IRSA INVESTMENTS & REPRESENTATIONS INC
Form 20-F
December 30, 2003
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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, 2003

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, 2003 was **212,184,281**

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 13.

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 Sociedad 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;

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 Pe

This annual report contains our audited consolidated financial statements as of June 30, 2003 and 2002 and for the years ended June 30, 2003, 2002 and 2001. Our consolidated financial statements have been audited by Price Waterhouse & Co., independent auditors, whose report is included herein.

Except as discussed in the following paragraph, we prepare our consolidated financial statements in Pesos and in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores*, 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 Regulation S-X of the SEC. See Note 21 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 (loss) income and shareholders equity.

As discussed in Note 4.o. to our financial statements, contained elsewhere in this annual report, in order to comply with regulations of the *Comisión Nacional de Valores*, 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 the accompanying financial statements.

Additionally, as discussed in Notes 3.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

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decree related to the inflation adjustment and instructed the *Comisión Nacional de Valores to* issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the *Comisión Nacional de Valores* resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were also restated until that date, using a conversion factor of 1.1237.

Since Argentine GAAP still required companies to prepare price-level restated financial statements, the application of the *Comisión Nacional de Valores* resolution represents a departure from generally accepted accounting principles. However, such a departure has not have a material effect on the accompanying financial statements.

As a result this, our consolidated financial statements have been 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 have adjusted non-monetary items and consolidated statements of income amounts to reflect the then current general purchasing power;

- we have not adjusted monetary items as such items were, by their nature, stated in terms of current general purchasing power in our consolidated financial statements;

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

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

As a result of the increase in the ownership interest and the consolidation of our subsidiary Alto Palermo S.A. (APSA) in 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, we have restated our prior years financial statements and data to reflect such investments under the equity method of accounting.

Also contained elsewhere in this annual report are the consolidated financial statements of Alto Palermo Sociedad Anónima (APSA) (APSA), as of June 30, 2003 and 2002 and for the years ended June 30, 2003, 2002 and 2001, which have been audited by Price Waterhouse & Co., member firm of PricewaterhouseCoopers, independent auditors, whose report is included elsewhere herein. At June 30, 2002 we owned 49.7% of APSA. At June 30, 2002, we owned 54.79 % of APSA.

Except as discussed in the following paragraph, APSA prepares its financial statements in conformity with Argentine GAAP 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 Regulation S-X of the SEC. See Note 17 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 (loss) income and shareholders equity.

As discussed in Notes 3.c. to APSA´s consolidated financial statements, contained elsewhere in this annual report, in order to comply with regulations of the *Comisión Nacional de Valores*, APSA discontinued inflation accounting as of March 1, 2003. This accounting practice represents a departure from generally accepted accounting principles in Argentina. However, such departure has not had a material effect on its financial statements.

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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 1999, 2000, 2001, 2002 and 2003 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.

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, 2003, 2002 and 2001 and the selected consolidated balance sheet data as of June 30, 2003 and 2002 have been derived from our consolidated financial statements included in this annual report which have been audited by Price Waterhouse & Co., Buenos Aires, Argentina, independent auditors.

As discussed in Notes 3.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 *Comisión Nacional de Valores* 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. The consolidated statements of income data for the years ended June 30, 2000 and 1999 and the selected consolidated balance sheet data as of June 30, 2001, 2000 and 1999 have been derived from our audited consolidated financial statements that are not included herein, which have been restated to give retroactive effect to the recently adopted accounting standard, except for certain valuation and disclosure criteria that in accordance with the transition provisions have been applied for prospectively.

Our financial statements are presented in Pesos. Except as discussed in the following paragraph, our financial statements are prepared in accordance with Argentine GAAP, which differs in certain significant respects from U.S. GAAP. Note 21 to our consolidated financial statements provides a description of the principal differences between Argentine GAAP and U.S. GAAP affecting our net (loss) income and shareholders equity and a reconciliation to U.S. GAAP of net (loss) income reported under Argentine GAAP for the years ended June 30, 2003, 2002 and 2001, and of shareholders equity reported under Argentine GAAP as of June 30, 2003 and 2002. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

As discussed in Note 4.o. to our financial statements, contained elsewhere in this annual report, in order to comply with regulations of the *Comisión Nacional de Valores*, 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 we believe that such departure has not had a material effect on our financial statements.

Additionally, as discussed in Notes 3.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 *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the *Comisión Nacional de Valores* resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were also restated until that date, using a conversion factor of 1.1237.

Since Argentine GAAP still required companies to prepare price-level restated financial statements, the application of the *Comisión Nacional de Valores* resolution represents a departure from generally accepted accounting principles. However, such a departure has not have a material effect on the accompanying financial statements.

As a result of this, our consolidated financial statements have been 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 have adjusted non-monetary items and consolidated statements of income amounts to reflect the then-current general purchasing power;

- we have not adjusted monetary items, as such items were by their nature stated in terms of current general purchasing power in our consolidated financial statements;

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

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

As a result of the increase in the ownership interest and the consolidation of our subsidiary APSA in 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, we have restated our prior years financial statements and data to reflect such investments under the equity method of accounting.

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.

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	As of and for the Year Ended June 30,					
	2003	2003	2002	2001	2000	1999
	(US$ 000) (1)	*(Ps.000)* (2)	*(Ps.000)* (2)	*(Ps.000)* (2)	*(Ps.000)* (2)	*(Ps.000)* (2)
INCOME STATEMENT DATA						
Argentine GAAP						
Sales	76,048	212,935	137,640	224,665	256,608	305,397
Costs	(51,054)	(142,950)	(84,093)	(125,155)	(131,766)	(158,124)
Gross profit	24,994	69,985	53,547	99,510	124,842	147,273
Selling expenses	(9,137)	(25,583)	(11,281)	(22,279)	(22,624)	(25,278)
Administrative expenses	(14,902)	(41,725)	(32,057)	(39,996)	(47,373)	(42,245)
Gain on purchasers rescissions of sales contracts	3	9				
Loss in credit card trust	(1,456)	(4,077)				
Gain (loss) from operations and holdings of real estate assets, net (3)	7,681	21,507	(46,840)	(7,127)	(3,029)	956
Operating income (loss)	7,183	20,116	(36,631)	30,108	51,816	80,706
Amortization of goodwill	(2,367)	(6,631)				
Equity (loss) gain from related parties	(4,599)	(12,877)	102	847	23,332	47,765
Financial results, net	112,659	315,445	(505,757)	(99,408)	(45,446)	(1,246)
Other income (expenses), net	1,027	2,875	(4,857)	(5,917)	(7,160)	10,629
Income (loss) before taxes and minority interest	113,903	318,928	(547,143)	(74,370)	22,542	137,854
Income tax benefit (expense)	502	1,406	(2,230)	37,783	(22,533)	(31,511)
Minority interest	(12,103)	(33,889)	5,650	(5,243)	(1,159)	(4,174)
Net income (loss)	102,302	286,445	(543,723)	(41,830)	(1,150)	102,169
Income (loss) per share (4)	0.49	1.37	(2.62)	(0.20)	(0.01)	0.54
Income (loss) per GDS (4)	4.88	13.65	(26,21)	(2.05)	(0.06)	05.40
Average outstanding shares	209,840	209,840	207,412	204,189	204,652	189,058
U.S. GAAP						
Sales	82,211	230,190	164,575	245,137	250,466	297,670
Net income (loss) (4)	68,303	191,248	(731,470)	22,501	(18,988)	46,195
Net (loss) income before extraordinary items and accounting changes	68,303	191,248	(731,470)	(1,398)	(15,071)	35,465
Basic net income (loss) per GDS(4)	3.25	9.1	(35.3)	(1.1)	(0.92)	2.44
Basic net (loss) income before extraordinary items and accounting changes per GDS(4)	3.25	9.1	(35.3)	(1.1)	(0.73)	1.86
Weighted average common shares outstanding	209,840	209,840	207,412	204,189	204,652	189,058
BALANCE SHEET DATA						
Argentine GAAP						
Cash and current investments	80,817	226,287	69,251	112,643	91,474	97,516
Inventories	8,336	23,342	79,432	103,592	145,921	173,281
Mortgages and leases receivable, net	13,704	38,371	17,012	117,156	135,222	158,090
Non-current investments (5)	154,914	433,760	593,759	769,794	932,118	812,590
Fixed assets, net	427,686	1,197,521	380,703	471,276	507,359	569,511
Total current assets	103,073	288,603	153,170	256,425	263,758	367,236
Total assets	733,201	2,052,964	1,292,704	1,669,888	1,871,369	1,956,780
Short-term debt (6)	34,342	96,159	635,533	395,666	221,461	278,444
Total current liabilities	61,592	172,458	681,029	433,393	265,596	326,130
Long-term debt (7)	211,466	592,104	975	29,231	234,365	229,329
Total non-current liabilities	224,996	629,988	4,061	41,642	287,127	279,579
Minority Interest	157,619	441,332	84,894	128,410	119,988	128,504
Shareholders equity	288,995	809,186	522,720	1,066,443	1,198,658	1,222,567

U.S. GAAP						
Total assets	719,625	2,014,950	1,192,552	1,614,723	1,810,553	1,910,823
Total shareholders equity	225,248	630,693	370,250	986,537	1,151,142	1,193,018

CASH FLOW DATA

Argentine GAAP						

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Net cash provided by operating activities	31,092	87,058	53,178	107,756	139,231	128,106
Net cash (used in) provided by investing activities	(13,385)	(37,479)	(19,637)	81,756	(37,482)	(208,106)
Net cash provided by (used in) financing activities	39,066	109,386	(42,551)	(185,013)	(117,401)	(130,544)
U.S. GAAP						
Net cash provided by operating activities	19,691	55,135	11,871	98,299	102,162	152,259
Net cash (used in) provided by investing activities	(18,664)	(52,260)	(21,049)	80,728	(416)	(232,618)
Net cash (used in) provided by financing activities	39,085	109,439	(41,427)	(173,958)	(117,394)	(130,537)
Effect of exchange rate changes on cash and cash equivalents	18,480	51,743	2,043			
Effect of inflation accounting	(526)	(1,472)	39,113			

OTHER FINANCIAL DATA

Argentine GAAP						
Depreciation and amortization	28,137	78,784	23,635	25,961	29,244	24,076
Capital expenditures [(8)]	14,147	39,611	48,692	68,974	41,962	209,243
Ratio of current assets to current liabilities	1.673	1.673	0.225	0,592	0.993	1.126
Ratio of shareholders equity to total liabilities	1.008	1.008	0.763	2.244	2.169	2.018
Ratio of non-current assets to total assets	0.859	0.859	0.882	0.846	0.860	0.811
Profitability [(9)]	0.430	0.430	(0.684)	(0.037)	(0.001)	0.540

(1) 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, 2003 which was Ps. 2.8 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 .

(2) In thousands of constant Pesos of June 30, 2003, except for ratios and weighted average number of shares outstanding. Includes adjustment by inflation as of February 28, 2003. Sums may not total due to rounding.

(3) Includes unrealized gains from temporary investments in affiliated companies with non-voting rights, capital issuance premium and loss from write off of real estate assets for certain periods. See Note 8 to our consolidated financial statements.

(4) 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.

(5) Includes parcels of undeveloped land.

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

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

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

(9) Net Profit (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)

Exchange Rates

Since April 1, 1991 until the beginning of 2002, the Law No. 23,928 and its Regulatory Decree No. 529/91 (together the Convertibility Law) were applicable in Argentina. 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, Argentine Republic 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 are settled at a floating market rate, depending on supply and demand. See Risk Factors Risks related to Argentina .

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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.

On January 11, 2002 the Argentine Central Bank ended a bank holiday that it had observed since December 21, 2001. The exchange rate began to float freely for the first time. Since then, the exchange rate has continued to grow, forcing the Argentine Central Bank to intervene in the market and sell U.S. dollars in order to prevent a significant depreciation of the Peso.

Since February 11, 2002, there has been a single free exchange market for all exchange transactions, with the following main features:

- the rate of exchange is determined by free supply and demand;
- exchange transactions may only be carried out by entities authorized by the Argentine Central Bank to do so;
- transfers abroad by the private non-financial sector, the financial sector and public companies which do not depend on the state for their budget for principal servicing of financial loans or profit or dividend remittances will require prior approval from the Argentine Central Bank, regardless of their method of payment. This requirement will not apply to transfers relating to (i) debt agreements with international agencies, (ii) debt with banks participating in the financing of investment projects jointly financed by international agencies, and (iii) debt agreements with official credit agencies or debt guaranteed by them.

Before 1991, the Argentine currency had experienced a significant number of large devaluations and Argentina had adopted and operated under various exchange control policies. We cannot assure you that the executive branch will continue its current policies or that further devaluations will not take place.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in nominal Pesos per U.S. dollar. On December 16, 2003, the applicable Peso/U.S. dollar exchange rate was Ps.2.97 to US$ 1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos.

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Nominal Exchange Rates [5]

	Exchange Rate			
	High[1]	Low[2]	Average[3]	Period End
Year Ended December 31, 1998	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 1999	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 2000	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 2001(4)	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 2002	3.8500	1.4750	3.2154	3.3700
Month Ended May 31, 2003	2.8900	2.7120	2.8000	2.8500
Month Ended June 30, 2003	2.8000	2.7200	2.7500	2.8000
Month Ended July 31, 2003	2.8700	2.7100	2.8700	2.9200
Month Ended August 31, 2003	2.9100	2.8350	2.9060	2.9560
Month Ended September 30, 2003	2.9300	2.8400	2.8650	2.9150
Month Ended October 31, 2003	2.8550	2.7870	2.8150	2.8650
Month Ended November 30, 2003	2.9950	2.8475	2.8839	2.8575

(1) The high rate shown was the highest month-end rate during the year or any shorter period, as noted.
(2) The low rate shown was the lowest month-end rate during the year or any shorter period, as noted.
(3) Average of month-end rates.
(4) From December 23, 2001 through January 11, 2002 Banco Nación did not publish an official exchange rate due to governmental suspension of the exchange market.
(5) All prices are mid market prices.

Source: Argentine Central Bank; Banco de la Nación Argentina, Bloomberg

Fluctuations in the exchange rate between the Peso and the U.S. dollar may affect the U.S. dollar equivalent of the Peso price our US$100.0 million Convertible Notes on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). Increases in Argentine inflation or devaluation of the Argentine currency could materially and adversely affect 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 with respect to an investment in our company and the country in which we operate.

We may also face additional risks and uncertainties that are not presently affecting us, or that we currently deem immaterial, which may materially impair our business. It is known that investing in companies which operate in emerging markets such as Argentina is more risky than investing in companies which operate in consolidated markets such as the United States.

Risks Related to Argentina

Overview of Argentine economic and political risks

All of our operations and properties are located in Argentina. Domestic demand for our rental and development properties broadly reflects prevailing conditions in the Argentine economy. Accordingly, contraction in the domestic economy or other adverse economic conditions may reduce demand for our properties and their values and may adversely affect our ability to meet our obligations. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth and high and variable levels of inflation. In 1988, 1989 and 1990, the annual inflation rates were approximately 338%, 4,924% and 1,344%, respectively, based on the consumer price index and approximately 432%, 5,386% and 798%, respectively, based on the wholesale price index. As a result of inflationary pressures, the Argentine currency was devalued repeatedly during the 1960s, 1970s and 1980s, and macroeconomic instability led to broad fluctuations in the real exchange rate of the Argentine currency relative to the U.S. dollar. To address these pressures, the Argentine government implemented various plans and utilized a number of exchange rate systems during this period. At various times throughout Argentine history, the foreign exchange market has been subject to exchange controls.

In 1991, the Argentine government launched a plan aimed at controlling inflation and restructuring the economy, enacting the Convertibility Law. The Convertibility Law fixed the exchange rate at one Peso per U.S. dollar and required that the Argentine Central Bank maintain reserves in gold and foreign currency in an amount at least equivalent to the monetary base. Following the enactment of the Convertibility Law, inflation declined steadily and the Argentine economy experienced growth through most of the period from 1991 to 1997. In the fourth quarter of 1998, however, the Argentine economy entered into a recession that caused the gross domestic product to decrease by 3.0% in 1999, 0.5% in 2000 and 4.9% in 2001. During the second half of 2001, Argentina s recession worsened significantly, precipitating the political and economic crisis described in greater detail below. During 2002, the gross domestic product dramatically decreased by 10.9% as compared to 2001, while prices increased approximately by 41.0% and 118.0%, based on the consumer price index and on the wholesale price index, respectively. During 2003, economic indicators showed some signs of recovery. During the first half of 2003, the gross domestic product increased by 6.6% as compared to the same period in 2002, while prices increased by 10.2% and 8.1% based on the consumer price index and on the wholesale price index, respectively.

Political and economic instability has affected and could affect in the future commercial and financial activities

Following his election in October 1999, President Fernando De la Rúa was confronted with the challenges of dealing with Argentina s enduring economic recession and obtaining political consensus on critical issues related to the economy, public sector spending, legal reforms and social programs.

This government took certain measures that caused social discontent and the resignation of Minister of Economy, Domingo Cavallo. On December 21, 2001, after declaring a state of siege, President De la Rúa resigned in the midst of an escalating political, social and economic crisis.

Following the resignation of an interim President only one week after his appointment, on January 1, 2002, the Legislative Assembly elected *Peronista* senator Eduardo Duhalde as President to serve for the remaining term of former President De la Rúa. During the government of President Duhalde a number of far-reaching initiatives were undertaken, including:

- ratifying the suspension of payment of almost all of Argentina s sovereign debt declared by the interim President;
- ending the Peso-U.S. dollar Parity set forth in the Convertibility Law and the resulting devaluation of the Peso;
- converting certain U.S. dollar-denominated debts (ruled by Argentine Law) into Peso-denominated debts at a one-to-one exchange rate plus CER (as defined below);
- converting, with limited exceptions (financial and commercial), U.S. dollar-denominated bank deposits into Peso-denominated bank deposits on an exchange rate of Ps. 1.4 per U.S. dollar plus CER (as defined below); and

enacting an amendment to the Argentine Central Bank s charter to allow it to print currency in excess of the amount of the foreign reserves it holds.

On April 27, 2003, the presidential elections took place, in which Carlos Menem and Néstor Kirchner obtained the first and second place, respectively, in terms of votes. On May 14, 2003, Carlos Menem decided not to participate in the run-off. Based on Menem s decision, Kirchner was elected President of Argentina on May 25, 2003 for a four-year term ending December 10, 2007.

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The Kirchner administration has continued the economic policies of his predecessor, and the official candidates have succeeded in the subsequent elections, providing a higher political support to the elected president, who obtained the lower number of votes all over the Argentine history.

However, and despite the apparent disappearance of the signs of economic and political crisis, the structural problems of the Argentine economy, which have recurrently caused or contributed to political crisis in the past, have not been resolved, and it cannot be assured whether the policies of the elected president will be finally successful.

These conditions have had and can be expected to have a material adverse effect on our financial condition and results of operations as they have paralyzed, and could paralyze in the future, investment and consumption decisions, thus causing a reduction in retail sales, sales of real estate and demand for office and commercial space.

Argentina s insolvency and default on its public debt had deepened the financial crisis.

As of December 2001, Argentina s total gross public debt was approximately US$ 137.0 billion. On December 23, 2001, former interim President Rodríguez Saá declared the suspension of payments on certain of Argentina s sovereign debt, and President Duhalde ratified this measure on January 2, 2002. In addition, in 2002, the principal international rating agencies downgraded the rating of Argentina s sovereign debt.

On November 14, 2002, the Argentine government defaulted on all but a fraction of an US$ 805 million payment due on that date to the World Bank, deepening the country s rift with the international financial establishment and damaging relations between the United States and Latin America. Countries that fail to pay official multilateral institutions such as the World Bank are likely to become international financial pariahs and, though Argentina fully intends to meet its obligations once an International Monetary Funds (IMF) agreement is reached, the country could fall further into economic isolation. Eventually, the World Bank is considering the suspension of disbursements on projects that aid the country s poor, consequently, argentine exports and imports which are being financed by international loans will probably be badly affected by these measures hardening these transactions.

Although the Argentine Government reached an initial agreement with the IMF on September 20, 2003 at the annual meeting of the IMF and the World Bank in Dubai, which will allow Argentina to refinance its debts with the international financial institutions in the amount of US$ 21,500 million, the renegotiation with private creditors looks difficult.

The agreement signed with the IMF set forth that the Government surplus before paying the debt should be 3% for the first year, which is equivalent to US$ 4,200 million. Targets for years 2005 and 2006 will be set once an agreement between the country and the private creditors is reached.

The Argentine Capital Market Institute stated in a report that is part of a document about the external debt rescheduling that a 3% surplus of GDP and a growth rate in actual terms of 3% up to 2007 would not allow Argentina to meet its obligations in years 2005, 2006 and, especially 2009. During those years, principal and interest installments related to BODEN and secured loans would become due, which were not included in the debt rescheduling, amounting to US$ 354 million, US$ 272 million and US$ 1,154 million, respectively.

At the annual meeting of the IMF and the World Bank in Dubai, the Argentine economy officers made an exchange offer to private creditors. They proposed that creditors exchange their debt instruments for any of the new government securities that are to be issued. Holders might opt for bonds in U.S. dollars, euros or pesos adjusted for inflation. Interest rates, payment terms and the percentage of loss of nominal value would be defined in subsequent negotiations. To date, no agreement has been reached. The government´s offer that involved writing out 75% of the value of the defaulted debt, the refuse to pay interest arrears and the issuance of new long interest bonds, which would have amounted to a cut of up to 90% in the present value of the original bond, has been widely rejected by most creditors.

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On December 3, 2003, the Argentine bondholder´s committee, a New York based group, made a counter offer which would accept a write off with a 35% discount in the nominal value of the defaulted debt, but Argentina would have to honor overdue interests.

As of November 13, 2003, Standard & Poor s maintained Argentina s long-term local and foreign currency sovereign credit ratings at SD (selective default), indicating that the Republic is defaulting on some of its obligations. Fitch IBCA and Duff & Phelps maintained the DDD ratings for the long-term debt (with a negative rating watch) and the ratings for the short-term debt at C . Moody s Investors Service qualified Argentina s foreign currency country ceiling for long-term bonds at Caa1 with a stable rating outlook.

As of November 30, 2003 Argentina´s public debt totaled US$ 185.2 billion, or 143% of its GDP, where US$ 106.8 billion had to be restructured.

If the external debt is not rescheduled, the Argentine companies will find it difficult to access international financial assistance, and foreign investments either directly or through a portfolio would be restricted. These circumstances might deteriorate the slight and initial recovery of the Argentine economy and the recession as well as political crisis may reappear. As a result, our business, financial condition and results of operations will likely be materially and adversely affected, as paralysis of the economy and inflation negatively affect consumers purchasing power, which, in turn, affects retail sales, investment decisions in residential real estate and demand for office and shopping center space.

The Peso has been, and may continue to be subject to substantial depreciation and volatility

The Argentine government s economic policies and any future changes in the value of the Peso against the U.S. dollar could adversely affect our financial condition and result of operations. The Peso has been subject to large devaluations in the past and may be subject to significant fluctuations in the future.

As a result of inflationary pressures, the Argentine currency was devaluated repeatedly during the 1960s, 1970s and 1980s, and macroeconomic instability led to broad fluctuations in the real exchange rate of the Argentine currency relative to the U.S. dollar. To address these pressures, the Argentine government implemented various plans and utilized a number of exchange rates, and prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. During the 1990s the devaluation and fluctuation of the Peso against the U.S. dollar was controlled by the Convertibility Law, which fixed the exchange rate at one Peso per U.S. dollar. However, the Public Emergency Law puts an end to ten years of U.S. dollar-Peso parity, and the Argentine government has authorized a free floating exchange rate for all transactions. This has resulted in a significant devaluation of the Peso. Since the devaluation of the Peso, the Peso has fluctuated significantly, causing the Argentine Central Bank to intervene in the market to support the value of the Peso by selling U.S. dollars.

At present, the country has a floating exchange rate, which as of December 16, 2003 was Ps. 2.97 = US$ 1.00, according to Banco Nación data.

No assurance can be given that future policies to be adopted by the Argentine government will be able to control the value of the Peso and it is likely that the Peso will be subject to significant fluctuations and depreciations in the future, which could materially and adversely affect our financial conditions and result of operations as a consequence of the exchange risk associated with the difference that exists between our Peso-denominated revenues and assets and our high proportion of dollar-denominated liabilities.

Since our significant exposure to U.S. dollar-denominated liabilities, our results are very sensitive to fluctuations in the nominal exchange rates. In this way, strong depreciation in the Peso will affect negatively our results while strong appreciations will influence positively.

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The devaluation of the Peso has adversely affected Argentine economic conditions and our financial position

On January 6, 2002, Congress enacted the Public Emergency Law, putting an end to ten years of U.S. dollar-Peso parity under the Convertibility Law and eliminating the requirement that the Argentine Central Bank s reserves in gold, foreign currency and foreign currency denominated bonds be at all times equivalent to the sum of the Pesos in circulation and the Peso deposits of the financial sector with the Argentine Central Bank. The Public Emergency Law grants the executive branch the power to set the exchange rate between the Peso and foreign currencies and to issue regulations related to the foreign exchange market. On the same day, the executive branch established a temporary dual exchange rate system, a fixed rate for transactions subject to Argentine Central Bank approval, and import and export transactions at an exchange rate of Ps. 1.4 per U.S. dollar and a floating rate to be freely determined by the market for all other transactions.

The Argentine government is facing severe fiscal problems due to the recent devaluation. Peso-denominated tax revenues constitute the primary source of its earnings, but most of its financial liabilities are U.S. dollar-denominated. Therefore, the Argentine government s ability to honor its foreign debt obligations has been materially and adversely affected by the devaluation of the Peso.

Past history prior to the adoption of the Convertibility Law raises serious doubts as to the ability of the Argentine government to maintain a strict monetary policy and control inflation. In the past, inflation materially undermined the Argentine economy and the Argentine government s ability to create conditions that would permit growth.

