tax (expense) benefit	(8,695)	(25,720)	3,529	(1,086)	37,783	(22,533)
Minority interest	(4,341)	(12,842)	(35,712)	977	3,415	(1,159)
Ordinary net income (loss)	29,702	87,862	286,445	(543,723)	(29,124)	(1,150)
Extraordinary loss					(12,706)	
Net income (loss)	29,702	87,862	286,445	(543,723)	(41,830)	(1,150)
Basic net income (loss) per share (5)	0.13	0.39	1.37	(2.62)	(0.20)	(0.01)
Basic net income (loss) per GDS (5)	1.32	3.90	13.65	(26.21)	(2.05)	(0.06)
Diluted net income (loss) per share (6)	0.08	0.23	0.57	(2.62)	(0.20)	(0.01)
Diluted net income (loss) per GDS (6)	0.75	2.23	5.65	(26.21)	(2.05)	(0.06)
Weighted - average common shares outstanding	225,005	225,005	209,840	207,412	204,189	204,652
Adjusted weighted - average number of shares (6)	554,271	554,271	439,064	207,412	204,189	204,652
U.S. GAAP						
Revenues	84,997	251,420	230,068	153,168	245,137	250,466
Net income (loss) (5)	955	2,825	235,126	(901,515)	19,420	(18,988)
Net income (loss) before extraordinary items and accounting changes	955	2,825	235,126	(901,515)	(4,479)	(15,071)
Basic net income (loss) per share (5)	0.004	0.013	1.121	(4.346)	0.095	(0.093)
Basic net income (loss) per GDS(5)	0.042	0.126	11.205	(43.465)	0.951	(0.928)
Basic net income (loss) before extraordinary items and accounting changes per share (5)	0.004	0.013	1.121	(4.346)	(0.022)	(0.074)

Diluted net income (loss) per share [5]	0.004	0.013	0.602	(4.346)	0.095	(0.093)
Diluted net income (loss) per GDS [6]	0.042	0.126	6.017	(43.465)	0.951	(0.928)
Diluted net (loss) income before extraordinary items and accounting changes per share [5]	0.004	0.013	0.602	(4.346)	(0.022)	(0.074)
Weighted - average common shares outstanding	225,005	225,005	209,840	207,412	204,189	204,652
Adjusted weighted - average number of shares [6]	225,005	225,005	338,416	207,412	204,189	204,652
BALANCE SHEET DATA						
Argentine GAAP						
Cash and banks and current investments	55,409	163,900	232,001	71,150	113,730	92,751
Inventories	10,323	30,534	23,854	79,733	104,004	146,332
Mortgages and leases receivable, net	12,599	37,267	39,181	18,164	117,761	133,193
Non-current investments [7]	177,293	524,434	420,373	583,344	764,059	918,942
Fixed assets, net	427,879	1,265,666	1,227,639	409,469	501,245	538,237

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Total current assets	88,455	261,651	297,476	157,969	260,823	266,075
Total assets	744,741	2,202,944	2,081,956	1,316,050	1,700,227	1,893,517
Short-term debt [(8)]	48,386	143,126	96,159	635,533	395,666	221,461
Total current liabilities	86,552	256,022	188,738	693,543	458,697	268,512
Long-term debt [(9)]	158,488	468,807	592,104	975	32,418	234,365
Total non-current liabilities	174,723	516,831	629,988	4,061	41,642	293,436
Minority interest	158,971	470,237	454,044	95,726	133,445	132,911
Shareholders equity	324,494	959,854	809,186	522,720	1,066,443	1,198,658
U.S. GAAP						
Total assets	612,291	1,811,156	1,887,060	1,019,426	1,616,709	1,810,553
Total shareholders equity	198,695	587,740	502,803	197,124	988,523	1,151,142
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by operating activities	24,818	73,414	93,945	54,313	106,994	139,231
Net cash (used in) provided by investing activities	(32,424)	(95,909)	(40,603)	(21,084)	81,559	(36,205)
Net cash (used in) provided by financing activities	(16,109)	(47,649)	109,439	(41,427)	(184,244)	(117,401)
U.S. GAAP						
Net cash provided by operating activities	31,230	92,378	55,135	11,871	98,299	102,162
Net cash (used in) provided by investing activities	(35,518)	(105,061)	(52,260)	(21,049)	80,728	(416)
Net cash (used in) provided by financing activities	(16,109)	(47,649)	109,439	(41,427)	(173,958)	(117,394)
Effect of exchange rate changes on cash and cash equivalents	(2,732)	(8,081)	51,743	2,043		
Effect of inflation accounting			(1,472)	39,113		
OTHER FINANCIAL DATA						
Argentine GAAP						
Depreciation and amortization	23,164	68,519	80,547	26,297	28,281	29,244
Capital expenditures [(10)]	51,717	152,979	42,735	50,139	70,337	41,962
Ratio of current assets to current liabilities	1.022	1.022	1.576	0.228	0.569	0.991
Ratio of shareholders equity to total liabilities	1.242	1.242	0.988	0.749	2.131	2.133
Ratio of non-current assets to total assets	0.881	0.881	0.857	0.880	0.847	0.859
Profitability [(11)]	0.099	0.099	0.430	(0.684)	(0.037)	(0.001)