Since the end of the Convertibility Law, according to numbers released by the *Instituto Nacional de Estadística y Censos* (INDEC) the consumer price index increased 41.0% during 2002 and 3.9% during the first ten months of 2003, as compared to the same period of the previous year, respectively. In addition, the wholesale price index grew 18.0% during 2002 and 2.9% during the first ten months of 2003, as compare to the same period of the previous year, respectively. The Argentine economic and political situation continues to evolve and the Argentine government may enact future regulations or policies that, when finalized and adopted, may adversely and materially impact, among other items:

- the realized revenues we receive for services offered in Argentina, such as rental contracts;
- our asset valuations;
- our Peso-denominated monetary assets and liabilities, which could be affected by the introduction of different inflation adjustment indexes.

There is risk that the Argentine financial system may collapse

Although the amount of deposits in the Argentine banking system has been decreasing during the last few years, during the last quarter of 2001 a significant amount of deposits were withdrawn from Argentine financial entities as a consequence of the increasing political instability and uncertainty. This run off of deposits had a material adverse effect on the Argentine financial system as a whole. For the most part, banks suspended the disbursement of new loans and focused on collection activities in an attempt to pay back depositors. However, the general unavailability of external or local credit created a liquidity crisis, which triggered numerous payment defaults, which in turn undermined the ability of many Argentine banks to pay back depositors.

To prevent a run on the U.S. dollar reserves of local banks, on December 1, 2001, the De la Rúa administration restricted the amount of cash that account holders could withdraw from banks. Subsequently, the Duhalde administration in an attempt to stop the continuing drain on bank reserves enforced a mandatory rescheduling of maturities and released a schedule stating how and when money in savings and checking accounts and maturing time deposits would become available. These restrictions, known as the *corralito*, are no longer in effect, although exchange control restrictions remain in effect.

Despite the *corralito*, between January 1 and July 1, 2002, approximately Ps. 20.0 billion were withdrawn from banks due to court rulings that enabled certain depositors to withdraw their money. This resulted in a further weakening of the banking system. Consequently, on April 25, 2002, the Argentine government enacted Law No. 25,587 in an attempt to stop the outflow of funds caused by several judicial measures which forced financial institutions to return deposited funds to their owners as a precautionary measure, pending the resolution of claims. This new law prevents judges from adopting said provisional measures in all proceedings against the Argentine government or any financial institution, which involve funds frozen in the financial system.

The *corralito* led to the paralysis of virtually all commercial and financial activities and significantly diminished consumer retail spending as a result of increased uncertainty, the inability for depositors to access their savings and a general shortage of cash. Additionally, social unrest and protests directed against financial institutions and the Argentine government became widespread.

The strength of the financial system is relevant to our business projects and operations. Although the *corralito* is no longer in effect and the confidence in banks is slowly returning, we cannot assure you that the Argentine financial system will not collapse or that it will recover its pre crisis strength.

The paralysis of Argentine payment system is adversely impacting economic activity and our ability to operate

Over long periods, Argentina has had access to external financing. The default on its external debt and the characteristics of the rescheduling proposed by the country would hamper the obtainment of financial resources from abroad.

Argentina has incurred in the highest default of its history in nominal terms, and the fact that this situation has not been resolved prevents the country from obtaining further foreign financing. Although the Argentine Government reached an initial agreement with the IMF on September 20, 2003 at the annual meeting of the IMF and the World Bank in Dubai, which will allow Argentina to refinance its debts with the international financial institutions in the amount of US$ 21,500 million, the renegotiation with private creditors looks difficult.

If the external debt is not rescheduled, the Argentine companies will find it difficult to access international financial assistance, and foreign investments either directly or through a portfolio would be restricted. These circumstances might deteriorate the slight and initial recovery of the Argentine economy and the recession as well as political crisis may reappear. Moreover, the solvency of the Argentine financial system is still in jeopardy, and the system s failure would have a material and adverse effect on the prospects for economic recovery and political stability, thus materially and adversely affecting our revenue stream and our ability to access new credit.

Inflation may escalate and further undermine the economy

On January 24, 2002, the Argentine government amended the Argentine Central Bank s charter to allow it to print currency (without having to maintain a fixed and direct ratio with the foreign currency and gold reserves), to make advances to the federal government to cover its anticipated budget deficit and to provide financial assistance to financial institutions with liquidity problems. Furthermore, the devaluation of the peso created pressures on the domestic price system that generated inflation in 2002, after several years of price stability, and, in recent years, price deflation. Through December 31, 2002, the Consumer Price Index and the wholesale price index exhibited cumulative increases of 41.0% and 118.0%, respectively. During 2003 inflation has been relatively stable, in October, 2003 the wholesale price index decreased 2.9% as compared to 2002. Although there is considerable concern that significant inflation will continue if the Argentine Central Bank prints currency to finance public-sector spending or financial institutions in distress, such inflation has previously materially undermined the Argentine economy and the government s ability to create conditions that would engender growth.

The devaluation of the peso and accompanying economic policy measures implemented by the Argentine government were intended primarily to remedy the effects of unemployment and to stimulate economic growth. To date, it is not apparent that the objectives pursued have been achieved. The

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sustainable success of such measures in the future will depend on the ability of the Argentine government to generate confidence among the local and international financial and business communities. Without such confidence, it is likely that inflation rates will increase significantly, investment and economic activity will contract further, unemployment will increase beyond current levels, tax revenue (excluding inflationary effects) will drop and the fiscal deficit will widen.

High unemployment and other labor difficulties have contributed to the social unrest in Argentina and may affect our operations

On May 2002, unemployment stood at 21.5%. Even though in May 2003 the unemployment decreased to 15.6%, showing a recovery in this field, unemployment and underemployment continue to create serious social problems in Argentina. In order to moderate the social instability arising from the labor situation, Duhalde´s administration included in its 2003 budget, social aid programs aimed at improving health and food provision, employment generation and a subsidy for the unemployed. Nevertheless, such programs have not yet mitigated the current social unrest, and if unemployment rates do not decrease substantially, consumption of retail goods will be detrimentally affected which in turn will adversely affect the financial condition of our tenants, and consequently, our results of operations.

Promulgations of laws related to foreclosure on real state adversely affect property rights

On February 2002, the Argentine government amended Argentina s bankruptcy law, suspending bankruptcies and foreclosures on real estate that constitutes the debtor s primary dwelling, initially for a six-month period and subsequently extended until November 14, 2002.

On June 2, 2003, the Congress passed a law formally suspending the ability to foreclose on mortgaged properties for a term of ninety days, reinstating the earlier formal suspension on foreclosures that had ended on November 14, 2002. This suspension was extended until September 2, 2003. However, the creditors voluntarily agreed, together with banks and other financial institutions, to extend such suspension until a new law gave solution to this situation. On November 5, 2003 the Congress enacted Law No. 25,798 in order to grant certain facilities to the debtors and discharge the payment of their due and payable debts.

Future governmental policies will likely significantly affect the economy as well as the operations of financial institutions

The Argentine government has historically exercised significant influence over the economy, and financial institutions, in particular, have operated in a highly regulated environment. Due to the Argentine crisis, in the last few months the Argentine government has promulgated numerous, far-reaching and not always consistent laws and regulations affecting the economy as well as financial institutions in particular. We cannot assure you that laws and regulations currently governing the economy or the banking sector will not continue to change in the future, particularly in light of the continuing economic crisis, or that any changes will not adversely affect our business, financial condition or results of operations as well as our ability to honor our foreign-currency denominated debt obligations.

Due to the current social and political crisis, investing in Argentina also entails the following risks:

- civil unrest, rioting, looting, nation-wide protests, widespread social unrest and strikes;

expropriation, nationalization and forced renegotiation or modification of existing contracts; and

taxation policies, including royalty and tax increases and retroactive tax claims.

Despite the apparent disappearance of the signs of economic and political crisis, the structural problems of the Argentine economy, which have recurrently caused or contributed to political crisis in the past, have not been resolved, and it cannot be assured whether the policies of the elected president will be finally successful.

Risks Related to Our Business

The Argentine Central Bank imposed restrictions on the transfer of funds outside of Argentina which could prevent us from servicing certain of our external debt as it comes due, and could therefore result in the acceleration of all of our indebtedness and our inability to remain a going concern

Since early December 2001, the Argentine government has imposed a number of monetary and currency exchange control measures that include significant restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad. The prior approval of the Argentine Central Bank was required for all transfers of funds related to debt principal or interest payments outside of Argentina up to February 8, 2003.

Effective May 6, 2003, the prior authorization by the Argentine Central Bank to remit funds abroad in order to pay principal and/or interest is no longer required, provided certain conditions are met (such as a certificate evidencing compliance with the Argentine Central Bank regulations in connection with application of funds to repay debts).

The Argentine Central Bank issued Communication A 3944 and other similar measures for the purpose of managing the value of the Argentine peso in relation to the U.S. dollar. It cannot be anticipated whether the Argentine Central Bank will be able to achieve the referred purpose in the short term. In addition, it cannot be foreseen whether the Argentine Central Bank will introduce new amendments to exchange control regulations in order to control the quotation of the Argentine peso. Therefore, it cannot be ensured whether Communication A 3944 will be in force until maturity of our existing debt. Any amendment to the referred Communication restricting payments in foreign currency abroad will prevent us from meeting our liabilities abroad in foreign currency.

We cannot assure you that the Argentine Central Bank will not amend the current regulations and require against its authorization for payments abroad. In this case, we cannot assure you that the Argentine Central Bank will authorize principal payments to our foreign creditors pursuant to the terms of our existing financial agreements. Even if we obtained such authorization, we cannot assure you that a scarcity of U.S. dollars would not become in a major obstacle to convert a large amount of Pesos into U.S. dollars complicating our U.S. dollar-denominated debt payments. If, in the future, the authorization of the Argentine Central Bank is reinstalled and does not authorize us to remit funds abroad, current and non-current debt obligations may become immediately due and payable, unless new financing is available to us from outside Argentina or we are able to renegotiate the indebtedness that is subject to such restrictions. Although we may in the future undertake to obtain such financing or renegotiate our indebtedness, we cannot assure you that such efforts would succeed and enable us to remain a going concern.

We are highly leveraged and may be unable to pay our debt

We have, and expect to have, substantial liquidity and capital resource requirements to finance our business. As of June 30, 2003, we had approximately Ps. 679.5 million of financial debt.

The amount of leverage that we have and may incur in the future could have important consequences which include limiting our ability to refinance existing debt or to borrow money to finance working capital, acquisitions and capital expenditures and requiring us to dedicate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including making acquisitions and capital expenditures. Our high leverage placed us at a disadvantage position against our competitors who were not as leveraged as we were, limited our ability to react to changes in market conditions, the real estate industry and economic downturns. Nowadays, we are recovering from our debt crisis but we cannot assure you that we will not relapse and become unable to pay our debt.

We may not be able to generate sufficient funds from operating cash flows 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 of the various financial and other covenants in our debt arrangements, the 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 future financial and operating performance, which will, in part, be subject to factors beyond our control such as

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macroeconomic conditions 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 face potential conflicts of interest relating to our principal shareholders

Our largest shareholder, Mr. Eduardo S. Elsztain, currently is the beneficial owner of approximately 25.1% of our common shares. As of November 30, 2003, this consists of:

3,531,539 of our common shares owned by Dolphin Fund, plc, an investment fund in which the principal investment manager is Consultores Asset Management S.A. (formely Dolphin Fund Management S.A.), a company where Mr. Eduardo S. Elsztain has a controlling interest;

49,912,350 of our common shares owned by Cresud S.A.C.I.F. y A. (Cresud), for which Mr. Eduardo S. Elsztain by reason of his position with Cresud, may be deemed to own all of our common shares held for the account of Cresud.

Conflicts of interest between our management, ourselves and our affiliates may arise in the performance of our respective business activities. Mr. Elsztain and certain other members of our board of directors and senior management also beneficially own (i) approximately 34.0% of the common shares of Cresud S.A.C.I.F. y A., an Argentine company that currently owns approximately 40.3% on a fully diluted basis of our common shares and (ii) approximately 56.0% of the common shares of our subsidiary APSA. In some circumstances, our interests may not be the most important consideration to our principal shareholders or to their affiliates with influence over our actions. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that their affiliates may pursue or that the pursuit of other opportunities will be in our interest.

The devaluation of the Peso and the deterioration of the Argentine economy have had, and may continue to have, a material adverse effect on the results of our operations and financial condition

For so long as the Convertibility Law remained in effect, we had no exchange rate risk relating to our Peso-denominated revenues and our U.S. dollar-denominated liabilities. However, with the repeal of the Convertibility Law on February 4, 2002, all U.S. dollar-denominated obligations, which were within the Argentine banking sector and subject to Argentine Law, were mandatorily converted into Peso-denominated liabilities at an exchange rate one Peso to one U.S. dollar. Nevertheless, the majority of our liabilities (the US$ 51.0 million Unsecured Loan Agreement, the US$ 37.4 million Class 3 Floating Rate Notes and the loan granted by Bank Boston to our subsidiary Hoteles Argentinos for US$ 12.0 million) are subject to New York law and thus have not been converted into Pesos. Moreover, our US$ 100.0 million Convertible Notes are U.S. dollar-denominated. (See: Item 5 -Section B.- Our Indebtedness). We realize a substantial portion of our revenues in Pesos (such as rental contracts and seller financing) and, as a result, the devaluation of the Peso has adversely affected the U.S. dollar value of our earnings and, thus, impaired our financial condition. Moreover, our Peso-denominated assets (which represent 90% of our total assets as of June 30, 2003) have depreciated against our indebtedness denominated in foreign currency. As of June 30, 2003, we had outstanding debt amounting to Ps. 679.5 million, of which, 87% was denominated in U.S. dollars. 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.

The mandatory pesification of contracts originally denominated in U.S. dollars will adversely affect our profitability

Although our lease agreements and seller financing loans were denominated in U.S. dollars, the Argentine government mandatorily converted all U.S. dollar monetary obligations entered into between private parties prior to January 7, 2002 that are not related to the financial system into Peso-denominated obligations at a rate of Ps. 1.00 = US$ 1.00. Although the Argentine government sought to mitigate the adverse effects of this mandatory pesification by permitting the Peso-denominated obligations to be

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adjusted for inflation pursuant to an index known as the *Coeficiente de Estabilización de Referencia* (CER), we cannot assure you that an adequate adjustment will apply to amounts payable to us under our lease and loan agreements. If, as a consequence of this adjustment, the agreement is unfair to any of the parties, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision. New lease agreements may be freely entered into between parties and may not contain inflation adjustment clauses based on consumer price indexes or whole price indexes. Although part of our new lease agreements are dollar denominated, the mandatory pesification of contracts originally denominated in U.S. dollars is likely to materially and adversely affect our financial condition and our ability to pay our liabilities denominated in U.S. dollars (mostly banking and financial loans), because our cash flows will be mostly denominated in devalued Pesos.

The Argentine government may impose additional restrictions on the lease, operation and ownership of property

In the past, in response to housing shortages, high rates of inflation and difficult access to credit, the Argentine government has imposed strict and burdensome regulations regarding leases. Such regulations limited or prohibited rental increases and prohibited eviction of tenants, even for failure to pay rent. 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 or operation or leasing of properties in Argentina could materially and adversely affect our operations and profitability.

There can be no assurance that additional regulations will not be imposed in the future. Such regulations could negatively affect the Argentine real estate market, in general, and the rental market, in particular. Furthermore, most of our leases provide that the tenants pay all costs and taxes related to their respective leasable 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 hold positions in Argentine securities which are more volatile than United States securities, and carry a greater risk of default

We currently have and in the past have had certain investments in Argentine government debt, corporate debt and equity securities. In particular, we hold a significant interest in Banco Hipotecario S.A. (Banco Hipotecario), an Argentine bank that has recently suffered material losses. Although the holding of these investments, with the exception of Banco Hipotecario, tends to be short term, investments in such securities involve certain risks, including:

- market volatility, higher than those typically associated with U.S. government and corporate securities; and

- loss of principal.

Some of the issuers in which we have invested and may invest, including the Argentine government, have in the past experienced substantial difficulties in servicing their debt obligations, which have led to the restructuring of certain indebtedness. We cannot assure that the issuers in which we have invested or may invest will not be subject to similar or other difficulties in the future which may adversely affect the value of our investments in such issuers. In addition, such issuers and, therefore, such investments, are generally subject to many of the risks that are described in this section, and may have little if any value.

Real estate investments are subject to many risks

Our real estate investments are subject to risks common to commercial and residential properties in general, many of which are not within our control. Any one or more of these risks might materially and adversely affect our business, financial condition or results of operations. The yields available from equity investments in real estate depend on the level of sales or rental income generated and expenses incurred.

Our ability to generate income from our properties sufficient to service our debt and cover other expenses may be adversely affected by the following factors, among others, some of which we cannot control:

- oversupply of retail space or a reduction in demand for retail space, which could result in lower rent prices and lower revenues for us;
- increased competition from other real estate operators which might drive down our prices and profits;
- changes in our ability or our tenants ability to provide for adequate maintenance and insurance, possibly decreasing the life of and revenue from a property;
- increases in operating expenses which could lower our profitability;
- the inability to collect rents due to bankruptcy or insolvency of tenants or otherwise;
- the need to periodically renovate, repair and release space, the higher costs thereof and the ability of our tenants to provide adequate maintenance and insurance, possibly decreasing the life of and revenue from a property; and
- the exercise by our tenants of their legal right to early termination of their leases.

In addition, other factors may adversely affect the performance and value of our properties, including changes in laws and governmental regulations (including those governing usage, zoning and real property taxes), changes in interest rates (including the risk that increased interest rates may result in decreased sales of lots in the residential development properties) and the availability of financing. Increases in operating costs due to inflation and other factors may result in some tenants being unable or unwilling to pay rent or expense increases. Certain significant expenditures, such as debt service, real estate taxes, and operating and maintenance costs, are generally not reduced, in circumstances resulting in a reduction in income from the investment. The foregoing and any other factor or event that would impede our ability to respond to adverse changes in the performance of our investments could have a material adverse effect on our financial condition and results of operations.

APSA´s failure to lease the stores of Rosario Shopping Center and to sell planned properties will adversely affect its financial condition

APSA might has difficulty or fail to lease the stores of Rosario Shopping (which construction has begun in December 2003) and to sell its futures developments. The Rosario project is composed of the construction of a shopping center and a high-rise residential complex in the city of Rosario. APSA expects to finance the main part of the fund through working capital, and if necessary APSA is going to seek debt financing in a limited amount. A failure or a delay in selling these properties would result in lower results of operations and have a material adverse effect on its financial condition.

Real estate market illiquidity and declining property values in U.S. dollars may adversely affect our financial condition

The Argentine crisis, including the devaluation of the Peso, deteriorated the value in a U.S. dollar basis and increased the illiquidity of real estate investments. In spite of the fact that during the last months, the value in U.S. dollars of the real state investments has begun to recover, it may be more difficult for us to adjust our property portfolio promptly in response to changes in economic or business conditions or to the factors described above. The economic recession and the devaluation of the Peso have significantly reduced consumer spending power, and the social unrest and ensuing political instability together with the succession of governmental measures have adversely affected the normal operations of banks have heightened uncertainty and eroded confidence in the possibility of recovery. If we are forced to sell one or more of our properties in order to cover operating expenses or to satisfy debt service obligations, or if we were liquidated, the proceeds from such sales might be less than our total investment in the properties sold.

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Our business is subject to extensive regulation

The real estate business is subject to extensive building and zoning regulations by various federal, state and municipal authorities, which affect land acquisition, development and construction activities, and certain dealings with customers, as well as consumer credit and consumer protection statutes and regulations. We are required to obtain approval from various governmental authorities for our development activities, and new laws or regulations could be adopted, enforced or interpreted in a manner that could adversely affect our results of operations and levels of cash flow necessary or available to meet our obligations. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining all necessary zoning, environmental, land-use, development, building, occupancy and other required governmental permits and authorizations. We and our affiliates operations are also subject to federal, state and municipal environmental laws applicable in Argentina. We believe that such laws and regulations currently do not materially affect our business or results of operations. We cannot assure you, however, that regulations affecting the real estate industry, including environmental regulations, will not change in a manner which could have a material adverse effect on our business.

Argentine lease law imposes lease 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 a lot 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 it may be impossible for us to increase the amounts owed under our lease agreements;
- lease agreements must be for a minimum term of two years for residential properties and three years for retail property, except in the case of stands and/or spaces for special exhibitions;
- lease terms may not exceed ten years, except for the 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 lease agreements after the initial six months. The exercise of such 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.

Eviction proceedings in Argentina are difficult and time consuming

Despite the enactment of a law amending the Argentine civil procedures that by which the lessor may, by posting a bond, obtain the immediate eviction of the tenant, historically, the heavy workload on the courts that hear these matters and the numerous procedural steps required have generally delayed efforts of landlords to evict tenants. Before the enactment of the above mentioned law, eviction proceedings generally lasted from six months to two years from the date of filing of the suit to the time of actual eviction. Historically, delinquency regarding office rental space has been very low, approximately 2%, and 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.

Our assets are concentrated in the Buenos Aires area

Our principal properties are located in the city of Buenos Aires and the greater Buenos Aires area and a substantial portion of our revenues are derived from such properties.

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For the fiscal year ended June 30, 2003, 100% of our sales were derived from properties in the city of Buenos Aires and greater Buenos Aires. Although we own properties and may acquire or develop additional properties outside of the city of Buenos Aires and the greater Buenos Aires area, we expect to continue to depend to a very large extent on economic conditions in those areas, and therefore, an economic downturn in those areas could have a material adverse effect on our financial condition.

Our real estate activities through subsidiaries and joint ventures are subject to additional risks

We conduct a substantial part of our real estate activities through subsidiaries and strategic alliances with other companies. We have several important investments in companies, the most important of which is APSA where we own the majority of the voting stock. In the future, we may increase our real estate activities through such vehicles. As a result, we depend to a certain extent on the successful operation of subsidiaries and strategic alliances and upon income, dividends and other distributions from them to maintain our profitability, liquidity and growth. Moreover, joint ownership of properties involves additional risks. For example, our partners or co-investors may:

- become bankrupt or insolvent;
- develop business objectives or goals which are different from ours; or
- take actions that are contrary to our instructions or requests or that are otherwise contrary to our interests.

Development and construction activities are inherently risky

We are engaged in the development and construction of office, retail and residential properties, generally through third-party contractors. Risks associated with our development and construction activities include the following, among others:

- we may abandon development opportunities and renovation proposals;
- construction costs of a project may exceed our original estimates, making a project unprofitable;
- occupancy rates and rents at a newly completed project may be insufficient to make the project profitable;
- pre-construction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of construction;
- we may be unable to obtain financing on favorable terms for the development of the project;
- 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; and

we may be unable to obtain, or may face delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations.

We are subject to shopping center operating risks that may result in lower profitability of our shopping centers

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;
- the amount of rent collected from each shopping center rental unit; and
- the fluctuations in occupancy levels in the shopping centers.

In the event that there is an increase in operational costs, caused by inflation or other factors, it could have a material adverse effect on us, if our tenants are unable to pay their higher rent obligations due to the increase in expenses.

Moreover, the shopping center business is closely related to consumer spending, and, therefore, to the economy in which such customers are located. All of our shopping centers are located in Argentina, and, as a consequence, their business has been seriously affected by the Argentine recession. Unemployment, political instability and inflation have reduced consumer spending in Argentina, lowering tenants sales and forcing some of them to leave our shopping centers. This has reduced the occupied space and consequently, our revenues.

The concept of the shopping center is relatively new and in a development process in Argentina

The concept of the shopping center and the broad use of shopping centers by consumers is only beginning to develop in Argentina. The first shopping center of Argentina was inaugurated in 1987. Although there has been a considerable expansion of shopping center properties, many retail stores in Argentina are not located in shopping centers. Therefore, the continued success of our business plan depends to a certain extent on the continued shift by consumers from shopping at traditional street-level retail stores to large-scale shopping centers of the type owned and operated by us.

The shift of consumers to purchasing goods over the Internet may hurt our shopping center sales

During the last years, retail sales by means of the Internet have grown very 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, at home, work or elsewhere, to shop electronically for retail goods, and that they are likely to continue doing so. If e-commerce and retail sales through the Internet continue to grow at current rates, 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 prospects.

Our future acquisitions may be unprofitable

We intend to acquire additional 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:

the risk that investments will fail to perform as expected, or

the risk that estimates of the cost of improvements needed to bring the property up to established standards for the market might prove to be inaccurate.

Our investments in Internet companies are subject to high risk

Our Internet investments, through our subsidiary, APSA, involve a high risk. Internet companies are relatively new and there is little or no historical operating and financial information available to analyze. Additionally, in the first years of operation, Internet companies do not generate earnings or positive cash flows, and their losses must be covered with capital contributions from the investors. There is no assurance

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that Internet companies will generate earnings or will be able to obtain financing once the initial capital contributions are already used. Therefore, our risks associated with Internet companies include the possibility that:

- we will not recover the investments already made and the one committed.
- we will have to increase its capital contributions to finance the Internet companies.
- we may also experience the following additional risks with respect to its investment in internet companies:
- the possibility that the internet company might not maintain and/or increase the level of traffic of the sites;
- the internet company might not adapt itself or anticipate the changes in the market;
- the internet company may be inefficient in updating and developing the necessary systems and organization and in hiring new or specialized personnel;
- the chance that the world wide web will not be able to handle the site traffic;
- the difficulty in generating expected income;
- the failure in the administration of expansion of operations; and
- the lack of efficiency to merge new lines of business to the existing operations.

Moreover, it should be taken into account that the expected level of use and acceptance of the Internet and of online services might never be reached.

Our shopping center business is subject to competitive pressure

Most of our shopping centers are located in the city of Buenos Aires and greater Buenos Aires. 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 competitive 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, and, as 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.

We are subject to the risk of payment defaults due to our investments in credit card businesses through our subsidiary APSA

Investments in credit card businesses can be adversely affected by delinquency on credit card accounts, defaults in payments by credit card holders, judicial enforcement for the collection of payments, doubtful accounts or loss of receivables. The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors, which among others include:

- adverse changes in the Argentine economy;
- adverse changes in the regional economies;
- political instability;
- increase of unemployment; and
- loss of value of actual salaries.

These and other factors may have an adverse effect on present rates of delinquency, executions and losses, any one or more of which could have a material adverse effect on the results of operations of our credit card business. Recessionary economic conditions in Argentina have persisted for several years and have worsened in recent years. In addition, if our credit card business is adversely affected by one or more of the above factors, the asset quality of our securitized receivables are also likely to be adversely affected. Therefore, we could adversely be affected to the extent that at such time we hold a participating interest in any such securitized receivables.

A high percentage of credit card holders are employees. Consequently, reductions in employment, suspensions or reductions in salaries may reduce credit card holders incomes, thus, adversely affecting our credit card revenue collections.

We may not be able to recover the mortgage loans we have made

In recent years, we have provided mortgage financing to purchasers of units in our residential development properties. Before January 2002, our mortgage loans were U.S. dollar-denominated and accrued interest at a fixed interest rate ranging generally from 10% to 15% per year and for terms ranging generally from 3 to 15 years. However, on March 13, 2002, the Argentine Central Bank converted all U.S. dollar denominated debts into Pesos at the exchange rate of Ps. 1.00 to U.S. dollars 1.00 and imposed maximum interest rate on mortgage loans of 3.0% for residential mortgage loans granted to individuals and 6% for mortgage loans granted to business organizations. These modifications adversely affected the U.S. dollar value of our outstanding mortgage loans which at June 30, 2003, aggregated approximately Ps. 2.6 million.

We are subject to risks normally associated with providing mortgage financing, including the risk of default in the payment of principal and interest, which could adversely affect our cash flow. Argentine law imposes significant restrictions on our ability to foreclose and auction properties. Thus, if there is a default under a mortgage loan, we do not have the right to foreclose on the unit. Instead, in order to reacquire a property, we are required to purchase each unit at a public court ordered auction, or at an out-of-court auction, in accordance with Law No. 24,441. However, the Public Emergency Law established the suspension of all the judicial and non-judicial enforcements including the enforcement of mortgages and pledges, regardless of its origin. Nowadays, private and financial entities have voluntarily decided to suspend foreclosures, meanwhile Law No. 25,798 has been enacted by Congress in order to give a definite answer to the problem of default in payment of mortgage loans. We cannot assure you that we will be able to recover any amount outstanding on any mortgage loan through the sale of any property at such an auction.

We cannot assure you that any future inflation adjustment coefficient will adequately reflect inflation or that such adjustment will not increase delinquency on our outstanding mortgage portfolio, thus reducing future revenues.

Our subordinated participations in securitized mortgage loans may have no value

Additionally, on December 2001, we securitized almost the entirety of the mortgage portfolio originated by us since late 1992, amounting to Ps. 29.9 million, through the sale of this portfolio to Fideicomiso IRSA I. Banco Sudameris Argentina acts as trustee and collection agent for the trust. Fideicomiso IRSA I issued four classes of participation certificates under a scheme of complete subordination, in which each class is serviced only upon the total payment of the preceding senior class. We hold all of the Class B, Class C and Class D participation certificates and approximately 10% of the Class A certificates. Class D certificates represent the most junior class, have no fixed return and will yield the funds remaining in the trust after Classes A, B and C and all the expenses of the trust have been completely paid for.

This portfolio was originally originated in U.S. dollars and mandatory converted into Pesos in January 2002. Additionally, mortgages in the trust were subject to inflation adjustment between February and April 2002. Following these changes, the terms and conditions of the certificates of deposit issued by the trust were modified to reflect changes in the underlying assets. In May, inflation adjustment on residential mortgages on homes granted to individuals was eliminated until October 2002, when adjustment was performed according to a different inflation index, the *Coeficiente de Variación Salarial* (CVS). Pursuant to Law No. 25,796 the CVS will no longer be in effect as from April 1, 2004. The terms and conditions of the certificates of deposit were modified again to reflect this new change.

The asset quality of the portfolio has declined as a result of the current economic crisis in Argentina, and as a result we cannot assure you that the trust will have sufficient or any funds to service initially the subordinated certificates held by us. If it does not, the value of these bonds might be considerably reduced or even equal to zero.

As of October 31, 2003, Classes A and B were complety amortized.

On October 31, 2003, Classes C and D face value ascended to Ps. 1.3 million and Ps. 10.3 million, respectively.

We cannot assure you that the theoretical cash flow to be generated by the participation certificates owned by us (and included in the annual report), will be the actual one, as successive changes in the terms and conditions of the underlying assets have been occurring since January 2002 and additional modifications might be introduced by fiscal authorities or the Ministry of Finance, which could have further consequences on the respective cash flows.

We are subject to risks affecting the hotel industry

The full-service segment of the lodging industry in which we operate our hotels is highly competitive. The success of our hotels will depend, in large part, upon our ability to compete in areas such as access, location, quality of accommodations, room rate structure, quality and scope of 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 such that they are more attractive to potential guests.

In addition to the general risks associated with investments in Argentina and in real estate discussed elsewhere in this section, the profitability of our hotels depends on:

- our ability to form successful relationships with international operators to run our hotels;
- changes in travel patterns, including seasonal changes; and
- taxes and governmental regulations which influence or determine wages, prices, interest rates, construction procedures and costs.

We are dependent on our senior manager Eduardo Elsztain

Our success depends, to a significant extent, on the continued employment of Eduardo S. Elsztain, our chief executive officer, president and chairman of the board of directors. The loss of his services for any reason could have a material adverse effect on our business. If our current principal shareholders were to lose their influence on the management of our business, our principal executive officers could resign or be removed from office. 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, or that any of our personnel will remain employed by us.

APSA s use of financial instruments for hedging may result in material losses

APSA uses various off-balance sheet financial instruments to reduce its financing cost associated with its borrowings. The interest rate swaps and foreign currency contracts are entered into for periods consistent with related underlying exposures and generally do not constitute positions independent of those exposures.

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Nevertheless, APSA s hedging strategies may prove ineffective to address the effects of interest rate or foreign currency exchange movements on its financial condition. APSA has experienced net hedging losses in the past, and could experience such losses in the future to the extent that interest rates or foreign exchange rates shift in excess of the risk covered by hedging arrangements. In entering into interest rate and foreign currency contracts, APSA bears the credit risk of counterparties being unable to meet the terms of their contracts; and APSA may be unable to recover damages from any such defaulting counter party through legal enforcement actions due to laws affording bankruptcy or similar protection to insolvent obligors, foreign laws limiting cross-border enforcement actions or otherwise.

On March 30, 2000, in connection with the issuance of Ps. 85 million Notes, APSA entered into a swap agreement with Morgan Guaranty Trust in order to reduce the related financing cost. This swap agreement initially allowed APSA to reduce the net cost of its debt. However, due to the Argentine economic crisis, the political instability, and the depreciation of the Argentine public debt, there was a substantial negative deviation of the performance of the swap agreement that required the modification of the original terms. Under the terms of the revised agreement, APSA agreed to pay US$ 69.1 million on March 30, 2005 and will receive Ps. 69.1 million on such date. As collateral for its payment obligations under the modified agreement, APSA was required to make a deposit of US$ 50 million with the counterparty. APSA is not required to make additional deposits until maturity. An additional payment at maturity could be required depending on the prevailing exchange rate between the Peso and the U.S. dollar. Thus, a continued devaluation of the Peso against the US dollar and/or an increase in interest rates would increase its loss which could be material.

As of October 31, 2003, APSA was not using any other derivatives.

Risks Related to the ADSs and the Shares

Different Corporate Disclosure and Accounting Standards

There may be less publicly available information about the issuers of securities listed on the *Bolsa de Comercio de Buenos Aires* than is regularly published by or 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 which differs 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 exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt 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 stock corporation (sociedad anónima) organized under the laws of Argentina. Most of our directors and our senior managers, and all 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 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 whether the Argentine courts will enforce in all respects, to the same extent and in as timely a manner as a U.S. 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, United States Holders of our securities would suffer negative consequences

Based on the current and projected composition of our income and valuation of our assets we do not believe we were a Passive Foreign Investment Company (PFIC), for United States federal income tax purposes for the tax year ending June 30, 2003, and we do not currently expect to become a PFIC, although

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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. If we become a PFIC, United States Holders of our shares or GDSs will be subject to certain United States federal income tax rules that have negative consequences for United States Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our shares or GDSs at a gain, as well as reporting requirements. Please see Taxation-United States Taxation 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.

ITEM 4. Information on the Company

A. History and Development of IRSA

General Information

Our legal name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated and organized on April 30, 1943 under Argentine law as a sociedad anónima (stock corporation), and we were registered with the Inspección General de Justicia (Public Registry of Commerce of the City of Buenos Aires) 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, Buenos Aires (C1066AAD), Argentina. Our telephone is +54 (11) 4323-7555, and our website is www.irsa.com. Our Depositary Agent for the Global Depositary Shares in the United States is The Bank of New York whose address is P.O. Box 11258 Church Street Station, New York, New York 10286, and whose telephone is 001-610-312-5315.

Please notice that as from January, 2004, we will move our headquarters to Moreno 877, (C1091AAQ), Buenos Aires, Argentina, keeping the same telephone number.

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, through our subsidiary APSA, we expanded our real estate activities into the shopping center segment by acquiring controlling interests in a portfolio of seven shopping centers: Paseo Alcorta, Alto Palermo Shopping, Buenos Aires Design, Alto Avellaneda, Alto Noa, Abasto Shopping and Patio Bullrich and the acquisition of minority interests in Mendoza Plaza Shopping. Since 1996, we also entered 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.

In 1997, we entered the hotel market through the acquisition of a 50% interest in the Llao Llao Hotel near Bariloche and the Inter-Continental 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 December 2000, we sold to Consultoria Inmobiliaria Velutini y Asociados all of our interest in Venezuela Invest Ltd. and Fondo de Valores Inmobiliarios (FVI), companies through which we held our interests in Venezuela, for total consideration of US$ 67.0 million. On February 28, 2002, we sold all of our interest in Brazil Realty for US$ 44.2 million.

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From December 2000 to June 30, 2003, Cresud invested approximately Ps. 133.6 million to acquire approximately 22.65% of our outstanding shares.

As a result of the increase in our ownership interest and the consolidation of APSA we have ceased using the proportional consolidating method for the confection of the financial statements since this method no longer adequately reflects the results of our operations. We have adopted a method that consolidates our business under the outlines established by the Resolución Técnica No. 4 (RT4) of the F.A.C.P.C.E. Under this consolidation method, subsidiaries in which the Company owns more than 50%, are 100% consolidated and those in which we own less than 50% are not consolidated and its results are reflected in our income statement as Net income in affiliated companies . The principal consequence of this method on our financial statements is the consolidation of 100% of the revenues from our subsidiary, APSA.

In September 2002, we acquired the Piscis Hotel located in Valle de Las Leñas, an important ski resort in Argentina, for US$ 1.4 million. During that month, we also acquired 30.955% of the share ownership of Valle de Las Leñas S.A. and US$ 3.7 million convertible notes due October 31, 2005, issued by that company, for US$ 2.4 million. Valle de Las Leñas S.A. is the operator of the ski resort. In March 2003, we sold the Piscis Hotel and our stake in Valle de Las Leñas S.A. for a total consideration of US$ 7.7 million.

On October 15, 2002, we initiated a preemptive rights offering of rights for 100 million units consisting of US$ 100.0 million of 8% convertible notes (the Convertible Notes) due 2007 and non-detachable warrants to purchase shares of our common stock. The Convertible Notes may be converted into shares of our common stock after December 13, 2002, and until maturity on November 14, 2007, at the initial conversion price of US$ 0.5450 per common share. Each warrant will be exercisable on or after conversion of the convertible note to which it is attached at the same conversion price plus a 20% premium (US$ 0.6541). The rights offering to holders of our common shares and GDSs expired on November 13, 2002. Existing shareholders have subscribed through the exercise of their preemptive rights for US$ 66.7 million and they have exercised their accretion rights for US$ 10.7 million, adding together US$ 77.4 million. During the allocation of the remainder new investors have subscribed the remaining 22.6 million units completing the US$ 100 million offering.

As of December 16, 2003, holders of our Convertible Notes exercised their conversion rights for the total 4,712,709 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 8,647,168 with a face value of Ps.1.0 each.

The number of Convertible Notes currently outstanding amounts to US$ 95,287,291, the number of warrants currently outstanding amounts to 100,000,000, while the number of our outstanding shares is 220,646,441.

Capital Expenditures

During the fiscal year ended June 30, 2003 we had capital expenditures of Ps. 39.6 million. We made investments in our subsidiaries and equity investees of Ps. 31.7 million primarily in APSA. We also made investments in fixed assets of Ps. 7.7 million among which we can highlight fixed assets belonging to the shopping center and hotel segment. In addition we made investments in undeveloped parcels of land of Ps. 0.2 million.

During the fiscal year ended June 30, 2002 we had capital expenditures of Ps. 48.7 million. We made investments in fixed assets of Ps. 27.0 million primarily to the acquisition of Costeros Dique IV in the office segment of Ps. 20.6 million and in undeveloped parcels of land of Ps. 3.4 million primarily in Dique III of Ps. 2.5 million and in our subsidiaries and equity investees of Ps. 21.7 million.

During fiscal year ended June 30, 2001 we had capital expenditures of Ps. 68.9 million. We made investments in related companies of Ps. 58.8 million primarily in Brazil Realty of Ps. 15.5 million, APSA

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of Ps. 13.4 million and Latin American Econetworks of Ps. 11.5 million. We also made investments in fixed assets of Ps. 7.6 million primarily to the acquisition of a property in the office segment of Ps. 2.7 million and in the hotels segment of Ps. 2.8 million. We also invested Ps. 2.5 million in undeveloped parcels of land.

We currently believe that the recent restructuring of our debt, resulting in long term maturities, our issuance of the Convertible Notes and the sale of non-core assets, together with our cash generating activities, are likely to provide us with the working capital necessary to cover our needs and invest as opportunities may rise.

B. Business Overview

Operations and Principal Activities

We are one of Argentina s leading real estate companies. We are engaged directly, or indirectly through subsidiaries and joint ventures in a range of real estate activities in Argentina.

Our principal activities consist of:

- the acquisition and development of residential properties primarily for sale;
- the acquisition, development and operation of office and other non-shopping center retail properties primarily for rental purposes;
- the acquisition, development and operation of shopping centers properties;
- the acquisition and operation of luxury hotels; and
- the acquisition of undeveloped land reserves for future developments or sale.

Overview of properties

As of June 30, 2003 we either directly or through our subsidiaries and joint ventures, owned significant interests in a portfolio of 59 properties in Argentina, located principally in Buenos Aires. The following table sets forth certain information concerning our operation and property portfolio.

Consolidated Operating Income (loss)

	Years ended June 30,		
	2003	2002	2001
	(in thousands of constant Pesos)		
Offices and other non-shopping center rental			
Properties	2,268	(24,656)	36,339
Shopping centers	14,055	(1,393)	(592)
Development and sale of properties	2,914	(33,832)	(6,407)
Hotels	879	(11,344)	2,709
International		34,594	(1,941)
Total	20,116	(36,631)(1)	30,108

(1) Includes Ps. 108.8 million booked in recognition of the loss of value of certain property.

Offices and other non-shopping center rental properties

We are engaged in the acquisition, development and management of offices and other non-shopping center rental properties in Argentina. As of June 30, 2003, we, directly and indirectly, owned interests in 17 office and other non-shopping center rental properties in Argentina which comprised 122,757 square meters of gross leasable area. Of these properties, 13 were office properties which comprised 85,352 square meters of gross leasable area. For the fiscal year 2003, we had net sales from office and other non-shopping center rental properties of Ps. 17.8 million.

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All our office rental property in Argentina is located in the city of Buenos Aires. Four of these properties are currently leased to a single tenant, while the remainder is rented to various different tenants. For the year ended June 30, 2003 the average occupancy rate for all our properties in the Offices and other non-shopping center rental property segment was approximately 72% as compared to the same level for the comparable 2002 period. Five different tenants accounted for approximately 35.9% of our monthly office rental. Our five main office rental tenant are: Grupo Total Austral, Grupo Danone, Cisco Systems Argentina S.A., Vintage Oil Argentina and Allende y Brea.

Administration and Management. We generally act as the managing agent of the office properties in which we own an interest. These interests consist primarily of the ownership of entire buildings or a substantial number of floors in a building. The buildings in which we own floors are generally managed pursuant to the terms of a condominium agreement that typically provides for control by a simple majority of the interests (based on the area owned) in the building. As the managing agent of operations, we are responsible for handling services, such as security, maintenance and housekeeping. These services are generally contracted to third party providers. The cost of the services are passed-through and paid for by the tenants, except in the case of our unrented units, in which case we absorb the cost. Our leasable space is marketed through commissioned brokers, the media and directly by us.

Leases. In general we rent our office and other properties on the basis of lease contracts running for terms of three years, renewable for two or three additional years at the tenant s option. Contracts for the rental of property not located in shopping malls are generally stated in U.S. dollars, and in accordance with Argentine law they are not subject to inflation adjustment.

The following table sets forth certain information regarding our direct and indirect ownership interest in offices and other non-shopping center rental properties.

Offices and other non-shopping center rental properties

	Date of acquisition	Leasable area m2 (1)	Occupancy Rate (2)	Monthly Rental income Ps./000 (3)	Total rental income for the fiscal year Ps./000 (4)			Book Value Ps./000 (5)
					2003	2002	2001	
Offices								
Inter-Continental Plaza (6)	11/18/97	22,535	73%	415	5,648	12,749	15,919	63,728
Libertador 498	12/20/95	10,533	53%	180	2,359	5,212	7,046	35,444
Maipú 1300	9/28/95	10,325	70%	150	2,100	5,057	6,494	40,771
Laminar Plaza	3/25/99	6,521	90%	189	2,902	4,973	5,647	28,021
Madero 1020	12/21/95	2,503	100%	75	876	2,119	4,064	6,433
Reconquista 823/41	11/12/93	6,100	0%			2,326	3,386	17,075
Suipacha 652/64	11/22/91	11,453	45%	52	576	1,460	2,987	9,945
Edificios Costeros	3/20/97	6,389	63%	62	403	1,520	2,286	17,937
Costeros Dique IV	8/29/01	5,437	48%	49	695	1,924		17,566
Others (7)		3,556	45%	46	602	1,499	1,857	8,772
Subtotal		85,352	60%	1,218	16,161	38,839	49,686	245,692
Other Rental Properties								
Commercial Properties (8)		4,076	98%	12	191	2,354	4,828	1,888
Other properties (9)		33,329	100%	42	742	2,005	3,146	4,070

Subtotal	37,405	100%	54	933	4,359	7,974	5,958
Related Expenses							
Management Fees				676	1,274	1,451	
TOTAL OFFICES AND OTHER (10)	122,757	72%	1,272	17,770	44,472	59,111	251,650

(1) Total leasable area for each property. Excludes common areas and parking.
(2) Calculated dividing occupied square meters by leasable area.
(3) Agreements in force as of 06/30/03 were calculated.
(4) Total consolidated leases adjusted for inflation.
(5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation.
(6) Through Inversora Bolívar.
(7) Includes the following properties: Madero 942, Av. de Mayo 595/99, Av. Libertador 602 y Sarmiento 517 (through our company). Cumulative revenues for fiscal years 2002 and 2001 additionally include revenues from Puerto Madero Dock 5 (fully sold). The revenues of fiscal year 2001 also include the revenues from Avenida de Mayo 701 and Puerto Madero Dock 6 (fully sold).

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(8) Includes the following properties: Constitución 1111 and Alsina 934/44 (through our company). Cumulative revenues also include: In fiscal years 2002 and 2001, the revenues from Santa Fe 1588 and Rivadavia 2243 (fully sold). In fiscal year 2001 the revenues from Sarmiento 580 and Montevideo 1975 (fully sold).

(9) Includes the following properties: the Santa Maria del Plata facilities (former Ciudad Deportiva de Boca Juniors, through the company only rents are included since book value is reflected on the Developments table) - Thames, units in Alto Palermo Park (through Inversora Bolívar). Cumulative revenues include: In fiscal years 2001, the revenues from Serrano 250 (fully sold).

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

The following table shows a schedule of the lease expirations of our office and other non-shopping center properties for leases outstanding as of June 30, 2003, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring	Square meters subject to expiring leases	Percentage of total square meters subject to expiration	Annual rental income under expiring leases (1)	Percentage of total rental income under expiring leases
		(m2)	(%)	(Ps.)	(%)
2004	36	20,787	38	5,352,905	39
2005	6	4,359	8	1,523,374	11
2006	25	17,503	32	4,260,898	31
2007+	6	12,643	22	2,535,797	19
Total	73	55,292	100%	13,672,974	100%

(1) Excludes Thames rental properties. Not proportional to our actual holding in each property.

The following table shows the average occupancy rate for our offices during the last three fiscal years ended June 30, 2003, 2002 and 2001.

	Fiscal year ended June 30 (1),		
	2003	2002	2001
	(%)	(%)	(%)
Offices			
Inter-Continental Plaza	73	83	98
Libertador 498	53	59	77
Maipú 1300	70	62	92
Laminar Plaza	90	95	100
Madero 1020	100	45	100
Suipacha 652/64	45	45	72
Reconquista 823/41	0	0	100
Edificios Costeros	63	27	59
Costeros Dique IV (2)	48	63	
Others (3)	45	63	66

(1) Calculated by dividing square meters leased under leases in effect as of June 30, 2003, 2002 and 2001 by the total gross leasable area of offices in the same periods.
(2) Lease commenced during first quarter 2002.
(3) Fiscal year 2003 includes the following properties: Madero 942, Av. de Mayo 595/99, Av. Libertador 602 and Sarmiento 517.

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The following table shows the average annual rent per square meter for our offices for the last three fiscal years ended June 30, 2003, 2002 and 2001.

	Fiscal year ended June 30 (1),		
	2003	2002	2001
	(Ps./m2)	*(Ps./m2)*	*(Ps./m2)*
Offices			
Inter-Continental Plaza	251	566	706
Libertador 498	224	467	569
Maipú 1300	203	490	623
Laminar Plaza	445	763	866
Madero 1020	350	419	771
Suipacha 652/64	50	127	261
Reconquista 823/41		381	555
Edificios Costeros	63	238	357
Costeros Dique IV (2)	128	354	
Others (3)	169	338	351

(1) Calculated dividing annual rents per gross leasable area of offices according to our interest in each building.
(2) Leases commenced during first quarter 2002.
(3) Fiscal year 2003 includes the following properties: Madero 942, Av. de Mayo 595/99, Av. Libertador 602 and Sarmiento 517.

Properties. Set forth below you will find information regarding our principal currently owned office properties, including the names of the tenants occupying 5% or more of the gross leasable area of each property.

Inter-Continental Plaza, City of Buenos Aires. Inter-Continental Plaza is a modern 24-story building located next to the Inter-Continental Hotel in the historic neighborhood of Monserrat in downtown city of Buenos Aires. We own the entire building which has floor plates averaging 900 square meters. The principal tenants currently include Total Austral S.A., Danone Argentina S.A., Vintage Oil Argentina Inc. Sucursal Argentina and Pharmacia Argentina S.A.

Libertador 498, City of Buenos Aires. Libertador 498 is a 27-story office tower located at the intersection of Avenida 9 de Julio, Avenida del Libertador and Autopista Illia, three of the most important thoroughfares of the City of Buenos Aires, making it accessible from the north, west and south of the city. We own 17 floors with floor plates averaging 620 square meters. The building has a singular cylindrical design and a highly visible circular neon billboard that makes it a landmark in the Buenos Aires skyline. The principal tenants in this building currently include Voridiam Argentina S.R.L., MTV Networks Argentina S.R.L., Epson Argentina S.A., and Farmanet S.A. Chrysler Argentina S.A. leases the billboard for an annual rent of Ps. 120,000 through June 30, 2003.

Maipú 1300, City of Buenos Aires. Maipú 1300 is a 23-story office tower located on the San Martín Plaza, a prime office zone, on Avenida del Libertador, a major north-south thoroughfare. The building is also located within walking distance of the Retiro commuter train station, Buenos Aires most important public transportation hub, connecting rail, subway and bus transit. We own the entire building which has floor plates measuring 440 square meters on most floors. The building s principal tenants currently include Allende & Brea, Totalfinaelf Gas Transmission Argentina S.A., Uunet Argentina S.R.L. and MCI International Argentina S.A..

Laminar Plaza, City of Buenos Aires. Laminar Plaza is a 18-story office building located in Catalina*s*, the City of Buenos Aires most exclusive office district. We own of the last 5 floors with the floor plates averaging 1,310 square meters. The main tenants, among others, are as follows: Cisco Systems, Movicom Bellsouth, Chubb Argentina de Seguros S.A., Apache Corporation and Bank Hapoalim B.M.

Madero 1020, City of Buenos Aires. Madero 1020 is a 25-story office tower located in the center of the Catalinas area*,* a prime office zone, with spectacular views of the Port of Buenos Aires, the Río de la Plata and downtown Buenos Aires. As of June 30, 2003 we owned 5 non-contiguous floors with the floor plates averaging 572 square meters. As of June 30, 2003 one floor was for sale. The building s principal tenants currently include Abeledo Gottheil Abogados S.C and Du Pont S.A.

Suipacha 652/64, City of Buenos Aires. Suipacha 652/64 is a seven-floor office building located in the office district of the City of Buenos Aires. We own the entire building which has floor plates unusually large, measuring 1,580 square meters on most floors. This property underwent substantial renovations shortly after we acquired the deed in 1991 to prepare the building for rental. The building s principal tenants currently include Procter & Gamble Interaméricas Inc., Monitor de Medios Publicitarios S.A./IBOPE and APSA s subsidiary, Tarshop S.A.

Reconquista 823/41, City of Buenos Aires. Reconquista 823/41 is a 15-story office tower located in the Catalina*s* area. We own the entire building which has floor plates averaging 407 square meters. Until May, 2002 the entire building was being leased to Aguas Argentinas who decided not to renew the contract at maturity.