(1) Under Argentine GAAP, we adopted RT No. 21 Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions during the year ended June 30, 2004. As a result of such an adoption, we began consolidating Llao Llao Resorts S.A. (hotel operations). As required by Argentine GAAP, our prior year s financial statements and related data were restated to reflect our investment in Llao Llao Resorts S.A. on a consolidated basis. In addition, as a result of the change in the accounting method for our investment in BHSA from market value to the equity method, under US GAAP our consolidated financial statements were retroactively adjusted as required by APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock (APB No. 18), to reflect the investment under the equity method of accounting in a manner consistent with the accounting for a step acquisition of a subsidiary.

(2) Solely for the convenience of the reader, we have translated Argentine Peso amounts into U.S. Dollars at the exchange rate quoted by Banco de la Nación Argentina for June 30, 2004 which was Ps. 2.958 per US$1.0. 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 . Sums may not total due to rounding.

(3) In thousands of constant Pesos of June 30, 2004, except for ratios and share data. Includes adjustment by inflation as of February 28, 2003. Sums may not total due to rounding.

(4) Includes results from temporary investments in affiliated companies and gain (losses) from holding investment in real estate assets. See Note 7 to our consolidated financial statements.

(5) 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.

(6) 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. In addition, the computation of diluted net income per share / GDS under US GAAP for the year ended June 30, 2004 excludes potential common shares because the effect of their inclusion would be anti-dilutive, or would increase the reported net income per share / GDS. Each GDS represents ten common shares.

(7) Includes parcels of undeveloped land.

(8) Includes short-term loans, the current mortgages payable and the current portion of the seller financing.

(9) Includes long-term loans and the non-current portion of the seller financing.

(10) Includes the purchase of fixed assets and long-term investments.

(11) Net income (loss) / Average Shareholders Equity (simple average between the fiscal period s shareholders equity and the shareholders equity for the same fiscal period of the immediately preceding year)

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Exchange Rates

In April 1991, Convertibility Law No. 23,928 and its Regulatory Decree No. 529/91 (together the Convertibility Law) established a fixed exchange rate under which the Argentine Central Bank was obliged to sell U.S. Dollars to any person at a fixed rate of one Peso per U.S. Dollar.

On January 6, 2002, the Argentine Congress enacted the Public Emergency Law and Foreign Exchange System Reform Law No. 25,561 (the Public Emergency Law) whereby the Executive Branch was granted the authority to determine the new exchange rate between the Peso and foreign currencies and to approve the corresponding monetary regulations. Thereafter, the Executive Branch announced the devaluation of the Peso with the establishment of a dual exchange rate system pursuant to which certain limited transactions occurred at a fixed rate of Ps. 1.40 per US$ 1.00 and all other transactions were settled at a floating market rate, depending on supply and demand. See Risk Factors Risks related to Argentina .

The Public Emergency Law amends several provisions of the 1991 Convertibility Law, the most important of which are:

- the repeal of the Ps. 1.00 to US$ 1.00 fixed exchange rate established in 1991;
- the elimination of the obligation of the Argentine Central Bank to sell foreign currency for conversion transactions at the rate Ps. 1.00 = US$ 1.00;
- the elimination of the requirement that the Argentine Central Bank s reserves in gold and foreign currency shall at all times be equivalent to not less than 100% of the monetary base. However, the law only states that the Argentine Central Bank s reserves in gold and foreign currency will need to be at all times sufficient to support the monetary base. Accordingly, the monetary base is not necessarily fully backed by foreign currency-denominated reserves, which would potentially have an inflationary effect on prices; and
- the continuing prohibition of escalation clauses and other means of adjustment of monetary obligations in Pesos.