Edificios Costeros, Dock 2, City of Buenos Aires. Costeros A and B are two four-story buildings developed by us and located in the Puerto Madero area. We own the two buildings which have a gross leasable area of 6,389 square. In September 1999 we completed their construction and in April 2000 began to market the office spaces. The main tenants of these properties are as follows: Leo Burnett Worldwide Invest. Inc., Martina Di Trento S.A., APSA s subsidiary, Altocity.Com S.A., Red Alternativa S.A. and Alternativa Gratis S.A. We currently intend to develop two additional buildings on the adjacent land despite no date for beginning construction has been established yet.

Edificios Costeros, Dock 4, City of Buenos Aires. On August 29, 2001 we signed for the deed of sale of Section C of the office complex known as Puerto del Centro that includes buildings 5 and 6 . The property is located in Pierina Daelessi street No. 340, over the East Side of Dock 4 of Puerto Madero and has approximately 5,440 square meters of gross leasable area. The building s principal tenants currently include Nextel Argentina S.A. and Petroenergy S.A.

Other office properties. We also have interests in four other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or portions of buildings, none of which contributed more than Ps. 1.0 million in annual rental income for fiscal year 2003. Among these properties are Madero 942 and Libertador 602.

Retail and other properties. Our portfolio of rental properties includes four rental properties that are leased as street retail, a warehouse and various other uses. Most of these properties are located in the city of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111 and Alsina 934.

Shopping centers

We are also engaged in purchasing, developing and managing shopping centers, through our subsidiary APSA. As of June 30, 2003, APSA operated and owned majority interests in seven shopping centers, five of which are located in the city of Buenos Aires. One shopping center is located in greater Buenos Aires and another is in the city of Salta. APSA also owns indirectly an 18.9% non-controlling interest in Mendoza Plaza in the city of Mendoza. In addition to purchasing, developing and managing shopping centers, APSA owns an 80% interest in Tarshop, a limited purpose credit card company which originates credit card accounts to promote sales from APSA s tenants and other selected retailers.

APSA s shopping centers comprised a total of 182,639 square meters of gross leasable area (including Mendoza Plaza and excluding certain space occupied by hypermarkets which are not APSA s tenants). For the year ended June 30, 2003, the average occupancy rate of the shopping center portfolio was approximately 96%.

Management and administration. As a result of the acquisition of several shopping centers and of the corporate reorganization of APSA, we were able to reduce expenses by centralizing management of the shopping centers in APSA. All of our shopping centers are owned through APSA, and all of them, except Mendoza Plaza, are managed by APSA. As manager, APSA 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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As of November 30, 2003 we owned 54.2% of APSA. On November 30, 2003, 27.2% of APSA s shares were held by Parque Arauco S.A., and 6.2% by GSEM/AP. The remaining shares are held by the public and traded on the Bolsa de Comercio de Buenos Aires and on the Nasdaq Stock Market in the form of American Depositary Shares (NASDAQ symbol: APSA).

Together with Parque Arauco S.A. we entered into an agreement, dated as of November 18, 1997, pursuant to which we both agreed, among other things:

- our board of directors would be composed of ten directors;
- our directors would be appointed pro rata in relation to the number of shares owned by the shareholders and APSA s president and vice-president would be appointed as directors; and
- as long as Parque Arauco holds at least 25% of our capital stock and we appoint at least 6 directors, we will use our best efforts in order to vote our shares to appoint as APSA s director a person to be designated by Parque Arauco among the following: José Said, Guillermo Said, or Salvador Said.

We have also entered into a voting agreement with GSEM/AP, dated as of November 18, 1997. Pursuant to this voting agreement, GSEM/AP granted us, subject to certain conditions, certain rights to vote the shares held by GSEM/AP for a period of ten years.

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. Lease agreements are generally denominated in U.S. dollars with exception of some renewals and new lease contracts accomplished during this year which are subject to rent escalation clauses.

Although APSA s lease agreements were U.S. dollar-denominated obligations, Decree No. 214/02, Decree No. 762/02 and Law No. 25,820, which modify Public Emergency Law No. 25,561, determine that duties to turn over sums of money which are denominated in that currency and which are not related to the financial system existing 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 part 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.

Tenants are generally charged a rent which consists of the higher of (i) a base rent and (ii) a percentage rent which generally ranges between 4% and 8% of tenant s sales. Furthermore, pursuant to the rent escalation clause in most leases, a tenant s base rent generally increases between 4% and 7% each year during the term of the lease.

Tenants are also required to pay for the direct expenses of their units, such as electricity, water, telephone and air conditioning, as well as their proportion of the common area expenses. In addition, tenants pay approximately 15% of their base rent into a common promotion fund. In the cases where APSA acts as manager, APSA receives an administration fee.

In addition to rent, tenants are generally charged with an admission right paid upon entering into a lease and upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. If the tenant pays 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 date. In the event of termination, a tenant will not be refunded its admission right without APSA´s consent.

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The following table shows certain information concerning our shopping centers.

Shopping center properties

	Date of acquisition	Gross leasable area m2 (1)	Percentage leased (2)	Our interest	Monthly income Ps./000	Total rental income for the fiscal year Ps./000 (3) 2003	Book value Ps./000 (4)
Shopping Centers (5)							
Alto Palermo	11/97	18,265	94.1%	55%	N/A	26,150	247,477
Abasto	07/94	40,387	99.4%	55%	N/A	20,531	221,314
Alto Avellaneda Shopping.	11/97	26,860	99.5%	55%	N/A	10,038	105,133
Paseo Alcorta	06/97	14,759	91.9%	55%	N/A	12,216	72,690
Patio Bullrich	10/98	11,749	91.7%	55%	N/A	10,610	127,803
Alto Noa Shopping	03/95	18,904	90.3%	55%	N/A	2,087	23,810
Buenos Aires Design	11/97	14,563	94.3%	28%	N/A	3,656	25,840
Fibesa and others (6)					N/A	3,861	
Revenues Tarjeta Shopping				44%	N/A	24,607	
TOTAL SHOPPING CENTERS (7)		**145,487**	**95.7%**	**N/A**	**N/A**	**113,754**	**824,067**

(1) Total leasable area in each property. To obtain the square meters attributable to us, this column should be multiplied by our net ownership interest. Excludes common areas and parking spaces.
(2) Calculated dividing occupied square meters by leasable areas.
(3) Total consolidated rents adjusted for inflation. Excludes gross income tax deduction.
(4) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation.
(5) Through Alto Palermo S.A.
(6) Includes revenues from Fibesa S.A. and Alto Invest.
(7) Corresponds to the Shopping Centers business unit mentioned in Note 4 to the Consolidated Financial Statements. Excludes gross income tax deduction.

The following table shows a schedule of lease expirations for our shopping center properties in place (except Mendoza Plaza) as of June 30, 2003, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expiration as of June 30,	Number of Leases Expiring	Square Meters Subject to Expiring Leases	Percentage of Total Square Meters Subject to Expiration	Annual Base Rent Under Expiring Leases (1)	Percentage of Total Base Rent Under Expiring Leases
		(m²)	*(%)*	*(Ps.)*	*(%)*
2004 (2)	414	50,554	34.8	24,780.161	44.6
2005	167	18,554	12.7	10,903,437	19.6
2006	197	31,045	21.3	11,055,163	19.9
2007	40	11,137	7.7	3,005,389	5.4

2008+	29	34,196	23.5	5,838,145	10.5
Total	**847**	**145,487**	**100.0**	**55,582,295**	**100.0**

(1) Includes only the basic rental income amount. Does not give effect to our ownership interest.
(2) Includes vacant stores at June 30, 2003.

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The following table shows the average occupancy rate expressed as a percentage of the Gross Leasable Area for the fiscal years ended June 30, 2003, 2002 and 2001:

	Fiscal Years Ended June 30,		
	2003	**2002**	**2001**
		%	
Abasto Shopping Center	99.4	95.4	94.5
Alto Palermo Shopping Center	94.1	92.1	96.1
Alto Avellaneda	99.5	93.6	94.3
Paseo Alcorta	91.9	84.3	93.6
Patio Bullrich	91.7	91.1	97.2
Alto Noa	90.3	87.6	90.6
Buenos Aires Design	94.3	81.3	90.2
Mendoza Plaza	96.2	97.1	96.3
Total	95.8	92.4	94.4

The following table shows the annual average rental price per square meter:

	Fiscal Year Ended June 30, (1)		
	2003	**2002**	**2001**
Abasto Shopping Center	435.39	738.36	1,034.10
Alto Palermo Shopping Center	1,198.11	1,658.90	2,359.64
Alto Avellaneda	333.60	860.45	1,234.22
Buenos Aires Design	195.83	614.72	626.59
Paseo Alcorta	799.21	1,216.01	1,747.06
Patio Bullrich	749.81	1,014.06	1,288.63
Alto Noa	107.72	235.76	287.86

(1) Annual sales per gross leasable square meter reflect the sum of base rent, percentage rent and revenues from admission rights (excluding any applicable tax on sales) divided by gross leasable square meters.

Properties. Set forth below is information regarding our principal shopping centers.

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 153-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 at the intersection of Santa Fe and Coronel Díaz avenues, only a few minutes from downtown city of Buenos Aires and has nearby access from the Bulne*s* subway station. Alto Palermo Shopping has a total constructed area of 64,687 square meters that consists of 18,265 square meters of gross leasable area. The shopping center has a two-screen movie theatre, an entertainment center and a food court with 16 restaurants. Alto Palermo Shopping Center is spread out over four levels and has a 741-car pay parking lit in an area consisting of 32,405 square meters. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps. 985 per square meter for the fiscal year ended June 30, 2003. Principal tenants currently include Frávega, Mc Donald s, Librería Yenny, Garbarino and Zara.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 153-store shopping center that opened in October 1995 and is located in the highly populated neighborhood known as Avellaneda, on the southern border of the city of Buenos Aires. Alto Avellaneda has a total constructed area of 97,061 square meters that includes 26,860 square meters of gross leasable area. Alto Avellaneda includes several anchor stores, a six-screen multiplex movie theatre, a Wal-Mart superstore, an entertainment area, a bowling alley, a 16-restaurant food court and an outdoor parking lot. Wal-Mart purchased the space it now occupies. Tenants in this shopping center generated average estimated monthly retail sales of Ps. 396 per square meter for the fiscal year ended June 30, 2003. Principal tenants currently include Mc Donald s, Frávega, Bingo, Rodo and Garbarino.

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Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 121-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 City of Buenos Aires. Paseo Alcorta has a total constructed area of approximately 54,670 square meters that consists of 14,759 square meters of gross leasable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 20-restaurant food court, a Carrefour hypermarket, and a free parking lot with approximately 1,500 spaces. Carrefour purchased the space it now occupies but it pays proportional expenses of the shopping center. Tenants in this shopping center generated average estimated monthly retail sales of Ps. 720 per square meter for the fiscal year ended June 30, 2003. Principal tenants currently include Cristóbal Colón, Kartum, Rapsodia, Las Pepas and Frávega.

Abasto Shopping, City of Buenos Aires. Abasto Shopping is a 180-store shopping center located in the city of Buenos Aires. Abasto Shopping is directly accessible from the Carlos Gardel subway station and is located six blocks from the Once railway terminal and a few blocks from the highway to Ezeiza International Airport. 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 city of Buenos Aires. The property was converted into a 116,808 square meter shopping center, with approximately 40,387 square meters of gross leasable area. Abasto Shopping is located across from Torres de Abasto residential apartment development. The shopping center includes a food court with restaurants covering an area of 5,600 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 2,500-car parking lot. Tenants in Abasto have generated estimated average monthly sales of Ps. 418 per square meter for the fiscal year ended June 30, 2003. Principal tenants currently include McDonald s, Zara, Rodo, Neverland and Hoyts Cinemas.

Patio Bullrich, City of Buenos Aires. Patio Bullrich is a 89-store shopping center located in Recoleta, a popular tourist zone in the city of Buenos Aires a short distance from the Caesar Park and Four Seasons hotels. Patio Bullrich has a total constructed area of 29,106 square meters that consists of 11,749 square meters of gross leasable area. The four-story shopping center includes a 18-restaurant food court, an entertainment area, a six-screen multiplex movie theatre and a parking lot with 228 spaces. Tenants in Patio Bullrich have generated estimated average monthly sales of Ps. 794 per square meter for the fiscal year ended June 30, 2003. Principal tenants currently include Cacharel Damas, Casa López, Christian Dior, Prune and Ricky Sarkany.

Alto Noa, Salta, Province of Salta. Alto Noa is a 92store shopping center located in the city of Salta, the capital of the province of Salta. The shopping center consists of 40,249 square meters of total constructed area that consists of 18,904 square meters of gross leasable area and includes a 13-restaurant food court, a large entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. Tenants have generated estimated average monthly sales in of Ps. 153 per square meter for the fiscal year ended June 30, 2003. Principal tenants currently include Frávega, Mc Donald s, Hoyts General Cinema, Repsol Y.P.F and Supermercado Norte.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design Cente*r* is a 59-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. APSA owns Buenos Aires Design through a 51% interest in Emprendimientos Recoleta, which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta. Buenos Aires Design has a total constructed area of 31,672 square meters that consists of 14,563 square meters of gross leasable area. The shopping center has 5 restaurants, is divided into two floors and has a 178-car parking lot. Tenants in this shopping have generated estimated average monthly sales of Ps. 201 per square meter for the fiscal year ended June 30, 2003. Principal tenants currently include Barugel Azulay, Bazar Geo, Iluminación Agüero, Hard Rock Café and Morph.

Mendoza Plaza, Mendoza, Province of Mendoza. Mendoza Plaza is a 139-store shopping center located in the City of Mendoza in the Province of Mendoza. It consists of 37,152 square meters of gross leasable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,515 square meters with ten screens, the Chilean department store Falabella, a food court with 15 restaurants, an entertainment center and a supermarket which is also a tenant. It is owned through APSA s 18.9% interest in Pérez Cuesta.

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Tarjeta Shopping. Tarjeta Shopping is a non-banking credit card issued by Tarshop, which is a limited purpose credit card company, engaged in credit card operations and is not affiliated to any bank. Tarshop originates credit card accounts to encourage customers to purchase goods and services from our shopping centers.

At June 30, 2003 the number of Tarjeta Shopping members amounted to 147,526, showing a 53% increase in new memberships. Tarshop´s credit portfolio, including secured coupons, amounted to Ps. 46.4 million.

For the fiscal year ended June 30, 2003, Tarshop´s total revenues were Ps. 24.9 million, representing approximately 21.8% of APSA´s revenues for such year, and it had a net loss of Ps. 4.3 million.

Sales and development properties; Undeveloped parcels of land

Residential development properties

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. Our development of residential apartment complexes consists of the new construction of high-rise towers or the conversion and renovation of existing structures such as factories and warehouses. In residential communities, we acquire vacant land, develop the infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. We may also develop or sell portions of land for others to develop complementary facilities such as areas for shopping in the area of the residential developments.

In fiscal year 2003 net sales from the sales and developments sector fell to Ps. 47.2 million, compared to Ps. 54.4 million in fiscal 2002. The uncertainty generated in relation to the exchange rate and the low level of interest rates in the developed nations has encouraged the public to invest in secure assets such as real estate. In spite of the limited stock of property we had available for sale, given the interruption months earlier of the launch of new developments, the factors mentioned have benefited our sales in this sector, allowing us to complete the sale of several projects. This reduction has mainly been due to the reduced stock of units available for sale at present as a result of the halting of new development launches several quarters back, a decision that was based on the sharp fall in aggregate demand.

Construction and renovation works on our residential development properties is currently performed, under our supervision, by independent Argentine construction companies that are selected through a bidding process. We enter into turnkey contracts with the selected company for the construction of residential development properties pursuant to which the selected company agrees to build and deliver the development for a fixed price and at a fixed date. We are generally not responsible for any additional costs based upon the turnkey contract. All other aspects of the construction including architectural design are performed by third parties.

Prior to the commencement of construction of a residential project, we conduct an advertising program that continues after the launching of the sales of the units. In addition, we have showcased some of our renovation projects through Casa FOA, a highly visited fundraising exhibition where architects and designers display their work. This exhibition has wide public appeal and has been a successful marketing tool for us.

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The following table shows certain information and gives an overview regarding our sales and development properties:

Development Properties

	Date of acquisition	Estimated/ Actual cost (Ps.000) (1)	Area destined for sales (m2) (2)	Total units or lots (3)	Percentage constructed	Percentage sold (4)	Accumulated sales (Ps. 000) (5)	Accumulated sales for fiscal year ended June 30 (6) (Ps. 000) 03 (Ps. 000)	02 (Ps. 000)	01 (Ps. 000)	Book Value (7) (Ps. 000)
Appartment Complexes											
Torres Jardín	7/18/96	56,579	32,244	490	100%	98%	70.028	161	2,064	5,259	245
Torres de Abasto (8)	7/17/94	74,810	35,630	545	100%	99%	109,245	462			555
Palacio Alcorta	5/20/93	75,811	25,555	191	100%	100%	76,582		607		
Concepción Arenal	12/20/96	15,069	6,913	70	100%	99%	11,617	100	363	3,754	42
Alto Palermo Park (9)	11/18/97	35,956	10,488	73	100%	100%	47,467	5,305	14,713	(1,790)	
Other (10)		50,196	23,900	184	100%	99%	56,976	3,989	2,756	2,843	306
Subtotal		**308,421**	**134,730**	**1,553**	**N/A**	**N/A**	**371,915**	**10,017**	**20,503**	**10,066**	**1,148**
Residential Communities											
Abril/Baldovinos (11)	1/3/95	130,955	1,408,905	1,273	100%	92%	202,185	14,161	15,086	40,769	11,219
Villa Celina I, II y III	5/26/92	4,742	75,970	219	100%	99%	13,952	28	(52)	7	43
Villa Celina IV y V	12/17/97	2,450	58,480	181	100%	99%	9,482		136	2,902	10
Subtotal		**138,147**	**1,543,355**	**1,673**	**N/A**	**N/A**	**225,619**	**14,189**	**15,170**	**43,678**	**11,272**
Land Reserves											
Dique 3 (12)	9/9/99		10,474		0%	0%					25,973
Puerto Retiro (9)	5/18/97		82,051		0%	0%					46,257
Caballito	11/3/97		20,968		0%	0%					13,616
Santa María del Plata	7/10/97		715,952		0%	0%					124,594
Pereiraola (11)	12/16/96		1,299,630		0%	0%					21,875
Monserrat (9)	11/18/97		3,400		0%	100%	5,518			1,803	
Dique 4 (ex Soc del Dique)	12/2/97		4,653		0%	50%	12,310			12,310	6,160
Other (13)			4,439,447		0%						131,306
Subtotal			**6,576,575**		**N/A**	**N/A**	**17,828**			**14,113**	**369,781**
Other											
Hotel Piscis	9/30/02	5,231		1	100%	100%	9,912	9,912			

Sarmiento 580	1/12/94	11,691	2,635	14	100%	100%	10,837			10,837	
Santa Fe 1588	11/2/94	8,341	2,713	20	100%	100%	8,166		8,166		
Rivadavia 2243/65	5/2/94	8,166	2,070	4	100%	100%	3,660		3,660		
Libertador 498	12/20/95	7,452	2,191	3	100%	100%	5,931	2,313	3,618		
Constitución 1159	6/16/94	2,314	2,430	1	100%	100%	1,988	1,988			
Madero 1020	12/21/95	9,896	3,340	5	100%	100%	8,154	5,626		2,528	1,373
Madero 940	8/31/94	2,867	772	1	100%	100%	1,649	1,649			
Other Properties (14)		82,866	45,556	264	N/A	88%	102,446	922	2,226	9,399	8,991
Subtotal		**138,824**	**61,707**	**313**	**N/A**	**N/A**	**152,743**	**22,410**	**17,670**	**22,764**	**10,364**
Subtotal		**585,392**	**8,316,367**	**3,539**	**N/A**	**N/A**	**768,105**	**46,616**	**53,343**	**90,621**	**392,565**
Interest for financing property sales										**10,306**	
Management fees								**625**	**1,033**	**3,295**	
TOTAL (15)		**585,392**	**8,316,367**	**3,539**	**N/A**	**N/A**	**768,105**	**47,241**	**54,376**	**104,222**	**392,565**

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(1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, adjusted for inflation.
(2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces, but excluding common areas). In the case of Land Reserves the land area was considered.
(3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
(4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters.
(5) Cumulative sales consolidated adjusted for inflation.
(6) Corresponds to the company s sales consolidated adjusted for inflation.
(7) Cost of acquisition plus improvement plus activated interest, adjusted for inflation.
(8) Through APSA.
(9) Through Inversora Bolívar.
(10) Includes the following properties: Dorrego 1916 (through our company), República de la India 2785, Fco. Lacroze 1732, Pampa 2966 and J.M. Moreno (fully sold), Arcos 2343, Yerbal 855 through Baldovinos and Alto Palermo Plaza (fully sold) through Inversora Bolívar.
(11) Directly through our company and indirectly through Inversora Bolívar.
(12) Through Bs As Trade & Finance S.A.
(13) Includes the following land reserves: Torre Jardín IV, Constitución 1159, Padilla 902, and Terreno Pilar (through our company), and Pontevedra, Mariano Acosta, Merlo, Intercontinental Plaza II, Benavidez plots (through Inversora Bolívar) and Alcorta plots, Neuquén, Rosario, Caballito and the Coto project (through APSA).
(14) Includes the following properties: Sarmiento 517, Salguero 3313, Dique II (through our company), Puerto Madero Dock 13, Puerto Madero Dock 5, Puerto Madero Dock 6, Av. De Mayo 701, Rivadavia 2768, Serrano 250; Montevideo 1975 (Rosario) (fully sold through our company).
(15) Corresponds to the Sales and Developments business unit mentioned in Note 4 in the Consolidated Financial Statements.

Apartment and loft buildings

In the apartment building market, we acquire undeveloped properties that are strategically located in densely populated areas of the city of Buenos Aires, particularly properties located next to shopping centers and hypermarkets or those that are to be constructed. We then develop multi-building high-rise complexes targeted towards the middle-income market which are equipped with modern comforts and services such as open green areas, swimming pools, sports and recreation facilities and 24-hour security. In the loft buildings market, our strategy is to acquire old buildings in disuse that are located in areas with a significant middle and upper-income population. The properties are then renovated into unfinished lofts allowing buyers the opportunity to design and decorate them to their preferences.

Torres Jardín, City of Buenos Aires. Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, five minutes from Abasto Shopping. The project originally included four 23-story towers directed towards the middle-income market, however, we decided not to construct Torres Jardín IV. Torres Jardín I, II and III have been completed and consist of 490 one, two and three bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2003 98% of the complex was sold.

Torres de Abasto, City of Buenos Aires. Torres de Abasto is a 545-apartment high-rise residential apartment complex developed through APSA and is located one block from Abasto Shopping. The project consists of three 28-story buildings and one 10-story building directed towards the middle-income market. The apartments were completed in May 1999. The complex has a swimming pool, a terrace, 24-hour security project also includes four retail stores on the ground floor of one of the buildings and 310 underground parking spaces. As of June 30, 2003 99% of the complex was sold.

Palacio Alcorta, City of Buenos Aires**.** Palacio Alcorta is a 191-loft residential property that we converted from a former Chrysler factory located in the residential neighborhood of Palermo Chico, one of the most exclusive areas of the city of Buenos Aires, which is a ten minute drive from downtown. The loft area ranges from 60 to 271 square meters. This project is directed towards the upper-income market and it is 100% sold. Palacio Alcorta also has seven retail units and 165 parking spaces.

***Concepción Arenal 3000, City of Buenos Aires*.** Concepción Arenal 3000 is a 70-loft residential property located in north-central city of Buenos Aires. Each loft unit has a salable area of 86 square meters and a parking space. Lofts in this building are directed towards the middle-income market.

***Alto Palermo Park, City of Buenos Aires*.** Alto Palermo Park is one of two 34-story apartment buildings located two blocks away from Alto Palermo Shopping in the exclusive neighborhood of Palermo. Apartments in the building are targeted towards the upper-income market. The building is also located next to its twin, Alto Palermo Plaza. The buildings are comprised of 3 and 4-room apartments with an average area of 158 square meters in the case of Alto Palermo Park and of 294.5 square meters, in the case of Alto

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Palermo Plaza and each unit includes an average of 18 and 29 square meter parking/storage space, respectively. These buildings were included in the assets we acquired from Pérez Companc S.A. As of June 30, 2003 100% of Alto Palermo Plaza were sold.

Residential communities

In the residential communities market, we acquire extensive undeveloped properties located in suburban areas or neighborhoods near the city of Buenos Aires to develop private neighborhoods and country clubs in which to sell vacant lots for the construction of single family homes. In these properties we build streets and roads, we arrange for the provision of basic municipal services and amenities such as open spaces, sport facilities and security. We seek to capitalize on improvements in transportation and communication around the city of Buenos Aires, the growing suburbanization of the region and the shift of the population moving to countryside-type residential communities.

An important factor in the trend towards living in suburban areas have been the improvements and additions to the highways Autopista Panamericana, Avenida General Paz and Acceso Oeste and the improvement in public train, subway and bus transportation since their privatization which have greatly reduced commuting time and facilitated access.

As of June 30, 2003, our residential communities for the construction of single-family homes for sale in Argentina had a total of 138,147 square meters of gross salable area in the Abril and Villa Celina, residential communities located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is one of our private residential communities. It is a 312-hectare property located near the city of Hudson, approximately 34 kilometers south of the City Buenos Aire*s*, developed into a private residential community for the construction of single family homes directed towards the upper-middle-income market. The property includes 20 neighborhoods subdivided into 1,273 lots consisting of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000 square meter mansion and entertainment facilities, a bilingual school, horse stables and sports centers. The neighborhoods have been completed and as of June 30, 2003, 92% of the property was sold, 89 homes were under construction and 566 homes were completed.

In March 2003, 40 lots pending with Pulte were sold for Ps.3.2 million. The payment was made by returning 27 previously purchased lots, amounting to Ps. 2.8 million, and canceling the balance of Ps. 0.5 million in cash.

Villa Celina, Greater Buenos Aires. Villa Celina is a 400-lot residential community for the construction of single family homes located in the residential neighborhood of Villa Celina, on the southeastern edge of the city of Buenos Aires, a short distance from the intersection of the Ricchieri highway and the Avenida General Paz beltway. We have been developing this property in several stages since 1994. The first three stages represent 219 lots, each measuring 347 square meters on average and the two last stages represent 181 lots. As of June 30, 2003 99% of the residential community was sold.

Undeveloped parcels of land

We have acquired large undeveloped properties as land reserves for the future development of office and apartment buildings, shopping centers and single family housing. We have acquired what we believe to be two of the largest and most important undeveloped river front parcels in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, we have benefited from the improvement of land values during periods of economic growth. As of June 30, 2003, our land reserve totaled 17 properties consisting of approximately 658 hectares (excluding the ones owned by APSA).

City of Buenos Aires

Puerto Madero Dock 3. Plot 5M , located in Dique 3, East side of Puerto Madero, comprises 20,947 square meters and is subdivided in three plots. The plots were owned by three different companies: Buenos Trade & Finance Center S.A. (BAT&FCSA), Buenos Aires Realty S.A. (BARSA) and Argentine Realty S.A. (ARSA). We owned 50% of the capital stock of each of the companies, and the other 50% is owned by a company named RAGHSA S.A. (RAGHSA).

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On August 16, 2002, we signed an agreement with RAGHSA for the redistribution of the plot 5M . As a result of the redistribution, we own 100% of the capital stock of BAT&FCSA, and have transferred our 50% ownership in ARSA and BARSA, respectively for the benefit of RAGHSA. This agreement has also provided the division and redistribution of the debt held with Corporación Antiguo Puerto Madero S.A. and the release of our obligation to construct 45,000 square meters in our new plot.

Puerto Retiro. Puerto Retiro is an 8.2-hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the transportation hub Retiro to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the city of Buenos Aires, Puerto Retiro may currently be utilized only for port activities. We have initiated negotiations with municipal authorities in order to rezone the area. Our plan is to develop a 360,000 square meter financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided. We own 67% of our subsidiary Inversora Bolívar S.A. (Inversora Bolívar), who owns a 50% interest in Puerto Retiro. As of June 30, 2003 we had invested Ps. 45.5 million in this property.

Santa María del Plata. Santa María del Plata is an undeveloped waterfront property located at the southern end of Puerto Madero, adjacent to the city of Buenos Aires nature reserve. The development will be targeted at the high-income market and will include different residential projects, taking advantage of the river and related nautical activities. The plan includes three different housing concepts: high-rise apartment buildings, smaller condominiums and neighborhoods of single-family homes. Common areas for recreation, offices, and a hotel are also included. We plan to seek a partner to provide development skills and capital for the development of this project. As of June 30, 2003, we had invested Ps. 124.6 million in Santa María del Plata. Even though current regulation permits the construction of 715,952 square meters, we still do not have final approval.

Caballito. Caballito is a 2.1-hectare undeveloped property located in the residential neighborhood of Caballito in the City of Buenos Aires. We are considering several alternatives for this property including the development of residential apartment complexes or the sale of this property as it is. Zoning approvals for the development of residential apartments have been obtained. As the plan has not been decided, we do not have an estimated cost and financing method for it.

Caballito, Ferro Project. It is a property of approximately 25,539 square meters in the Buenos Aires city neighborhood of Caballito, one of the most highly populated in the Federal Capital. This land could be used to build a 30,000 squared meter shopping center including a hypermarket.

APSA is currently making the final changes to the commercial project. APSA has not yet obtained the authorization from the Government of the City of Buenos Aires to develop the center on this land and cannot at this stage guarantee that this will be granted.

Alcorta Plaza. On June 29, 2001, APSA acquired a plot of land located in Figueroa Alcorta Avenue, in front of Paseo Alcorta Shopping for US$ 4.7 million. This land is located in the neighborhood of Palermo Chico in the city of Buenos Aires. APSA is working on the commercial project that may involve an office building and/or apartment block.

Cruceros, Dique 2. This is a unique project in Puerto Madero. This residential block of 9,500 square meters will be built alongside the Edificios Costeros office buildings. It is aimed at the middle/upper-income segment and most condominium areas have spectacular views of the river. It will be partially financed by means of the advance sale of apartments. The project is at an advanced stage, and sales are expected to start in the first months of 2004.

San Martin de Tours. In March 2003 we purchased a plot located in San Martin de Tours Street in the Barrio Parque district, the most exclusive residential zone in the city of Buenos Aires. We plan to build a high-quality house-type residence complex unlike other property available aimed at the high-income segment. We begun construction in December 2003 and we plan to launch the commercialization of the units in October 2004. The project will be financed out of working capital.

Greater Buenos Aires

Pereiraola, Hudson. We own an 83% interest in Pereiraola S.A., a company, whose principal asset is a 130 hectare undeveloped property adjacent to Abril. We intend to use this property to develop a private community for the construction of single family homes targeted at the middle-income market. We have not yet established the costs and financing method for this proposed project.

Province of Buenos Aires

Benavídez, Tigre. Benavídez is a 98.9 hectare undeveloped land reserve property located in Tigre, 35 kilometers to the north of downtown of the city of Buenos Aires. The property is easily accessible due to its proximity to Panamericana Highway. We are considering several alternatives for this property including the development of a residential community or the sale of this property as it is and, therefore, we do not have a cost estimate nor a financing plan.

Pilar. Pilar is a 74.0-hectare undeveloped land reserve property located close to the City of Pilar, 55 kilometers to the northwest of downtown of the City of Buenos Aires. The property is easily accessible due to its proximity to the Autopista del Norte. The Pilar area is one of the most rapidly developing areas of the country. We are considering several alternatives for this property including the development of a residential community or the sale of this property as it is and, therefore, we do not have a cost estimate nor a financing plan.

Other undeveloped parcels of land in the city of Buenos Aires

Our land reserve property portfolio also includes nine land reserve properties located in Buenos Aires and its surrounding areas. These properties are projected for future developments of offices, shopping centers, apartment buildings and residential communities. The principal properties include Puerto Madero Dock 4 block 1M and Merlo.

Other provinces

Rosario Project, City of Rosario, Province of Santa Fe. On August 25, 1998, together with Coto Centro Integral de Comercialización S.A. (Coto) our subsidiary APSA acquired a 213,372 square meter development property located in the City of Rosario, the third largest city in Argentina in terms of population, in a public auction conducted by the *Ente Nacional de Administración de Bienes Ferroviarios* (ENABIEF) an Argentine government entity within the Ministry of Infrastructure and Housing, dedicated to the administration of the national governments properties (subsequently ENABIEF changed its name to *Organismo Nacional de Administración de Bienes del Estado* - ONABE -). We paid US$ 17.5 million (net of closing costs) for a 66.67% ownership interest in the property.

On December 17, 1999, APSA obtained an exclusive title to a part of this property upon which it plans to develop a residential complex. On the rest of the land, which is 56% owned by APSA and 44% by Coto, APSA plans to develop a shopping center and Coto a hypermarket.

The proposed project is composed of two parts. The first part involves the construction of a shopping center with approximately 20,000 square meters of gross leasable area and an entertainment complex, consisting of approximately 10,000 square meters, that is currently expected to include a science museum, a railroad museum, a convention center, a restaurant area and an outside entertainment area. The estimated cost of the first part of the project is Ps. approximately 40.0 million. The second part involves the construction of a 1,200 apartment high-rise residential complex consisting of nine towers of approximately 100,000 square meters, which APSA intends to construct over a term of approximately ten years. APSA currently estimates that the first stage, of the second phase of the project, which involves the construction of 20,000 square meters, will demand an investment of approximately US$ 8.0 million and is expected to be launched during the year 2005. APSA expects to finance the main part of the project through working

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capital and if necessary we are going to get debt financing in a limited amount. APSA believes that this development project currently complies in all material respects with the construction requirements for this area established by the Municipality of Rosario.

The ownership of the acquired property is subject to the accomplishment of a construction timetable. This schedule, which was proposed by APSA and Coto, contains the description of the buildings that should be done and the period in which each of them should be finished. A material breach of said timetable may signify the losing of the ownership of the acquired property and also the constructed buildings, which would all be kept by the ONABE.

It should be noted that pursuant to this concession APSA will acquire the property of the entertainment complex and the shopping center when 70% of them is built; and the ownership of the residential complex will be assured when APSA would have built 50% of them. Consequently, only a material breach of the timetable before said building percentages are completed may signify the losing of the acquired property.

On December 20, 2000 APSA filed a request for extension of the terms established in the original timetable for the construction of the project, which was approved by the ONABE by Order 747-01 on September 4, 2001. The extension, establishes the following schedule:

- the road system, whose construction was completed in March 2002;
- the construction of the shopping center, which was projected to start on September 15, 2002; and
- the construction of the first tower of the residential complex, that is projected to start on March, 2004.

On July 10, 2002, APSA filed a request for a new extension of the terms set forth in the last timetable approved. The request was basically based on the economic and social emergency situation that the country was going through, which was completely unexpected at the time of doing the offer for the property. On April 24, 2003 , ONABE resolved to approve APSA s request for a new extension of the terms. In December, 2003, APSA began the construction of the first part of the project.

Neuquén Project, Province of Neuquén. On July 6, 1999, APSA acquired a 94.6% interest in Shopping Neuquén S.A. (Shopping Neuquén) for US$ 4.2 million. APSA paid US$ 0.9 million on September 1, 1999, and the remaining US$ 3.3 million was originally scheduled to be paid on or before July 5, 2001. As of today the remaining payment is overdue.

Shopping Neuquén s sole asset comprises of a piece of land of approximately 50,000 square meters with preliminary governmental approval for construction of a shopping center on the site. The project contemplates construction of a shopping center with 135 stores, a hypermarket, a multiplex movie theater and a hotel.

In June, 2001 Shopping Neuquén filed a request with the Municipality of Neuquén for extension of the original construction timetable and for authorization to sell part of the land to third parties for the construction by them of the property that Shopping Neuquén will develop. We believe that the extension should have been approved by the City Council of the Province of Neuquén, which is the municipal legislative body. On December 20, 2002, the Municipality of Neuquén rejected our request for a readjustment of the terms and the transfer of the plots, and declared the expiration of the Municipal ordinance No. 5178/91, annulling the purchase contracts for the real estate that had been transferred to us previously. In view of this situation, Shopping Neuquén. requested the revocation of this administrative act, however, the revocation was rejected by the Municipal Mayor on May 9, 2003 through decree No. 585/03. Subsequently, in June 2003, Shopping Neuquén filled a remedy before the Higher Court of the Province of Neuquén, requesting the annulment of the above resolutions issued by the Mayor. At the date of this report, the Neuquén Higher Court has not issued a decision regarding our remedy.

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If the extension is not approved, the Municipality of Neuquén could request the reconveyance of the real estate previously sold by it, in which case Shopping Neuquén may not recover its initial investment. Furthermore, on August 15, 2003 APSA was informed that 85.75% of the old shareholders of Shopping Neuquén have filed a complaint against us, claiming collection of a price balance of US$ 3.0 million plus interest and legal costs. At the date of this report, company APSA is filing a formal plea to this complaint.

On September 2003, APSA answered the complaint and filed a counterclaim for the contract readjustment based on the economic and social emergency situation. In November 2003, the old shareholders of Shopping Neuquén answered the counterclaim alleging that the payment was overdue before the economic and social situation had collapsed. For that reason they allege that APSA cannot plead readjustment of the contract.

Although APSA hopes for a favorable resolution to the judicial proceeding and still are negotiating a new arrangement with the old shareholders, APSA cannot assure a favorable result to us.

Hotels

At the end of the 1997 fiscal year, we acquired the Hotel Llao Llao, our first luxury hotel. Some months later, as part of the acquisition from Pérez Companc of the Old Alto Palermo, we acquired an indirect 51% interest in the Hotel Inter-Continental in Buenos Aires which we own through our subsidiary Inversora Bolívar. In March 1998, we acquired the Hotel Libertador. During fiscal year 1999, we sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A.C. (Hoteles Sheraton de Argentina) and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton group.

In September 2002, we acquired the Piscis Hotel in *Valle Las Leñas* and sold it in March, 2003.

The following chart shows certain information regarding our luxury hotels:

Hotel properties

Consolidated Hotels

Hotel	Date of acquisition	Our interest	Number of rooms	Average occupancy % (1)	Avg. Price per room Ps. (2)	Accumulated sales as of June 30, (Ps. 000) (3) 2003	2002	2001	Book value as of June 30, 2003 (Ps. 000)
Inter-Continental	11/97	51%	312	54	235	22,297	23,558	38,036	57,177
Sheraton Libertador	3/98	80%	200	52	204	11,529	15,234	23,296	39,890

Hotel Piscis (4)	9/02					344			
Total			**512**	**53**	**223**	**34,170**	**38,792**	**61,332**	**97,067**

Non Consolidated Hotels

Hotel	Date of Acquisition	Our Interest	Number of rooms	Average occupancy % (1)	Avg. Price per room Ps. (2)	Accumulated sales as of June 30, (Ps. 000) (5) 2003	2002	2001	Book value as of June 30, 2003 (6) (Ps. 000)
Llao Llao	6/97	50%	158	64	424	23,000	18,398	18,998	26,379
Total (7)			**670**	**55**	**270**	**57,170**	**57,190**	**78,484**	**123,446**

(1) Accumulated average in the Fiscal Year.
(2) Accumulated average in the Fiscal Year.
(3) Corresponds to our total sales consolidated adjusted by inflation.
(4) The Piscis Hotel was sold on March 19, 2003. See table Sales and Developments .
(5) Although Llao Llao Hotel s sales are no longer consolidated, we consider it is relevant to include them. It does not represent IRSA s effective participation.
(6) Represents 100% of the Hotel s book value including facilities.
(7) It includes the total consolidated hotels plus Llao Llao, which is no longer consolidated.

Hotel Llao Llao, San Carlos de Bariloche, Province of Rio Negro. Hotel Llao Llao is located on the Llao Llao península, 25 kilometers from the City of San Carlos de Bariloche, and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1930. The hotel was renovated between 1990 and 1993. The building has a total constructed surface area of 15,000 square meters and 158 rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, health club, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World and is currently being managed by Compañía de Servicios Hoteleros S.A. which manages the Hotel Alvear, a luxury hotel located in the *Recoleta* neighborhood of the city of Buenos Aires.

Hotel Inter-Continental, City of Buenos Aires. Hotel Inter-Continental is located in the downtown city of Buenos Aires neighborhood of Monserrat, adjacent to the Inter-Continental Plaza office building. This property was also a part of the acquisition of Old Alto Palermo from Pérez Companc. The hotel s meeting facilities include eight meeting rooms, a convention center and a divisible 569 square meter ballroom. Other amenities include a restaurant, a business center, a spa and a fitness facilitiy with swimming pool. The hotel was completed in December 1994 and has 312 rooms. The hotel is managed by the Inter-Continental Hotels Corporation, a United States Corporation.

Hotel Sheraton Libertador, City of Buenos Aires. Hotel Sheraton Libertador is located in downtown City of Buenos Aires at the corner of the streets Córdoba and Maipú, one block from Galerías Pacífico. The hotel contains 193 rooms and 7 suites, eight meeting rooms, a restaurant, a business center, a spa and fitness facilities with a swimming pool. In March 1999, we sold 20% of our interest in the Sheraton Libertador Hotel for US$ 4.7 million to Hoteles Sheraton de Argentina. The hotel is managed by Sheraton Overseas Management Corporation.

International

As of June 30, 2001, we participated in a strategic alliance in Brazil. On February 28, 2002, we sold all of our interest in Brazil Realty for US$ 44.2 million for a gain of approximately US$ 8.9.

In December 2000, we sold to Consultoria Inmobiliaria Velutini y Asociados all of our interest in Venezuela Invest Ltd. and Fondo de Valores Inmobiliarios, companies through which we held our interests in Venezuela.

International

	Country	IRSA s Share (%) As of June 30, 2003	Results for the Year Ended June 30, (Ps. 000) (1) 2003	2002	2001	Book Value as of June 30, 2003	Partner
Brazil Realty	Brazil	0.00%		(3,796)	19,148		Elie Horn
Fondo Valores Inmobiliarios	Venezuela	0.00%			609		Velutini Group
Total				(3,796)	19,757		

(1) Our company s proportional equity value in the period s results. Gives effect to our ownership interest.

Brazil Realty

Until February, 2002, when we sold our subsidiary Brazil Realty, we participated in the Brazilian real estate market through Brazil Realty which was engaged in:

- the acquisition and operation of office and shopping center properties for rental, and
- the acquisition and development of properties, and vacant land, to be used as office and retail properties for rental and/or sale, and as residential properties for sale.

Brazil Realty primarily focused its activities in the São Paulo real estate market, Brazil s largest consumer and industrial market.

At the time we sold Brazil Realty we owned approximately 50% of the capital stock of Brazil Realty, through our wholly owned subsidiary Ritelco S.A.

Technology investments in Latin America

Latin American Econetworks N.V.

In July 2000, together with divine InterVentures, Inc., Dolphin Fund Plc (formerly Quantum Dolphin Plc) and Catanzaro Holding B.V., we formed Latin American Econetworks N.V., a holding company organized in the Netherlands Antilles (LAE). LAE was conceived as a developer of software, technology and internet-related information network for the technology service suppliers. In connection with the formation, an 11.2% interest in the holding company was issued to us in exchange for US$ 5.3 million in cash.

On November 7, 2001, we sold our ownership in Latin American Econetworks for US$ 5.2 million.

IRSA Telecomunicaciones N.V.

In the fourth quarter of fiscal year 2000, we had invested US$ 3.0 million, in the form of irrevocable capital contributions, into two unrelated companies, namely, Red Alternativa, a provider of satellite capacity to internet service providers, and Alternativa Gratis, an internet service provider (the Companies). At that date, the Companies were development stage companies with no significant operations. Between July 2000 and August 2000, we, together with Dolphin Fund Plc (formerly Quantum Dolphin Plc), increased our respective investments in the abovementioned Companies, in exchange for shares of common stock. In a series of transactions, which occurred between August 2000 and December 2000, (i) we formed IRSA Telecomunicaciones N.V. (ITNV), a holding company organized under the laws of the Netherlands Antilles, for the purposes of completing a reorganization of the Companies and (ii) Dolphin Fund Plc (formerly Quantum Dolphin Plc), the previous majority shareholder of the Companies and us contributed our respective ownership interest in the Companies into ITNV in exchange for shares of common stock of ITNV. As a result of the reorganization, the Companies are now wholly owned subsidiaries of ITNV. Following the reorganization, we held a 49.36% interest in ITNV and Dolphin Fund Plc. held a 20.13% interest in ITNV.

On December 27, 2000, the shareholders of ITNV entered into a shareholders agreement with new investors in ITNV, namely Quantum Industrial Partners LDC and SFM Domestic Investment LLC, under which such new investors contributed US$ 4.0 million in cash in exchange for 1,751,453 shares of Series A mandatorily redeemable convertible preferred stock and an option to purchase 2,627,179 additional shares of mandatorily redeemable convertible preferred stock. Pursuant to the terms of the Shareholders Agreement, options were granted for a period up to five years and at an exercise price equal to the quotient of US$ 6.0 million by 2,627,179 preferred shares. On or after December 27, 2005, ITNV might be required, at the written request of holders of the then outstanding Series A preferred stock to redeem such holders outstanding shares of series A preferred stock for cash at the greater of (i) 200% of the original issue price multiplied by the number of preferred stock to be redeemed, and (ii) the fair market value of the common shares each holder of Series A preferred stock would have been entitled to receive if such holder had converted the number of Series A preferred stock to be redeemed into common stock at the redemption date; in both cases plus any accrued or declared but unpaid dividends.

Altocity.Com.

Altocity.Com is a company engaged in delivering e-commerce services providing customers with the information necessary to make personalized online buying decisions and giving retailers the ability to reach a large customer base. Altocity.Com, is a wholly owned subsidiary of E-commerce Latina S.A., (E-commerce Latina), an Internet venture between APSA and Telefónica de Argentina S.A. (Telefónica), where each of them have a 50% interest. Previously, APSA s partner in the venture was Telinver S.A. (Telinver), a wholly owned subsidiary of Telefónica; but on April 27, 2001 Telinver notified APSA that it had transferred its holdings in E-commerce Latina to Telefónica.

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Three years from its launch, Altocity offers a broad range of categories and brands, forms of payment, support and a request and delivery system, combined with a high-quality image.

During the year ended June 30, 2003 Altocity strengthened its goal of exporting to the world, taking advantage of a favorable exchange rate which placed us at an advantage with regard to foreign competition.

For the year ended June 30, 2003, Altocity.Com´s net revenues totaled Ps. 0.7 million and it had a net loss of Ps. 6.6 million. Of its revenues for such period, approximately 8.9 % were derived from fixed amount charged to retailers, 91.1% represented product sales and commissions earned. APSA accounts for its 50% indirect equity investment in Altocity.Com under the equity method of accounting.

In connection with the formation of E-commerce Latina, on December 15, 1999 APSA entered into a shareholders agreement with Telinver. On April 27, 2001, Telinver notified APSA that it had assigned that agreement to Telefónica. Pursuant to the shareholders agreement, Telinver contributed to E-commerce Latina US$ 5.0 million upon execution, and an additional US$ 5.0 million on June 15, 2000 in return for its 50% ownership position. APSA contributed intellectual property rights in exchange for its 50% ownership interest. APSA and Telinver made additional capital contributions of US$ 5.0 million each, during April 2001, and agreed to make optional capital contributions to be approved by E-commerce Latina s board of directors of up to US$ 12.0 million to develop new lines of business, of which 75% is to be contributed by Telinver and 25% is to be contributed by APSA.

The shareholders agreement also sets forth the rights and obligations of each party over the operation of E-commerce Latina. The significant provisions of the shareholders agreement include:

- our obligation to remain as APSA s controlling shareholder and of Telefónica to control Telinver or any successor;
- the determination of the election of the members of the board of directors;
- terms for notices of the shareholders meetings; and
- certain restrictions on transfers of shares for the first two years, and thereafter reciprocal first refusal and tag along rights.

Competition

We have a large and difficult to determine number of small competitors in each of the different markets in which we operate.

Offices and Others

With respect to the segment of office and other non-shopping center rental properties, most of our Argentine properties are located in developed areas. There are numerous other offices, retail and residential properties within the market area of each of our properties. The number of competitive properties in a particular area could have a material adverse effect on our ability to lease or sell units in the properties and on the amount of rent or the sale price that we are able to charge. Historically, there have been relatively few companies competing with us for rental or development property acquisitions. Actually, it is a very atomized market, with no big players, so there is no important competitor. We own Santa María del Plata and Puerto Retiro, two unique waterfront land reserves by the city of Buenos Aires which are yet not developed, but don t have competition. However, additional companies, including foreign companies, may become active in the real estate acquisition and development markets in Argentina, as well as in the markets outside of Argentina in which we participate, in the future.

Hotels

We own three five-star hotels in Argentina which are managed through strategic alliances by international operators such as Sheraton Overseas Management Corporation, Inter-Continental Hotels

Corporation and the local operator Compañía de Servicios Hoteleros S.A., which also manages the Hotel Alvear. The Hotel Llao Llao is unique for his landscape and beauty and is well known around the world. Our other two hotels, that is, Hotel Inter-Continental and Hotel Sheraton Libertador, are located in the city of Buenos Aires and concentrate the 24% of the total available rooms for this five-star hotel category. The following table shows the breakdown of five-star hotels in the city of Buenos Aires as of June 30, 2003:

Hotel	Number of rooms	Occupancy rate (2)	Revenue generation index (1)	Average daily rate in US$
Caesar	170	62%	1.46	108.7
Hilton	421	52%	1.18	103.3
Sheraton	742	47%	1.02	99.6
Marriot Plaza	325	50%	0.87	79.8
Intercontinental	312	53%	0.83	72.0
Sheraton Libertador	200	51%	0.66	60.2
Total/average	2170	51%	1.00	90.5

(1) The revenue generation index is the relative participation of the Revpar (revenue per available room) of each hotel with respect to the average of the market.
(2) Occupancy rate as of June 30, 2003.

Shopping Centers

In the shopping center sector we compete through APSA. Because most of our shopping centers are located in developed and highly populated areas, there are competing shopping centers within, or in close proximity to, our targeted areas. The number of shopping centers in a particular area could have a material effect on our ability to lease space in our shopping centers and on the amount of rent that we are able to charge. We believe that due to the limited availability of large plots of land and zoning restrictions in the city of Buenos Aires, it will not be easy for other companies to compete with us in areas through the development of new shopping center properties. Our principal competitor is Cencosud S.A. which owns and operates Unicenter shopping center and the Jumbo hypermarket chain, among others.

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The following table shows the breakdown of the main owners and operators of shopping centers in Argentina:

Companies	Location [1]	Gross Leasable Area	Stores	% of national gross leasable area [2]	Stores [2]
				(%)	(%)
APSA					
Alto Avellaneda (5)	GBA	57,814	153	5.6	4.3
Abasto Shopping Center	CBA	40,387	180	3.9	5.0
Mendoza Plaza (3)	Mendoza	37,152	139	3.6	3.9
Paseo Alcorta (5)	CBA	32,404	121	3.2	3.4
Alto Palermo	CBA	18,265	153	1.8	4.3
Buenos Aires Design Center (4)	CBA	14,563	59	1.4	1.6
Patio Bullrich	CBA	11,749	89	1.1	2.5
Alto Noa	Salta	18,904	92	1.8	2.6
Subtotal		**231,265**	**986**	**22.6**	**27.5**
Cencosud S.A.					
Unicenter Shopping (5)	GBA	90,869	287	8.9	8.0
Plaza Oeste Shopping (5)	GBA	38,720	138	3.8	3.8
Quilmes Factory (5)	GBA	31,373	47	3.1	1.3
Lomas Center Shopping (5)	GBA	24,271	50	2.4	1.4
San Martin Factory (5)	GBA	24,388	31	2.4	0.9
Parque Brown Factory Outlet (5)	GBA	23,553	44	2.3	1.2
Las Palmas Pilar (5)	GBA	37,662	102	3.7	2.8
Jumbo Palermo Centro Comercial (5)	CBA	22,763	43	2.2	1.2
El Portal de la Patagonia (5)	GBA	21,700	45	2.1	1.3
El Portal de Escobar (5)	GBA	18,886	24	1.8	0.7
Subtotal		**334,185**	**811**	**32.6**	**22.6**
Maccarone S.A.					
Showcenter Norte	GBA	39,688	19	3.9	0.5
Showcenter Haedo	GBA	24,644	40	2.4	1.1
Subtotal		**64,332**	**59**	**6.3**	**1.6**
Manfisa/Ingotar					
Boulevard Shopping	GBA	15,800	120	1.5	3.3
Patio Olmos	Córdoba	10,608	104	1.0	2.9
Subtotal		**26,408**	**224**	**2.5**	**6.2**
Other Operators		**369,307**	**1,512**	**36.0**	**42.1**
Totals		**1,025,497**	**3,592**	**100.0**	**100.0**

(1) GBA means Greater Buenos Aires and CBA means the City of Buenos Aires.
(2) Percentage of the total shopping centers in Argentina. Sums may not total due to rounding.
(3) APSA owns indirectly a 18.9% interest in this property.
(4) APSA owns directly a 51% interest in ERSA the company that operates the concession of this property.
(5) Includes gross leasable area occupied by supermarkets and hypermarkets.

Sources: Argentine Chamber of Shopping Centers and APSA.

Regulation and Government Supervision

Leases

Argentine Law imposes certain restrictions on landlords, including:

- the prohibition of lease agreements that adjust prices for inflation; and
- the imposition of minimum three-year lease terms for retail property, except in the case of stands and/or space for special exhibitions.

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Although our lease agreements were U.S. dollar-denominated, Decree No. 214/02, Decree No. 762/02 and Law No. 25,820 that amend the Public Emergency Law provide that monetary obligations in force as of January 7, 2002 resulting from agreements entered into before December 2001 and governed by private law and which provide for payments in U.S. dollars are subject to the following rules:

- the obligations are to be paid in Pesos at the exchange rate of Ps. 1.00 = US$ 1.00 plus the CER for commercial leases; or

- since October 1, 2002 and until March 31, 2004,for residential leases, the obligations are to be paid in Pesos at the exchange rate of Ps. 1.00 = US$ 1.00 plus the CVS; and

- if for the application of these provisions the value of the installment were higher or lower to the value at the moment of the payment, any of the parties could require an equitable adjustment of the price. If in the event the parties do not reach an agreement, the judicial courts will decide about the difference in each particular case.

Pursuant to Law No. 25,796 that amends Law No. 25,713, the CVS will become unenforceable since April 1, 2004.

In addition, there are currently conflicting policies and judicial decisions as to whether rent may be increased during the term of a lease. For example, certain sections of the Convertibility Law prohibit lease agreements that adjust rents for inflation based on an official index such as the Argentine Consumer price index or wholesale price index. Most of our leases contain rent escalation clauses. However, they are not based on an official index. Generally, the rent escalation clause in our lease agreements increases the Base Rent between 4% and 7% annually.

To this date, no tenant has filed a judicial action or used in court an argument against us based on the existence of the escalation clause, but no assurance can be given that such actions will not be taken in the future, which if they prevail could materially and adversely affect us.

Under the Lease Law and the Argentine Civil Code, lease terms may not exceed ten years, except for the leases regulated by Law No. 25,248, which provides that leases containing a purchase option (leasing *inmobiliario*), are not subject to term limitations. Generally, our lease agreements vary from 3 to 10 years.

Law No. 23,091, as amended by Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months, upon not less than 60 days written notice, subject to penalties which vary from one to one and a half months rent, if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

Argentine law permits, with certain exceptions, the parties to a lease agreement to define freely their rights and obligations there under. However, in the past, in response to housing shortages, high rates of inflation and difficult access to credit, the Argentine Government imposed strict and burdensome regulations regarding leases. Such regulations limited or prohibited rental increases and prohibited the eviction of tenants even for failure to pay rent. These regulations discouraged both property rental and the construction of new housing.

While current Argentine government policy discourages Argentine government regulation of lease agreements, there can be no assurance that additional regulations will not be imposed in the future by the Congress, including regulations similar to those previously in place. Furthermore, most of our leases provide that the tenants pay all costs and taxes related to the property in proportion to their respective leasable 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.

Argentine civil procedure permits to collect unpaid rent in an ordinary proceeding, although under certain special conditions (e.g. low amount of unpaid rent) the judge may decide to go on a expedited summary proceeding. While it is a special procedure to evict tenants, historically, the heavy workload of

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the courts that hear these matters and the existence of numerous procedural steps required have tended to delay efforts of lessors to evict tenants. Moreover, the lessor must provide written notice to the tenant at least ten days prior to commencing the eviction proceedings.

Despite the amendment of the Argentine civil procedures code by which the lessor may, by posting a bond, obtain the immediate eviction of the tenant, eviction proceedings generally took from six months to two years from the date of filing of the suit to the time of actual eviction. However, historically we have generally attempted to negotiate with defaulting tenants the termination of lease agreements in order to avoid legal proceedings.

The Public Emergency Law, as amended by Law No. 25,640, suspended for the term of 270 days from the enactment of that law (ended on November 15, 2002) the auction of the debtor s property or the property used by the debtor for production, service rendering or trade activities and the enforcement of precautionary measures resulting in the divestiture of property used by the debtor. On February 4, 2003, the Executive Branch enacted Decree 204/2003 establishing a mediation procedure for a limited period of 90 days. On May 2003, the Argentine Congress enacted Law No. 25,737 which suspended foreclosures for an additional period of 90 days, up to August 2003. On September 2003, several financial institutions voluntarily agreed not to foreclose on its mortgage loans.

On November 5, 2003 Law No. 25,798 was enacted. It establishes a mechanism in order to reschedule the mortgage debts, the way in which it will be carried out is by creating a Trust (paid by the Argentine Government) which will buy the portfolio mortgage debts and reschedule them in a more profitable way.

Development and land use

Buenos Aires Urban Planning Code. Our real estate activities are subject to various municipal zoning, building and environmental regulations. In the city of Buenos Aires, where the vast majority of our real estate properties are located, the Buenos Aires Urban Planning generally restricts the density and use of property and controls physical features of improvements on property, such as height, design, set-back and overhang, consistent with the city s urban landscape policy. The regulatory body of the Urban Planning Code is the Secretary of Urban Planning of the Government of the city of Buenos Aires.

Buenos Aires Building Code. The Buenos Aires Building Code complements the Buenos Aires Urban Planning Code and regulates the structural use and development of property in the city of Buenos Aires. The Buenos Aires Building Code requires builders and developers to file applications for building permits, including the submission to the Secretary of Work and Public Services of architectural plans for review, to assure compliance therewith.

We believe that all of our real estate properties are in material compliance with all relevant laws, ordinances and regulations.

Sales and ownership

Real Estate Installment Sales Act. The Real Estate Installment Sales Act Law No. 14,005, as amended by Law No. 23,266 and Decree No. 2015/85, imposes a series of requirements on contracts for the sale of subdivided plots of land when the sales price is paid in installments and the deed is not conveyed until final payment. The provisions of this law require, among other things,

- the registration of the sale in the Real Estate Registry corresponding to the jurisdiction of the property, provided that such property is free and clear of all liens and encumbrances, and

- the registration of any contract with the Real Estate Registry within 30 days of execution.

Once the property is registered, the installment sale may not occur in a manner inconsistent with the Real Estate Installment Sales Act. In the event of a dispute over title between the purchaser and third-party creditors of the seller, the installment purchaser who has duly registered the installment sales contract prevails.

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Further, the purchaser can demand conveyance of title after at least 25% of the purchase price has been paid, although the seller may demand a mortgage to secure payment of the balance of the purchase price.

After payment of 25% of the purchase price or the construction of improvements on the property equal to at least 50% of the property value, the Real Estate Installment Sales Act prohibits the rescission of the sales contract for failure by the purchaser to pay the balance of the purchase price. However, in such event the seller may take action under any mortgage on the property.

Consumer Protection Act. Consumer Protection Law No. 24,240, as amended, regulates several issues concerning the protection of consumers in the formation and execution of contracts.

The Consumer Protection Act aims at preventing certain potential abuses deriving from the strong bargaining position of sellers of goods and services in a mass market economy where standard form contracts are widespread.

For that reason, the Consumer Protection Act deems void and unenforceable certain contractual provisions in consumer contracts, including: (i) warranty and liability disclaimers, (ii) waiver of rights, and (iii) changes of the burden of proof. In addition, the Consumer Protection Act imposes fines to induce compliance from sellers.

The Consumer Protection Law defines consumers or users, as the individuals or legal entities that contract for a price for final use or their own benefit or their family or social group:

(a) the acquisition or hiring of personal property things;

(b) the supply of services;

(c) the acquisition of new real estate bounded to housing, including plots of land acquired with the same intent, when the offer is public and directed to undetermined persons.

It also establishes that they will not be considered consumers or users, those who acquire, store, utilize or consume goods or services to integrate them into a production, transformation, commercialization or supplying to third parties process.

In addition, the Consumer Protection Law defines the suppliers of goods and services as the individuals or legal entities, either public or private that in a professional way, even occasionally, produce, import, distribute or commercialize goods or supply services to consumers or users.

It is excluded from the application of the Consumer Protection Law:

(a) the services supplied by liberal professionals that require a registration with professional bars officially recognized or by another authority (nevertheless, they are included the advertising done for its offering); and

(b) the contracts over used assets, executed between consumers.

The Consumer Protection Law determines that the information contained in the offer addressed to undetermined prospective consumers, binds the offeror during the period in which the offer takes place and until its public revocation. Further, it determines that specifications included in advertisements, announcements, prospects, circulars or other media bind the offeror and are considered part of the contract entered into by the consumer.

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With regard to services, the Consumer Protection Law establishes that those who supply services of any nature are obliged to respect the terms, conditions, and other circumstances according to which they have been offered, published or accepted.

Buildings. Buildings Law No. 19,724, as amended, establish a regime for the construction of buildings for later subdivision into strata title. Under this law, developers must inform potential purchasers of the future existence of a strata regime or co-proprietorship proposal, as well as of all sale conditions, and the size of each unit in relation to the whole.

Unit sales subject to the pre-strata title regime must be registered with the Real Estate Registry.

The owner of the property subject to pre-strata title regulations may not take out a mortgage on the property without the consent of the purchasers of individual units unless expressly stipulated in the purchase contract. In addition, the owner must inform such purchasers of the conditions of the mortgage, which may not retroactively affect contracts previously signed.

This law also states that, in the event that construction is not completed, all amounts already deposited must be repaid to the purchasers.

Mortgage Regulation. The Argentine Civil Code of 1871, as amended, regulates mortgages both as a contract and as a right over property. There are no special provisions in the Civil Code aimed at protecting mortgagors. Nevertheless, any agreement entered into by a mortgagor and a mortgagee at the time of execution of a mortgage contract or prior to the default of the mortgagor allowing the mortgagee to recover the property without a public auction of the property will not be enforced by the courts as contrary to Argentine public policy.

In an attempt to facilitate the development of a strong secondary market for mortgages, Law No. 24,441, enacted in 1995, establishes a new alternative proceeding to collect unpaid amounts secured by a mortgage. The new rules introduced by Law No. 24,441 are aimed at overcoming the difficulties and delays of the traditional ordinary proceeding.

Until the enactment of Law No. 24,441, the only procedure available to collect unpaid amounts secured by a mortgage was a summary proceeding regulated by the Code of Civil and Commercial Procedure. The heavy caseload on the courts that heard such matters usually delayed the summary proceeding, which currently took an average of 12 months to complete.

Chapter V of Law No. 24,441 institutes a new procedure which may expedite collection of unpaid amounts secured by a mortgage. To be applicable, the new rules, which allow an out-of-court auction, need to be expressly agreed to by the parties in the mortgage contract.

Currently, we include in our mortgages a clause enabling the enforcement of Law No. 24,441. However, there can be no assurance that such collection provisions will accelerate the recovery of unpaid amounts under mortgage guarantees.

On the other hand, the Public Emergency Law, as amended established the suspension for the term of 270 days from the enactment of that law, of all the judicial or non-judicial enforcement including the enforcement of mortgages and pledges, regardless of its origin. On February 14, 2002, Law No. 25,563 amending the Bankruptcy Law (the New Bankruptcy Law) was enacted. Under the New Bankruptcy Law, certain bankruptcies and foreclosures (including foreclosures on mortgage loans) would be suspended for a period of 180 days from the law s effective date. Such period was extended for 180 days more by Law No. 25,589 and afterwards for 90 days more by Law No. 25,640 of September 2002, expiring on February 2003.

On February 4, 2003, the Executive Branch enacted Decree No. 204/2003 creating a mediation procedure, for a limited period of 90 days, to be conducted through the Emergency Legal Units (*Unidades de Emergencias Legales*) depending from the Ministry of Labor, Employment and Social Security and the Ministry of Production. Such Emergency Legal Units shall intervene at the request of debtors or creditors in foreclosure cases.

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The mediation procedure is voluntary and free. Proposals and negotiations made by the parties are subject to the confidentiality of ordinary mediations. The mediation procedure in no case will result in the suspension or interruption of the legal terms running in judicial or out-of-court foreclosure proceedings.

The Emergency Legal Units will try to approximate the parties proposals to reach an agreement enabling the debtor the performance of his obligations without lessening the creditors rights. The intervention of the Emergency Legal Units shall conclude with an agreement or with the impossibility of reaching such agreement. The Decree establishes that the conciliation proceeding shall be in force from the day of its publication in the Official Gazette and will have a term of force of 90 days.

On May 8, 2003 the Congress enacted Law No. 25,737 which suspended foreclosures for a period of 90 days more. Afterwards, private and financial entities have voluntarily decided to suspend foreclosures.

On November 5, 2003 Law No. 25,798 was enacted. It establishes a mechanism in order to reschedule the mortgage debts, the way in which it will be carried out is by creating a Trust (paid by the Argentine Government) which will buy the portfolio mortgage debts and reschedule them in a more profitable way.

Most mortgages executed by us provide that we are empowered to declare the anticipated expiration of the loan upon non-payment of an installment. This enables us to recover the unpaid amounts through the sale of the relevant property pursuant to the Code of Civil and Commercial Procedure of Argentina or Law No. 24,441.

Pursuant to the Argentine law, fees and expenses related to collection procedures must be borne by the debtor, and the proceeds from any auction of the property may be used for the settlement of such obligation.

Although our mortgages were U.S. dollar-denominated, Decree No. 214/02, Decree No. 762/02 and Law No. 25,820 that amend the Public Emergency Law provides that monetary obligations in force as of January 7, 2002 arising from agreements governed by private law and which provide for payments in U.S. dollars are subject to the following rules:

- the obligations are to be paid in Pesos at the exchange rate of Ps. 1.00 = US$ 1.00 plus the CER for loans granted for the acquisition of commercial properties guaranteed by mortgages; or

- since October 1, 2002 and until March 31, 2004, for residential leases, the obligations are to be paid in Pesos at the exchange rate of Ps. 1.00 = US$ 1.00 plus the CVS; and

- if for the application of these provisions the value of the installment were higher or lower to the value at the moment of the payment, any of the parties could require an equitable adjustment of the price. If in the event the parties do not reach an agreement, the judicial courts will decide about the difference in each particular case.

Pursuant to Law No. 25,796 that amends Law No. 25,713, the CVS will become unenforceable since April 1, 2004.

Protection for the Disabled Law. Protection for the Disabled Law No. 22,431, enacted on March 20, 1981, as amended, provides that in connection with the construction and renovation of buildings, obstructions to access must be eliminated in order to enable access by mobility impaired individuals. In the construction of public buildings, entrances, transit pathways and adequate facilities for mobility impaired individuals must be provided.

Buildings constructed before the enforcement of the Protection for the Disabled Law must be adapted to provide accesses, transit pathways and adequate facilities for mobility-impaired individuals.

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Those pre-existing buildings, which due to their architectural design may not be adapted to the use by mobility-impaired individuals, are excepted from the fulfillment of these requirements.

The Protection for the Disabled Law provides that residential buildings must ensure access by mobility impaired individuals to elevators and aisles. Differential architectural requirements refer to pathways, stairs, ramps and parking spaces.

Antitrust Law. Antitrust Law No. 25,156 prevents antitrust practices and requires administrative authorization for transactions that according to the Antitrust Law constitute an economic concentrations.

According to such law, mergers, transfers of goodwill, acquisitions of property or rights over shares, capital or other convertible securities, or similar operations by which the acquirer controls a company, are considered economic concentration.

Whenever an economic concentration involves a company or companies (i) which hold 25% or more of the relevant market or (ii) which accumulated sales volume exceeds approximately Ps. 200 million in Argentina or Ps. 2,500 million worldwide, then the respective concentration should be submitted for approval to the National Antitrust Commission.

The request for approval may be filed, either prior to the transaction or within a week after its completion.

Because the consolidated annual sales volume of APSA and IRSA exceeds Ps. 200 million, we should give notice to the National Antitrust Commission of any transaction referred in the Antitrust Law.

Currently, we have no transaction required to be notified. Compliance with the Antitrust Law provisions does not affect our ongoing business.

Hotel Regulatory Issues. The Hotel Regulation Act Law No. 18,828 enacted on November 6, 1970, as amended, creates The National Registry of Hotels in which certain hotels may be registered. Our hotels are required to meet certain conditions with respect to facilities, services and employees.

C. Organizational structure

The following table presents information relating to our ownership interest and the percentage of our consolidated total net revenues represented by our subsidiaries as of June 30, 2003.

Subsidiary	**Activity**

		Country of incorporation	Percentage ownership	Percentage of voting power	Percentage of our total net revenues
Palermo Invest	Investment	Argentina	66.7%	66.7%	0.0%
Inversora Bolívar	Real Estate	Argentina	66.7%	66.7%	9.0%
Ritelco	Investment	Uruguay	100.0%	100.0%	0.0%
Nuevas Fronteras	Hotel	Argentina	50.9%	50.9%	10.4%
Pereiraola	Real Estate	Argentina	83.3%	83.3%	0.0%
Abril	Real Estate	Argentina	83.3%	83.3%	3.2%
Baldovinos	Real Estate	Argentina	83.3%	83.3%	2.4
Bs. As. Trade & F.C.	Real Estate	Argentina	100.0%	100.0%	0.0%
Hoteles Argentinos	Hotel	Argentina	80.0%	80.0%	5.4%
APSA	Shopping Centers	Argentina	54.8%	54.8%(1)	53.5%

(1) Pursuant to a voting agreement subscribed, GSEM/AP granted us, subject to certain conditions, rights to vote the shares held by GSEM/AP in APSA for a period of ten years.

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The following is our organizational chart and our principal subsidiaries as of June 30, 2003:

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D. Property, Plants and Equipment

As of June 30, 2003, all of our property, consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector, were located in Argentina and Shoppings Centers through our subsidiary APSA. We lease our headquarters, located at Bolívar 108, C1066AAD Buenos Aires, Argentina, pursuant to two lease agreements that expire on June 30, 2007.

The following table sets forth certain information about our properties that are held in fee:

Held in Fee	Encumbrance	Location	Outstanding principal amount (Ps. million)	Maturity date	Balance due at maturity (Ps. million)	Rate
Santa María del Plata	Mortgage	City of Buenos Aires	1.0	Nov-03	1.0	Libor 1 Y
Sheraton Libertador (1)	Mortgage	City of Buenos Aires	33.6	Jan-06	17.6	Libor 3M + 401/476 bps
Jerónimo Salguero 3313	Mortgage	City of Buenos Aires	2.1	Jul-04	2.1	
Libertados 498 18°	Mortgage (2)	City of Buenos Aires	2.3	Nov-09	0.2	Libor 3M + 200 bps
Laminar Plaza	Mortgage (2)	City of Buenos Aires	27.3	Nov-09	2.7	Libor 3M + 200 bps
Costeros Dique IV	Mortgage (2)	City of Buenos Aires	22.7	Nov-09	2.3	Libor 3M + 200 bps
Alto Palermo Shopping Center (3)						
Mendoza Plaza	Mortgage (4)	City of Mendoza	15.2	Aug-10	0.6	Libor 6M +3.1%
			2.5	May-05	0.1	Libor 6M + 6.81%
Rosario Project (4)		City of Rosario				

(1) In January 2001 our subsidiary Hoteles Argentinos, owner of 100% of the Sheraton Libertador, obtained a loan from Bank Boston N.A. for US$ 12.0 million. This loan is due in January 2006 with interest being payable quarterly at LIBOR plus a spread ranging between 401 and 476 basis points, depending on the value of certain financial ratios. There are currently installments of the principal and interest that are overdue and unpaid, and are negotiating the terms of payment of this liability.

(2) US$ 37.4 million in floating rate Secured Floating Rate Notes with a 90-day Libor rate plus 200 bps and maturing in the year 2009 are secured by a first mortgage on these properties for an amount equivalent to 50% of the debt.

(3) Shopping Alto Palermo is owned by APSA s subsidiary SAPSA.

On January 18, 2001, (i) APSA issued Series A Senior Notes for a nominal value of US$ 40 million and (ii) APSA and SAPSA co-issued Series B Senior Notes for a nominal value of US$ 80 million that will be severally paid by APSA and SAPSA. The Series A and B Senior Notes are due on 2005. The payment of the total amount of the Senior Notes is guaranteed by a Trust Agreement pursuant to which all of APSA s shares of SAPSA were transferred to a trust. The Trust Agreement was entered into on January 16, 2001 between APSA and Ritelco, as shareholders of SAPSA and as Trustors, Río Trust S.A., as Trustee, and the holders of the Senior Notes as Beneficiaries.

(4)

APSA owns a 18.9% non-controlling interest Pérez Cuesta S.A.C.I. which owns Mendoza Plaza. In 1998, Banco de Chile granted Pérez Cuesta S.A.C.I. a twelve-year loan for US$ 15.0 million and a three-year loan for US$ 2.5 million, both secured by a mortgage on Mendoza Plaza. As of June 30, 2003, Pérez Cuesta S.A.C.I., had Ps. 16.1 million expired debt. Pérez Cuesta S.A.C.I. is currently negotiating an extension of the original payment terms with its creditors. However, APSA cannot assure you that it will achieve a successful restructuring of its financial indebtedness

(5) Please note that this property was bought subject to the accomplishment of a construction timetable, an extension of which is now under consideration and must be approved by the ONABE.

We do not currently lease any material properties other than our headquarters.

Insurance

We carry liability and fire insurance with respect to all of our properties. Such insurance policies have specifications, limits and deductibles customary for the community where the property is located. We believe that the insurance coverage for our properties is adequate.

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ITEM 5. Operating and Financial Review and Prospects

A. Consolidated Operating Results

The following Operating and financial review and prospects should be read together with Item 3: Key Information Selected Financial Data and our financial statements appearing elsewhere in this annual report. This Operating and Financial Review and Prospects discussion contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, among others, those statements including the words expects , anticipates , intends , believes and similar language. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many risk factors, including those set forth elsewhere in this annual report.

For purposes of the following discussion, unless otherwise specified, references to fiscal years 2003, 2002 and 2001 relate to the fiscal years ended June 30, 2003 2002 and 2001 respectively.

Our financial statements are presented in Pesos. Except as discussed in the following paragraph, our financial statements are prepared in accordance with Argentine GAAP, which differs in certain significant respects from U.S. GAAP. Note 21 to our consolidated financial statements provides a description of the principal differences between Argentine GAAP and U.S. GAAP affecting our net income (loss) and shareholders equity and a reconciliation to U.S. GAAP of net income (loss) reported under Argentine GAAP for the years ended June 30, 2003, 2002 and 2001, and of shareholders equity reported under Argentine GAAP as of June 30, 2003 and 2002. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

As discussed in Notes 3.c. and 4.o. to our consolidated financial statements, contained elsewhere in this annual report, in order to comply with regulations of the *Comisión Nacional de Valores*, we discontinued inflation accounting as of March 1, 2003 as well as recognized deferred income tax assets and liabilities on a non-discounted basis. These accounting practices represent departures from generally accepted accounting principles in Argentina. However, we believe that such departures have not had a material effect on our financial statements.

Critical Accounting Policies and Estimates

In connection with the preparation of the financial statements included in this annual report, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operation often requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities. Actual results may differ from those estimated under different variables, assumptions or conditions. In order to provide an understanding about how management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to each critical accounting policy described as follows:

- revenue recognition;

rental property depreciation;

provision for allowances and contingencies;

impairment of long-lived assets;

debt restructuring;

deferred income tax.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles used in Argentina which differ in certain significant respects from generally accepted accounting principles in the United States of America. Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

Revenue recognition

We primarily derive our revenues from domestic office and shopping center leases and services operations, the development and sale of properties, hotel operations and to a lesser extent, from e-commerce activities. This section reflects our revenue recognition policies and those of our controlled and jointly controlled subsidiaries.

Development and sale of properties. We generally enter into purchase and sale agreements with purchasers of units in our residential development properties prior to the commencement of construction. Pursuant to this practice, we initiate our marketing and sales efforts on the basis of already-commissioned architectural designs and model units. As a general rule, purchasers pay a booking charge for the units and subsequently enter into fixed price purchase and sale agreements by advancing us approximately 5% of the purchase price and agreeing to advance an additional 20% of the purchase price in equal installments over an agreed upon construction period. The balance of the purchase price is due upon delivery of the constructed and completed unit.

Construction of such residential development properties is done pursuant to turn-key contracts with major Argentine and South American construction companies that provide for construction to be completed within a prescribed period and budget, subject to customary exceptions.

We record revenue from the sale of properties when all of the following criteria are met:

- the sale has been consummated;
- there is sufficient evidence of the buyer s initial capacity and commitment to pay for the property;
- our receivable is not subject to future subordination; and
- we have transferred to the buyer the risk of ownership, and do not have a continuing involvement in the property.

We use the percentage-of-completion method of accounting with respect to sales of development properties under construction effected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. We do 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 management to prepare budgeted costs (*i.e.*, the estimated costs of completion) in connection with sales of properties / units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Under this method of accounting, revenues for work completed may be recognized in the statement of income prior to the period in which actual cash proceeds from the sale are received. In this situation, a deferred asset is recorded. Alternatively, and as is more common for us, where property unit purchasers pay us an advance down-payment and monthly cash installments prior to the commencement of construction, a liability is recorded. This is recorded as a customer advance in the financial statements.

Leases and services from office and other buildings. Leases with tenants are accounted for as operating leases. Tenants are charged a base rent on a monthly basis. Rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the consolidated balance sheets.

Leases and services from shopping center operations. Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent which consists of the higher of (i) a monthly base rent and (ii) a specified percentage of the tenant s monthly gross retail sales which generally ranges between 4% and 8% of tenant s gross sales. Furthermore, pursuant to the rent escalation clause in most leases, a tenant s base rent generally increases between 4% and 7% each year during the term of the lease. Minimum rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the consolidated balance sheets.

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. We determine the compliance with specific targets and calculate 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, our lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months, upon not less than 60 days written notice, subject to penalties which vary from one to one and a half months rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

We also charge our tenants a monthly administration fee, prorated among the tenants according to their leases, which varies from shopping center to shopping center, relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. Administration fees are recognized monthly when earned. In addition to rent, tenants are generally charged admission rights , a non-refundable admission fee that tenants may be required to pay upon entering into a lease and upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements. Furthermore, the lease agreements generally provide for the reimbursement of real estate taxes, insurance, advertising and certain common area maintenance costs. These additional rents and tenant reimbursements are accounted for on the accrual basis.

Credit card operations. Revenues derived from credit card transactions consist of commissions and financing income. Commissions are recognized at the time the merchants transactions are processed, while financing income is recognized when earned.

Hotel operations. We recognize revenues from our rooms, catering, and restaurant facilities as earned on the close of business each day.

International operations. On February 28, 2002, we sold all of our interest in Brazil Realty, a company operating in Brazil, whose business primarily comprised the same type of operations conducted by us in Argentina.

Rental property depreciation

We compute depreciation using the straight-line method over an estimated useful life of 50 years for buildings, ten years for facilities and five years for furniture and other equipment, all of which are judgmental determinations. These determinations may prove to be different than the actual life of the properties.

Provision for allowances and contingencies

We provide for losses relating to mortgage, lease and other accounts receivable. The allowance for losses is recognized when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the terms of the agreements. The allowance is determined on a one-by-

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one basis considering the present value of expected future cash flow or the fair value of collateral if the loan is collateral dependent, when applicable. While we use the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making these evaluations. We have considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and the consolidated financial statements reflect that consideration.

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimate of the outcomes of these matters and our lawyers experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a material effect our future results of operations and financial condition or liquidity.

Impairment of long-lived assets

We periodically evaluate the carrying value of our long-lived assets for impairment. We consider the carrying value of a long-lived asset to be impaired when the expected cash flows, undiscounted and without interest, from such asset is separately identifiable and less than its carrying value. Impairments are allocated to the results of the period. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. We determine the fair market value primarily using independent appraisals valuations.

Technical Resolution No. 17, which we adopted on July 1, 2002, establishes that a previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the fair market value of the asset. In that event, the new carrying amount on the asset should be the lower of its fair market value or the net carrying amount the asset would have had if no impairment had been recognized.

Our policy in order to reverse impairment losses is to consider a maximum acceptable deviation of 5% between the net carrying value of our assets and their respective fair market value. By this policy we intend to reduce the volatility of the book value of our properties. During the year ended June 30, 2003 as a result of an increase in the fair market value of our parcels of undeveloped land and rental properties (including shopping centers), we reversed impairment losses previously recognized for a total amount of Ps. 9.9 million and Ps. 15.5 million respectively, which have been included within Gain from operations and holdings of real estate assets, net in the statement of income.

We also evaluated the carrying value of our long-lived assets related to Development and sales of properties, Office and others, Hotel and Shopping Centers segments for impairments as of June 30, 2003. Assets related to those four segments represent approximately 94% of our total long-lived assets. As mentioned in Notes 4.c, 4.d. and 4.e. to our consolidated financial statement during the year ended June 30, 2003 we recognized an impairment of certain long-lived assets as its carrying value exceeded its fair market value.

The fair market value of our office and retail buildings was performed according to the Rent Value Method, considering discount rates considering each property s location, competition in its market, its historical vacancy rates and cash flow. The average discount rate used in determining the fair market value was approximately 14%; the average price per square meter was Ps. 35, approximately US$ 13 and the average vacancy rate was the one of the last 10 years. As of June 30, 2003 we recorded an impairment loss of Ps. 1.9 million (See Note 4.e. of our Financial Statements) in this connection. A reduction in the fair market value of these properties by 5.0% would have resulted in an additional impairment loss of Ps. 6.9 million.

The fair market value of our shopping centers was performed according to the Rent Value Method also. The average discount rates used in determining the fair market value were between 14% and 17%, the average price per square meter was Ps. 5,686, approximately US$ 2,031 and the average vacancy rate was calculated taking into consideration the real vacancy. A reduction in the fair market value of these properties by 5.0% would have resulted in an increased impairment of Ps. 6.4 million.

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We used the open market method for determining the fair market value of our land reserve and inventories. During the year ended June 30, 2003 we recognized an impairment loss of Ps. 10.5 million in this connection (See Notes 4.c. and 4.d. to our Consolidated Financial Statements). A reduction in the fair market value of these properties by 5% would have resulted in an increased impairment of Ps. 7.5 million.

We believe that the accounting estimate related to asset impairment is a critical accounting estimate because:

- it is highly susceptible to change from period to period because it requires company management and/or independent appraisers to make assumptions such as, future sales and cost of sale, future vacancy rates and future prices; and

- because the impact that recognizing an impairment would have on assets reported on our balance sheet as well as on the results of our operations could be material. Independent appraisals about future sales prices and future vacancy rates require significant judgment because actual sales prices and vacancy rates have fluctuated in the past and are expected to continue to do so.

Debt restructuring

In November 2002 we completed the refinancing of our debt for a total amount of US$ 103,4 million and we also fulfilled the operation with our lenders to refinance the Syndicate Loan for US$ 80 million and our Notes for US$ 37 million.

Since the conditions of the new debt instruments are substantially different from the original conditions (as defined by Technical Resolution No. 17), we removed the original loans from the consolidated balance sheet and recognized the new debt instruments at the present value discounted at an 8% market interest rate. This rate was determined taking into consideration the rates that we used in reference to our local operations. As a result of the debt restructuring, we recognized a gain of Ps. 36,5 million (Ps. 31,7 million net of expenses incurred in the restructuring), which represents the difference between the present value of the new debt instruments and the carrying value of the old debts.

The utilization of interest rates other than 8% in calculating the present value of the new debts instruments would have the following effects:

Interest Rates	Gain in million	Impact on Net Income	Impact on Shareholder´s equity
11%	16	5.59%	1.98%
16%	47	16.4%	5.81%
23%	73	25.49%	9.02%

We believe that the accounting estimate related to debt restructuring is a critical accounting estimate because if we calculate the present value of our debts using higher interest rates than 8%, we would have a material impact on our debts reported on our balance sheet as well as on our financing results, that is the reason why the determination of the rate requires significant judgment.

Deferred income tax

As described in Note 3.d to our consolidated financial statements, we adopted new accounting standards effective July 1, 2002. Pursuant to this adoption, we recognize income tax using the method required by Technical Resolution No. 17. Accordingly, deferred tax assets and liabilities are recognized for

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the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record a valuation allowance for that component of net deferred tax assets which is not recoverable.

We provided a valuation allowance for a portion of our net deferred tax assets, as we do not considered the realization of the tax benefit to be more likely than not. We considered all evidence, both positive and negative, in determining is a valuation allowance is needed for some portion or all our deferred tax assets. These evidences consist primarily in:

- Limitations in the use of certain deferred tax assets, primarily tax loss carry forwards
- Reversals of existing taxable temporary differences
- Business projections

As a result of the evaluation of theses evidences, we accounted for a valuation allowance of approximately 40% of our deferred tax assets, amounting to Ps. 33.0 million. Net deferred tax assets as of June 30, 2003 amounts to Ps. 64.5 million.

An increase of 10%, 20% and 30% in the net result from our projections, except for the exchange rate which remained stable, utilized in determining the valuation allowance of our deferred tax assets would have had the following impact:

Premises fluctuation	Valuation allowance in million	Additional loss in million of Ps.	Impact on Net income	Impact on Shareholder´s equity
10%	27	6	2.09%	6.74%
20%	22	11	3.84%	1.36%
30%	16	17	5.94%	2.10%

We believe that the accounting estimate related to deferred income tax is a critical accounting estimate because:

- it is highly susceptible to change from period to period because it requires company management to make assumptions such as, future revenues and expenses, exchange rates and inflation among others;
- because the impact that calculating income tax using this method would have on assets or liabilities reported on our balance sheet as well as on the income tax result reported in our statement of income could be material.

Variability of quarterly results

A principal source of our revenue is rental income derived from leases of office and retail properties and sales of developed properties. Nevertheless, our historical revenues have varied from period to period depending upon the timeliness of sales of properties. No assurance can be given that our period-to-period results of operations will not continue to vary as a result of periodic property sales.

Overview

As described below, economic and political factors affecting Argentina as well as changes in interest rates and foreign currency have a substantial impact on our financial performance.

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Effect on us of devaluation and economic crisis

All of our assets are located and our operations are performed in Argentina. Accordingly, our financial condition and results of operations depend substantially upon economic conditions prevailing in Argentina. Due to a four-year-old recession, the Argentine economy has deteriorated sharply.

In the fourth quarter of 1998, the Argentine economy entered into a recession that caused the gross domestic product to decreased by 3.0% in 1999, 0.5% in 2000 and 4.9% in 2001. During the second half of 2001, Argentina´s recession worsened significantly, precipitating a serious political and economic crisis . During 2002, the gross domestic product decreased 10.9% as compared to 2001, and during the three first quarters of 2003, the gross domestic product increased 7.3%.

On December 23, 2001, President Adolfo Rodriguez Saá declared the suspension of the payment of foreign debt and later Eduardo Duhalde ratified his decision. On January 6, 2002, the Congress enacted the Public Emergency Law which repeals several provisions of the Convertibility Law which prevailed in Argentina for 10 years, and the executive branch announced the devaluation of the Peso the establishment of a dual exchange rate system in which certain limited transactions will occur at a fixed rate of Ps. 1.4 to US$ 1.0 and all other transactions will be settled at a floating market rate depending on supply and demand. This new legislation has a material adverse impact on our financial position and the results of our operations, in fiscal year 2002, which was partially offset during fiscal year 2003.

Effects of inflation

From 1997 until the end of year 2001, policies adopted by Argentine government have substantially reduced the level of inflation. Therefore, during that period inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates figures published by the Ministry of Economy of Argentina:

Year ended June 30,	Consumer Price Index	Wholesale Price Index
1997	0.9%	0.1%
1998	1.1%	-1.9%
1999	-1.4%	-5.3%
2000	-1.2%	4.4%
2001	-0.3%	-1.6%
2002	30,5%	95,6%
2003	10,2%	8,3%

The Public Emergency Law authorizes the executive branch to establish the system which will determine the new exchange ratio between the Peso and foreign currencies, and to approve the corresponding monetary regulations. The devaluation of the Peso by the executive branch creates a significant risk that inflation will increase materially, and we have no means of hedging and protecting ourselves from the risks of inflation.

During fiscal year 2002, the impact of inflation on our financial condition and results of operations was significant and generated a gain of Ps. 14,1 million. During fiscal year 2003, we recognized a loss of Ps. 1,9 million, taking into consideration that as a result of the Resolution No. 441

issued by the National Securities Commission we discontinued the restatement of our financial statements as from March 1, 2003. At June 30, 2003, however, this deviation has not had a material effect on our financial statements.

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Effects of interest rate fluctuations

We are highly leveraged and are materially affected by interest rate fluctuations. An increase in interest rates may significantly increase our financial costs and materially affect our financial condition and our results of operations.

Effects of foreign currency fluctuations

Since April 1, 1991 until the beginning of 2002, the Convertibility Law was applicable in Argentina. This 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.

The primarily economic change announced by Duhalde s Administration in January 2002 was the devaluation of the Peso. A portion of our financial debt is denominated in U.S. dollars. Foreign currency exchange rate depreciation significantly increases the risk of default on our U.S. dollar- denominated liabilities, as almost all of our revenues are denominated in Pesos and will therefore experience a relative increase in our U.S. dollar-denominated liabilities compared to our Peso-denominated revenues. Foreign currency exchange restrictions hereafter imposed by the Argentine Government could prevent or restrict our access to U.S. dollars, affecting our ability to service our U.S. dollar- denominated liabilities. Also, fluctuations in the exchange rate between the Peso and the U.S. dollar may adversely affect the U.S. dollar equivalent of the Peso price of our common shares on the *Bolsa de Comercio de Buenos Aires*, and as a result are likely to affect the market price of our GDS in the United States.

On the other hand, the 26.3% appreciation on the Argentine currency during fiscal year 2003 (where the exchange rate fell from Ps. 3.80 per U.S. dollar as of June 30, 2002 to Ps. 2.80 per U.S. dollar as of June 30, 2003) resulted in a significant Exchange Difference Gain of Ps. 188.7 million which radically contrasted with the Exchange Difference Loss of Ps. 319.3 million generated during Fiscal Year 2002, where the exchange rate jumped from Ps. 1.00 per U.S. dollar by the beginning of the fiscal year to Ps. 3.80 per U.S. dollar by the end of that year.

Due to our significant exposure to U.S. dollar-denominated liabilities, our financial results are very sensitive to fluctuations in the nominal exchange rates. In this way, strong depreciation in the Peso will affect negatively our results while strong appreciation will affect our results positively.

Suspension of the application of section 206 of the Law of Corporations No. 19,550

At June 30, 2002, the negative results recorded by our us absorbed more than 50% of capital and reserves. Section 206 of the Law of Corporations No. 19,550 establishes mandatory capital reduction when such a situation exists. However, in view of the crisis that Argentina is undergoing, Decree No.1269 suspended the application of this section until June 30, 2004.

Operating costs and expenses

Allocation of selling expenses to business segments

Selling expenses related to the shopping centers, hotels and international segments are directly allocated to such segments because such segments are individually managed and clearly identifiable. The remaining selling expenses are allocated among the development and sale of properties and offices and other non-shopping center rental properties segments, excluding those located in shopping centers, based on the cost center which incurred the selling expense.

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Allocation of administrative expenses to business segments

Administrative expenses (other than those expenses we incurred for the benefit of all the business segments) related to our shopping centers, hotels and International business segments are directly attributable to such segments because such segments are individually managed and are clearly identifiable. Administrative expenses include management fees paid, if any, to the managers of such segments. The remaining administrative expenses are allocated to the different segments, based on the cost center in which they are incurred, as follows:

administrative expenses related to all business segments, as those corresponding to the board of directors, are allocated among each segment pro rata on the basis of their respective assets;

administrative expenses incurred by certain departments associated with specific segments are allocated to such segments; and

70% of the remaining administrative expenses are allocated to the development and sale of properties segment, and 30% to the offices and other non-shopping center rental properties segment.

Allocation of results from the rescinding of Torres

These results derive from the rescinding of purchase agreements for units in Torres de Abasto in APSA and are allocated to Sales and Developments .

Allocation of profits from our interest in the Tarjeta Shopping trust funds

This allocation of profits stems from the partnership interest of APSA in the Tarjeta Shopping trust funds. These profits have been allocated to the Shopping Centers segment.

Allocation of results from operations and the holding of real estate assets

These results are allocated to the segment that generates them.

Allocation of the goodwill depreciation

This includes mainly the depreciation of goodwill stemming from the acquisition of the Alto Palermo subsidiaries and of our own goodwill as a result of the purchase of stock in APSA, and is allocated to the Shopping Centers segments.

Allocation of other expenses and net income to business segments

Financial Results, Net. Includes interest income, gain (loss) on financial operations, financing expenses, gain (loss) on exposure to inflation, exchange differences and miscellaneous income (expense) allocable to each segment, as described below:

Income from financial operations. Only income related to Shopping Centers and Hotels were segregated by segment, as in these cases each of them manages the financial surplus recorded. The remaining amounts are recognized under Financial Operations and Others as they are not directly related to any specific segment.

Interest income, interest on discount of assets and liabilities and financing expenses. Only the results generated by APSA and Hotels are recorded in the Shopping Centers and Hotels segments. The remaining results are prorated among Sales and Development, Offices and Others, Hotels, Shopping Centers and in the column Financial Operations and Others in proportion to the corresponding assets.

*REI and exchange differences, discounts and sundry***.** In the case of Shopping Centers and Hotels, they are charged to the segments giving rise to them. The remaining items are recorded in the column Financial and Other operations as they are not directly related to any segment.

*Result of corporations under section 33 of Law No. 19,550***.** Applicable to the corresponding segments. Results generated by investments in corporations carrying out activities not falling under any of our segments of activity are recorded under Financial and Other operations .

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Other income and expenses, net. Only those associated to Shopping Malls and Hotels are segregated by segment. The remaining items are recorded in the column Financial and Other operations as they are not directly related to any segment.

Minority interest. This result is applied to the segment of the company that generates it.

Income tax and minimum notional income tax. The corresponding income tax is applied to each segment.

Business Segment Reporting

We have determined that our reportable segments are those that are based on our method of internal reporting. Accordingly, we have six reportable segments. These segments are development and sales of properties, office and other non-shopping center rental properties, shopping centers, hotel operations, international, financial operations and others. The consolidated financial statements were prepared in accordance with the procedure established by Technical Resolution No. 4 of the F.A.C.P.C.E., which requires the consolidation of every line of the Balance Sheet as of 30 June 2003 and 2002 of our company, the financial statements and Statements of Financial Position for the twelve-month periods ending on those dates, with the financial statement of those companies in which the we have direct or indirect decisive voting power.

A general description of each segment follows:

Development and sale of properties. This segment includes the operating results of our construction and ultimate sale of residential buildings business.

Offices and other non-shopping center rental properties. This segment includes the operating results of our lease and service revenues of office space and other non-retail building properties from tenants.

Shopping centers. This segment includes the operating results of our shopping centers principally comprised of lease and service revenues from tenants. This segment also includes revenues derived from credit card transactions which consist of commissions and financing income.

Hotel operations. This segment includes the operating results of our hotels principally comprised of room, catering and restaurant revenues.

International. This segment includes the results of operations of our equity investments in Brazil for the years ended June 30, 2002 and 2001 and Venezuela for the year ended June 30, 2001. We sold our ownership interests in FVI and Venezuela Invest in December 2000 and our ownership interest in Brazil Realty in February 2002.

Others. This segment primarily includes revenues and associated costs generated from the sale of equity securities, other securities-related transactions and other non-core activities. For the fiscal year 2001 and the year ended June 30, 2002, this segment also includes the loss in our equity investees relating to Internet, telecommunications and other technology-related activities.

We measure our reportable segments based on net income. Inter-segment transactions, if any, are accounted for at current market prices. We evaluate performance and allocate our resources to each segment based on net segment income. During the year ended June 30, 2003, no single customer accounted for more than 5% of our total sales or our total operating income.

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The following tables show certain operating data by business activity:

	For the fiscal year 2003 (in millions of Pesos) (1)						
	Development and sale of properties	Offices and other non-shopping center rental properties	International	Shopping centers	Hotel operations	Others	Total
Sales	47.2	17.8		113.8	34.2		212.9
Costs	(47.1)	(9.1)		(67.1)	(19.7)		(143.0)
Gross profit	0.1	8.7		46.7	14.5		69.9
Selling expenses	(4.0)	(0.1)		(17.6)	(3.9)		(25.6)
Administrative expenses	(6.1)	(4.4)		(21.4)	(9.8)		(41.7)
Gain on purchasers rescissions of sale contracts	0.0						0.0
Net (loss) in credit card trust				(4.1)			(4.1)
(Loss) income from operations and holdings of real estate assets, net	12.9	(1.9)		10.5			21.5
Operating income	2.9	2.3		14.1	0.9		20.1
Amortization of goodwill				(6.6)			(6.6)
Financial results, net	0.0	(0.2)		86.2	11.9	217.5	315.4
Equity (loss) gain from related parties	(0.3)			(12.1)	1.8	(2.3)	(12.9)
Other income (expenses), net				13.3		(10.4)	2.9
Income before taxes and minority interest	2.6	2.1		94.9	14.6	204.8	318.9
Minority interest	5.1	(1.4)		(35.2)	(2.4)		(33.9)
Income tax	0.5	(1.0)		(47.0)	(0.7)	49.6	1.4
Net income (loss) for the year	8.3	(0.3)		12.6	11.4	254.4	286.4
Total assets	343.2	293.4		1,048.9	115.2	252.3	2,053.0

(1) Adjusted for price-level changes and expressed in millions of constant Pesos of June 30, 2003.

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	For the fiscal year 2002 (in millions of Pesos) (1)						
	Development and sale of properties	Offices and other non-shopping center rental properties	International	Shopping centers	Hotel operations	Others	Total
Sales	54.5	44.5			38.8		137.6
Costs	(43.5)	(13.2)			(27.4)		(84.1)
Gross profit	10.9	31.3			11.4		53.5
Selling expenses	(6.8)	(0.6)			(3.9)		(11.3)
Administrative expense	(11.2)	(6.1)	(1.3)	(1.4)	(12.1)		(32.1)
(Loss) income from operations and holdings of real estate assets, net	(26.8)	(49.3)	35.9		(6.6)		(46.8)
Operating (loss) income	(33.8)	(24.7)	34.6	(1.4)	(11.3)		(36.6)
Financial results, net	(29.0)	(16.7)			(21.7)	(438.3)	(505.8)
Equity (loss) gain from related parties	1.6		(3.4)	(4.6)	4.7	1.8	0.1
Other income (expenses), net						(4.9)	(4.9)
(Loss) income before taxes and minority interest	(61.3)	(41.3)	31.2	(6.0)	(28.4)	(441.4)	(547.1)
Minority interest	(4.0)				9.6		5.7
Income tax	4.6	(5.2)	(1.3)	(0.8)	0.6	(0.2)	(2.2)
Net (loss) income for the year	(60.6)	(46.7)	29.9	(6.8)	(18.2)	(441.6)	(543.7)
Total assets	399.7	307.2	29.4	339.7	129.8	86.9	1,292.7

(1) Adjusted for price-level changes and expressed in millions of constant Pesos of June 30, 2003.

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	For the fiscal year 2001(in millions of Pesos) (1)						
	Development and sale of properties	Offices and other non-shopping center rental properties	International	Shopping centers	Hotels operations	Others	Total
Sales	104.2	59.1			61.4		224.7
Costs	(76.4)	(11.4)			(37.4)		(125.2)
Gross profit	27.8	47.7			24.0		99.5
Selling expenses	(13.0)	(1.8)	(0.1)		(7.4)		(22.3)
Administrative expenses	(17.0)	(7.5)	(1.1)	(0.6)	(13.8)		(40.0)
Loss from operations and holdings of real estate assets, net	(4.3)	(2.1)	(0.7)				(7.1)
Operating income	**(6.4)**	**36.3**	**(1.9)**	**(0.6)**	**2.8**		**30.1**
Financial results, net	(43.7)	(22.5)	(15.9)		(10.2)	(7.1)	(99.4)
Net loss in Affiliated Companies	(0.5)		1.0	(5.5)	(8.7)	14.4	0.8
Other income (expenses), net					0.1	(6.1)	(6.0)
(Loss) income before taxes and minority interest	(50.6)	13.8	(16.8)	(6.1)	(16.0)	1.2	(74.4)
Minority interest	(6.2)	(1.3)			2.3		(5.2)
Income tax	43.4	(3.5)	0.4		(2.6)		37.8
Net (loss) income for the year	(13.4)	9.0	(16.4)	(6.1)	(16.3)	1.3	(41.8)
Total assets	**471.3**	**376.5**	**159.6**	**366.3**	**131.6**	**174.3**	**1,669.5**

(1) Adjusted for price-level changes and expressed in millions of constant Pesos of June 30, 2003.

Results of Operations for the fiscal years ended June 30, 2003 and 2002

Sales

Sales increased 54.7%, from Ps. 137.6 million for the fiscal year ended June 30, 2002, to Ps. 212.9 million for the fiscal year ended June 30, 2003. This increase reflects the net impact of (i) an increase in the income from the Shopping Center segment as a result of the consolidation of APSA in the 2003 fiscal year, and (ii) the decrease in income from the remaining segments as a result of the ongoing recession that the Argentine economy is undergoing.

Development and Sale of Properties. Sales from development and sale of properties decreased 13.1%, from Ps. 54.5 million for the fiscal year ended 30 June, 2002, to Ps. 47.2 million for the fiscal year ended June 30, 2003, despite the higher sales volume achieved in the 2003 fiscal year. The decrease in sales in the development and sale of properties segment was attributable to: (i) the Ps. 10.5 million drop in sales of housing units principally of Alto Palermo Park owing to the completion of the sale of this project during the 2003 fiscal year; (ii) the Ps. 1.1 million decrease principally in sales from the residential communities of Abril. These decreases were partially offset by the Ps. 4.3 million increase in sales of other real estate stemming mainly from (a) the sale during the 2003 fiscal year of the Hotel Piscis for Ps. 9.9 million, (b) the sale of office space in the buildings located at Madero 1020, Madero 940 and Libertador 498, for Ps. 9.6 million and (c) the decrease in sales of other real estate, amounting to Ps. 15.2 million, among which it is worth highlighting the property at Rivadavia 2243 and Santa Fé 1588.

Offices and Other. Sales from Offices and Other decreased 60.0%, from Ps. 44.5 million during the fiscal year ended June 30, 2002, to Ps. 17.8 million during the fiscal year ended June 30, 2003. This decrease is mainly due to a 58.2% decrease in revenues from office rents, from Ps. 38.8 million in the fiscal year ended June 30, 2002, to Ps. 16.2 million in the fiscal year ended June 30, 2003. This decrease in sales is attributed to (i) a lower average occupancy rate during 2003, which declined to 71.2% as compared to 84.1% in 2002; (ii) the fact that contractual prices did not evolve in the same way as inflation, which means that the increase in sales from the previous year due to inflation restatement was higher than the increase in the amount of sales during fiscal year 2003; and (iii) a 78.6% decrease in sale from commercial property rents and other properties, from Ps. 4.4 million in the fiscal year ended June 30, 2002 to Ps. 0.9 million in the fiscal year ended June 30, 2003, mainly due to the sale of the real estate at Rivadavia 2243, Santa Fe 1588 and Constitución 1111.

Shopping Centers. During fiscal year 2003 we began consolidating Alto Palermo S.A., whose financial statements are allocated under this segment. Sales decreased by 40.73 % from Ps. 192.0 million during fiscal year 2002 to Ps. 113.8 during fiscal year 2003 due to a 39.2% reduction in leases and services revenues (from Ps. 146.1 million to Ps. 88.8 million) and a 45.6% reduction in sales from credit card opertation (from Ps. 45.8 million to Ps. 24.9 million). It is important to mention that leases and services revenues even if they have increased in nominal value, this increase is lower than the inflation index, therefore there was a reduction in real terms. We must highlight that the economic recovery that began last year is generating an increase in our tenant´s sales, being reflected in increments in the occupancy ratios, rental incomes and admission rights of our shopping centers. The occupancy ratio of our shopping centers increased from 92.4% for the year ended, 2002 to 95.8 % for the year ended 2003. The decrease in Credit Card operations is attributed to the streamlining of its portfolio throughout the year under review as a result of the severe financial crisis. Althougth the current portfolio is smaller, it is characterized by a better credit capacity.

Hotels. Sales from hotels went down 11.9%, from Ps. 38.8 million for the fiscal year ended June 30, 2002 to Ps. 34.2 million for the fiscal year ended June 30, 2003, due to a decrease in the average rates that was partially offset by an increase in average occupancy level, from 44% in 2002 to 53% in 2003. Sales from Hotel Sheraton Libertador decreased by Ps. 3.7 million and sales from the Hotel Intercontinental decreased by Ps. 1.3 million. Furthermore, during fiscal year 2003 we recognized sales from the Hotel Piscis for Ps. 0.3 million.

International. Following the sale of the interest in Brazil Realty and FVI, no new investments were made in this segment.

Costs

Total costs increased 70.0%, from Ps. 84.1 million during the fiscal year ended June 30, 2002 to Ps. 143.0 million for the fiscal year ended June 30, 2003. This increase is mainly due to the net impact of (i) the consolidation of the results of APSA during fiscal year 2003; (ii) an increase in costs in the Development and sale segment; and (iii) a decrease in costs in the Hotels and Offices segment. Total costs as a percentage of sales increased from 61.1% for the fiscal year ended June 30, 2002 to 67.1% for the fiscal year ended June 30, 2003.

Development and Sale of Properties. Costs related to Development and Sale increased 8.4%, from Ps. 43.5 million in the fiscal year ended June 30, 2002 to Ps. 47.1 million for the fiscal year ended June 30, 2003 primarily as a result of the sale during the present fiscal year of non-core properties with a low margin due to the fact that during fiscal year 2002 we sold almost all of our principal properties, specially Alto Palermo Park, with an important sale margin. Costs relating to Development and Sale as a percentage of sales from the segment increased from 79.9% during the fiscal year ended June 30, 2002 to 99.7% during the fiscal year ended June 30, 2003.

Offices and Other. Costs of Offices and Other decreased 31.1%, from Ps 13.2 million during the fiscal year ended June 30, 2002 to Ps. 9.1 million during the fiscal year ended June 30, 2003 due to lower depreciation charges. Costs relating to Offices and Other as a percentage of sales from the segment increased from 29.7% for the fiscal year ended June 30, 2002 to 51.2% for the fiscal year ended June 30, 2003 due to a decrease in the average occupancy rate. The main component of cost of offices is represented by the depreciation of leased properties and expenses related to available units.

Shopping Centers. During fiscal year 2003, we have begun to consolidate APSA, whose costs have been allocated to this segment. Costs generated were Ps. 67.1 million, and account for 46.9% of our total costs. Total costs registered a 19,9% decrease between both fiscal years due to (i) a sharp reduction in non-recoupable expenses owing to the reduction in vacant stores and improved collections for the year; (ii) a lower amortization charge stemming from the lower value of the assets as a result of the impairment recognized at the previous closing date and the failure to amortize launching expenses relating to Abasto Shopping; and (iii) a reduction in car park expenses. The main cost component of shopping centers is represented by depreciation and amortization charges of leased properties, including goodwill paid upon their acquisition.

Hotels. Costs from hotel operations decreased 28.1%, from Ps. 27.4 million during the fiscal year ended June 30, 2002 to Ps. 19.7 million during the fiscal year ended June 30, 2003, primarily due to the decrease in the constant value of the cost components of Hotels such as salaries, fees and services. Hotel operating costs as a percentage of sales from hotels decreased from 70.7% for the fiscal year ended June 30, 2002 to 57.5% for the fiscal year ended June 30, 2003. Costs of hotels are primarily composed of rooms, depreciation, food and beverages, salaries and social security contributions.

International. Following the sale of the interest in Brazil Realty and FVI, no further investments were made in this segment.

Gross Profit

As a result of the foregoing, the gross profit increased 30.7%, from Ps. 53.5 million during the fiscal year ended June 30, 2002 to Ps 69.9 million during the fiscal year ended June 30, 2003.

Selling Expenses

Selling expenses increased 126.5%, from Ps. 11.3 million during the fiscal year ended June 30, 2002 to Ps. 25.6 million during the fiscal year ended June 30, 2003, primarily due to the increase in Shopping Centers selling expenses from the consolidation of APSA and partially offset by a 29.2% reduction in the selling expenses of the other segments. Selling expenses as a percentage of sales increased from 8.2% during the fiscal year ended June 30, 2002, to 12% during the fiscal year ended June 30, 2003.

Development and Sale of Properties. Selling expenses from Development and Sales decreased 41.2%, from Ps. 6.8 million during the fiscal year ended June 30, 2002 to Ps. 4.0 million during the fiscal year ended June 30, 2003, as a consequence of the decrease in sales operations during this fiscal year generating less direct selling expenses. Selling of Development and Sale of properties as a percentage of sales from this segment decreased from 12.4% during the fiscal year ended June 30, 2002 to 8.5% for the fiscal year ended June 30, 2003. The main components of selling expenses of Development and Sale are commissions and expenses from sales and advertising.

Offices and Other. Selling expenses relating to Offices and Other decreased 83.3%, from Ps. 0.6 million during the fiscal year ended June 30, 2002 to Ps. 0.1 million during the fiscal year ended June 30, 2003.

Shopping Centers. During fiscal year 2003 we began consolidating APSA whose selling expenses are allocated under this segment. Expenses generated during the fiscal year ended June 30, 2003 were Ps. 17.6 million, which accounted for 68.8% of our total selling expenses. The decrease of 72,2% in shopping centers selling expenses during both fiscal years was mainly due to: (i) a decrease in the allowance for doubtful accounts by 80.4%, from Ps. 52.8 million during fiscal year 2002 to Ps. 10.3 million during fiscal year 2003, out of which Ps. 35.2 million and Ps. 2.4 million are related to allowance for doubtful accounts from our shopping center operations during fiscal years 2002 and 2003 respectively and Ps. 17.6 million and Ps. 8.0 million related to allowance for doubtful accounts of Tarjeta Shopping during fical years 2002 and 2003 respectively; (ii) a decrease in advertising expenses by 59%, from Ps. 3.6 million in fiscal year 2002 to Ps. 1.5 million in fiscal year 2003; (iii) the 14.7% reduction in gross income charge, from Ps. 5.1.

million during fiscal year 2002 to Ps. 4.4. million during fiscal year 2003, attributed to the fact that the increase in sales at nominal values did not match the wholesale inflation; and (iv) a reduction in the amortization charge relating to the launch of Shopping Abasto and advertising expenses connected with Torres de Abasto which were fully depreciated in the previous year. The main components of selling expenses of Shopping Centers are bad debts charges and advertising expenses.

Hotels. Selling expenses did not change with regard to the previous fiscal year and remained stable at Ps. 3.9 million. The main components of selling expenses are advertising expenses and salaries.

International. Following the sale of the interest in Brazil Realty and FVI, no further investments were made in this segment.

Administrative Expenses

Administrative expenses increased 29.9%, from Ps. 32.1 million during the fiscal year ended June 30, 2002 to Ps. 41.7 million during the fiscal year ended June 30, 2003, due to an increase in administrative expenses relating to Shopping Centers stemming from the consolidation with APSA, which was partially offset by a 36.6% reduction in the administrative expenses in the remaining segments. The main components of administrative expenses are salaries and social security, fees, and compensation for services and depreciation and amortization.

Development and Sale of Properties Administrative expenses of Development and Sale of properties decreased 45.2%, from Ps. 11.2 million during the fiscal year ended June 30, 2002 to Ps. 6.1 million for the fiscal year ended June 30, 2003, primarily due to a decrease in constant values of expenses such as salaries, fees and services. Administrative expenses of Development and Sale of properties as a percentage of income from this segment decreased from 20.6% during the fiscal year ended June 30, 2002 to 13.0% during the fiscal year ended June 30, 2003.

Offices and Other. Administrative expenses of Offices and Other decreased 27.9%, from Ps. 6.1 million during the fiscal year ended June 30, 2002 to Ps. 4.4 million during the fiscal year ended June 30, 2003, primarily due to a decrease in constant values of expenses such as salaries, fees and services. Administrative expenses of Offices and Other as a percentage of sales from this segment increased from 13.6% during the fiscal year ended June 30, 2002 to 24.7% during the fiscal year ended June 30, 2003 as a result of the sharp reduction in the income from the segment.

Shopping Centers. The fluctuation in administrative expenses under this segment is mainly due to the consolidation with the results of APSA. The expenses generated during fiscal year 2003 amount to Ps. 21.4 million, accounting for 51.3% of overall administrative expenses. The decrease of 28,2% between both fiscal years was basically due to the reduction in salary, bonuses, social security contributions, taxes, rates, contributions and services.

Hotels. Administrative expenses of Hotels decreased 19.0%, from Ps. 12.1 million for the fiscal year ended June 30, 2002 to Ps. 9.8 million during the fiscal year ended June 30, 2003, basically due to the decrease during fiscal year 2003 of all the administrative expenses for the Intercontinental and Sheraton Libertador hotels. Administrative expenses of Hotels as a percentage of sales from hotel operations decreased from 31.3% during the fiscal year ended June 30, 2002 to 28.5% during the fiscal year ended June 30, 2003. The main components of administrative expenses of hotel operation are salaries, fees for services and depreciation and amortization.

International. Subsequent to the sale of the interest in Brazil Realty and FVI, no further investments were made in this segment, consequently, no charge has been recorded during fiscal year 2003.

Gain on Purchasers Rescissions of Sales Contracts

This result stems from APSA as a result of the consolidation with this company as from fiscal year 2003 and arises from the rescission of Torres de Abasto sales contracts, generating a profit for the fiscal year of Ps. 0.009 million.

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Loss in Credit Card Trust

The loss reported under this heading amounting to Ps. 4.1 million during fiscal year 2003 stems from interest held by APSA in the Tarjeta Shopping Credit Card Trust and is incorporated to our statement of operations following the consolidation with APSA as from fiscal year 2003.

(Loss) Gain from Operations and Holdings of Real Estate Assets, net

(Loss) Gain from operations and holdings of real estate assets, net, varied from one year to another, showing a gain of Ps. 68.3 million, having recovered from a loss of Ps. 46.8 million for the fiscal year ended June 30, 2002 to a gain of Ps. 21.5 million for the fiscal year ended June 30, 2003. The gain generated during fiscal year 2003 is mainly attributed to (i) the gain of Ps. 10.9 million stemming from the sale of stock in Valle de las Leñas; and (ii) a gain of Ps. 11.4 million attributed to the net recovery of the allowance for the devaluation of real estate. Furthermore, the loss reported the previous year is mainly attributed to (i) the setting up of the allowance for the devaluation of real estate for Ps. 82.6 million; which was partially offset by (ii) a gain of Ps. 35.8 million from the sale of our equity interest in Brazil Realty.

Operating Income

As a result of the foregoing, the total operating income recovered from a loss of Ps. 36.6 million during the fiscal year ended June 30, 2002 to a profit of Ps. 20.1 million during fiscal year 2003.

Development and Sale of Properties. Operating results from Development and Sales of properties increased from a loss of Ps. 33.8 million during the fiscal year ended June 30, 2002 to a gain of Ps. 2.8 million for the fiscal year ended June 30, 2003.

Offices and Other. Operating results from Offices and Other recovered from a loss of Ps. 24.7 million during the fiscal year ended June 30, 2002 to a gain of Ps. 2.3 million for fiscal year 2003.

Shopping Centers. Operating results from Shopping Centers reported an increase of Ps. 14.1 million during the current year as a result of the consolidation with the results of APSA.

Hotels. Operating results from hotels recovered from a loss of Ps. 11.3 million during the fiscal year ended June 30, 2002 to a gain of Ps. 0.9 million for the fiscal year ended June 30, 2003.

International. As explained above, during fiscal year 2003 no results were recorded under this segment. The previous fiscal year closed with a gain of Ps. 34.6 million.

Amortization of goodwill

The loss of Ps. 6.6 million recorded as of June 30, 2003 mainly includes (i) the amortization of goodwill stemming from the acquisition of APSA subsidiaries: Shopping Alto Palermo S.A. (SAPSA), Fibesa and Tarshop S.A.; and (ii) the amortization of our own goodwill from the purchase of stock in APSA during fiscal year 2003.

Financial Results, net

Total net gains/losses on the financing of assets showed a recovery from a loss of Ps. 505.8 million during the fiscal year ended June 30, 2002 to a gain of Ps. 315.4 million during the fiscal year ended June 30, 2003. The main reasons for this recovery were: (i) the exchange difference gain with regard to the previous year amounting to Ps. 507.9 million, owing to the appreciation of the Peso to the U.S. dollar from 3.80 in 2002 to 2.80 in 2003; (ii) the Ps. 241.7 million gain on the financing of assets as compared with the previous year, among which it is worth highlighting the recognition of lower losses related to our equity interest mainly in Banco Hipotecario and Quantum; (iii) the discounts obtained during fiscal year 2003 amounting to Ps. 36.9 million through the prepayment of the debt with GSEM for approximately Ps. 26.0 million and from the accounting measurement as at June 30, 2003 of the debt with HSBC as compared with the amount settled subsequent to the financial closing date, which generated a discount of Ps. 10.7 million accorging to with Argentine GAAP; (iv) the Ps. 32.1 million gain obtained during fiscal year 2003 as a result of the adjustment made to our liabilities to fair market value at the established 8% annual market rate, changing the value of these debts which previously had a book value calculated at the rate in force at the time of refinancing; and (v) a reduction of Ps. 10.1 million with regard to the gains obtained in the previous year owing to the exposure to inflation of our monetary liabilities.

Equity (Loss) gain from related parties

The net loss derived from affiliated companies changed, from a gain of Ps. 0.1 million during the fiscal year ended June 30, 2002 to a loss of Ps. 12.9 million during the fiscal year ended June 30, 2003. This decrease is mainly due to: (i) the absence during fiscal year 2003 of the 2002 gain of approximately Ps. 2.1 million from our investment in Buenos Aires Trade & Finance Center due to the consolidation as from this year of this company s results; (ii) the reduction during fiscal year 2003 of the Ps. 2.9 million gain from Llao Llao Resorts; (iii) the net loss for the year of Ps. 12.1 million stemming from the subsidiaries of APSA, Perez Cuesta and E-Commerce Latina; and (iv) the reduction during fiscal year 2003 of the Ps. 3.4 million gain from IRSA Telecomunicaciones. These factors were, partially offset by (i) the absence during fiscal year 2003 of the year 2002 loss of Ps. 4.6 million from our investment in APSA due to the consolidation as from this year of this company s results and (ii) the absence during fiscal year 2003 of the 2002 loss of Ps. 3.6 from our investment in Brazil Realty due to the sale of our equity investment in this company.

Other (Expenses) Income, net

The Other expenses, net line showed a recovery of Ps. 7.8 million, from a loss of Ps. 4.9 million during the fiscal year ended June 30, 2002 to an income of Ps. 2.9 million during the fiscal year ended June 30, 2003, primarily due to the net fluctuation generated by (i) the gain of Ps. 13.0 million obtained from the repurchase of Negotiable Obligations of APSA in the open market and (ii) the Ps. 4.2 million gain from the sale of fixed assets. These factors were partially offset by (i) the loss resulting from a contingency due to lawsuits amounting to Ps. 3.9 million; and (ii) the higher charge for donations with regard to the previous year amounting to Ps. 5.6 million.

Ordinary Gain/(Loss) before Minority Interest and Taxes

As a result of the foregoing, the net gain/loss before the minority interest and taxes reflected an improvement with regard to the loss of Ps. 547.1 million during the fiscal year ended June 30, 2002, recording a gain of Ps. 318.9 million during fiscal year 2003.

Minority Interest

The minority interest decreased by Ps. 39.6 million, from a gain of Ps. 5.7 million during fiscal year 2002 to a loss of Ps. 33.9 million during fiscal year 2003, mainly due to the minority interest we recorded during fiscal year 2003 as a result of the consolidation of APSA, and stemming from our Ps. 35.2 million investment in this company recorded as a loss.

Income Tax and Asset Tax

Income tax decreased 163.6%, from a loss of Ps. 2.2 million during the fiscal year ended June 30, 2002, and to a gain of Ps. 1.4 million during the fiscal year ended June 30, 2003. The deferred tax allocation method was used to calculate the income tax corresponding to the two fiscal years, thus recognizing the temporary differences in the accounting and tax assets and liabilities. The gain of Ps. 3.6 million is mainly due to the net impact of (i) the difference in the income tax charge corresponding to IRSA which represented a gain of Ps. 49.4 million, having moved from a loss of Ps. 0.5 million corresponding to the asset tax for the year 2002 to a gain of Ps. 48.9 million during fiscal year 2003, which includes a gain of Ps. 49.9 million from deferred taxes and a loss of Ps. 1.0 million from the asset tax; and (ii) the income tax charge for APSA, which represented a loss of Ps. 46.7 million at June 30, 2003, when there had been no charge in the previous year because the company began consolidating its financial statements with this company this year.

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Net (loss) Income for the Year

As a result of the foregoing, the net ordinary income for the year showed an improvement from a loss of Ps. 543.7 million during the fiscal year ended June 30, 2002 to a profit of Ps. 286.4 million during the fiscal year ended June 30, 2003.

Results of operations for the fiscal years ended June 30, 2002 and 2001

Sales

Sales decreased 38.8%, from Ps. 224.7 million in the fiscal year ended June 30, 2001, to Ps. 137.6 million in the fiscal year ended June 30, 2002 on account of a decrease in sales in all segments of our activity. This decrease was primarily attributable to the severe and ongoing recession that the Argentine economy was undergoing and that was paralyzing our operations, most of which are conducted in Argentina.

Development and Sale of Properties. Sales from development and sale of properties decreased 47.8%, from Ps. 104.2 million for the fiscal year ended June 30, 2001 to Ps. 54.4 million for the fiscal year ended June 30, 2002. The decrease in sales in the development and sale of properties segment was mainly attributable to: (i) a Ps. 28.5 million decrease in sales from the residential communities of Abril and Villa Celina; (ii) a Ps. 14.1 million decrease in sales of undeveloped parcels of land, on account of the non-recurrence of sales in Dique IV and Monserrat made in 2001; (iii) a Ps. 5.1 million decrease in the sales of other real property primarily resulting from the lack of recurrence of sales in Serrano 250, Sarmiento 580, Av. de Mayo 701, Madero 1020 and Montevideo 1975, partly offset by new sales during fiscal year 2002 of the real properties on Santa Fe 1588, Rivadavia 2243 and Libertador 498. See Business Development Property .

Offices and Other. Sales from Offices and other decreased 24.8% from Ps. 59.1 million during the fiscal year ended June 30, 2001 to Ps. 44.5 million during the fiscal year ended June 30, 2002. This decrease is primarily due to: (i) a 21.8% decrease in revenues from office rents from Ps. 49.7 million in the fiscal year ended June 30, 2001 to Ps. 38.8 million in the fiscal year ended June 30, 2002, mainly due to decreases in average occupancy rates in rental properties and (ii) a 45.3% decrease in sales from commercial property rents from Ps. 8.0 million in the fiscal year ended June 30, 2001 to Ps. 4.4 million in the fiscal year ended June 30, 2002 mainly due to the sales in the properties: Florida 291, Santa Fe 1588 and Montevideo 1975. See Business -Offices and Other Rental Properties .

Hotels. Sales from hotels went down 36.8% from Ps. 61.3 million for the fiscal year ended June 30, 2001 to Ps. 38.8 million for the fiscal year ended June 30, 2002, due to a decrease in the average occupancy level of hotels from 58% in 2001 to 44% in 2002, as well as a decrease in rates, giving rise to a decrease in the sales from Hotel Sheraton Libertador of Ps. 8.1 million and from Hotel Intercontinental of Ps. 14.5 million during 2002. See Business - Hotels .

Costs

Costs decreased 32.8%, from Ps. 125.2 million for the fiscal year ended June 30, 2001 to Ps. 84.1 million for the fiscal year ended June 30, 2002, mainly due to lesser costs from Development and Sale of properties and Hotels, which decrease was partially offset by an increase in the costs related to the operation of Offices and other. Total costs as a percentage of sales increased from 55.7% for the fiscal year ended June 30, 2001 to 61.1% for the fiscal year ended June 30, 2002.

*Development and Sale of Properties***.** The costs of Development and Sale of properties decreased 43.1% from Ps. 76.4 million for the fiscal year ended June 30, 2001 to Ps. 43.5 million for the fiscal year ended June 30, 2002, due to fewer sales of real properties. The costs of Development and Sale of properties as a percentage of sales from Development and Sales of properties increased from 73.3% for the fiscal year ended June 30, 2001 to 79.9% for the fiscal year ended June 30, 2002.

Offices and Other. Costs of Offices and other rose by 16.1% from Ps. 11.4 million for the fiscal year ended June 30, 2001 to Ps. 13.2 million for the fiscal year ended June 30, 2002. The costs of Offices and other as a percentage of sales resulting from Offices and other increased from 19.2% for the fiscal year ended June 30, 2001 to 29.7% for the fiscal year ended June 30, 2002. The increase in the costs of Offices and other in absolute terms and as a percentage of sales is due to the decrease in the average occupancy rate from 89% during all fiscal year 2001 to 72% during all fiscal year 2002, which resulted in an increase in the maintenance costs of the unoccupied units, especially as regards common expenses. The main component of the cost of offices is represented by the depreciation of leased properties.

Hotels. Costs from hotel operations decreased 26.7%, from Ps. 37.4 million for the fiscal year ended June 30, 2001 to Ps. 27.4 million for the fiscal year ended June 30, 2002, primarily due to: (i) lower levels of activity in this segment; (ii) decrease in the constant value of the cost components of Hotels such as salaries, fees and services mainly on account of the effect of this last semester inflation and (iii) the restructuring carried out to offset the fall in the level of occupancy so as to attain greater efficiency. Hotel operating costs as a percentage of sales from hotels increased from 61.0% for the fiscal year ended June 30, 2001 to 70.7% for the fiscal year ended June 30, 2002 primarily due to the combination of lower sales reflecting the fall in occupancy rates and to lower rates compared to the previous fiscal year together with the same incidence in both fiscal years of fixed costs such as depreciation. Costs of hotels are primarily composed of rooms, depreciation, food and beverages, salaries and social security contributions.

Gross Profit

As a result of the foregoing, the gross profit decreased by 46.2% from Ps. 99.5 million for the fiscal year ended June 30, 2001 to Ps. 53.5 million for the fiscal year ended June 30, 2002.

Selling Expenses

Selling expenses decreased by 49.4% from Ps. 22.3 million for the fiscal year ended June 30, 2001 to Ps. 11.3 million for the fiscal year ended June 30, 2002, primarily due to the decrease in the selling expenses of all segments. Selling expenses as a percentage of sales decreased from 9.9% for the fiscal year ended June 30, 2001 to 8.2% for the fiscal year ended June 30, 2002.

Development and Sale of Properties. Selling expenses for Development and Sales decreased by 47.9% from Ps. 13.0 million for the fiscal year ended June 30, 2001 to Ps. 6.8 million during the fiscal year ended June 30, 2002, as a consequence of the decrease in sale operations during this fiscal year generating less direct selling expenses. Selling expenses of Development and Sale of properties as a percentage of sales from Development and Sale of properties remained at 12.5% for both years. The main components of selling expenses of Development and Sale of properties are commissions and expenses from sales and advertising.

Offices and Other. Selling expenses of Offices and other decreased by 66.5% from Ps. 1.8 million during the fiscal year ended June 30, 2001 to Ps. 0.6 million during the fiscal year 2002. Selling expenses of Offices and other properties as a percentage of sales from Offices and other decreased from 3.0% for the fiscal year ended June 30, 2001 to 1.4% for the fiscal year ended June 30, 2002.

Hotels. Selling expenses dropped 47.3% from Ps. 7.4 million during the fiscal year ended June 30, 2001 to Ps. 3.9 million for the fiscal year ended June 30, 2002, primarily due to a decrease in advertising expenses and to a lesser extent a decrease in salaries and social security contributions in all Hotels. Selling expenses of Hotels as a percentage of sales from Hotels decreased from 12.2% for the fiscal year ended June 30, 2001 to 10.2% for the fiscal year ended June 30, 2002. The main components of selling expenses are advertising expenses and salaries.

Administrative Expenses

Administrative expenses decreased by 19.9% from Ps. 40.0 million for the fiscal year ended June 30, 2001 to Ps. 32.1 million for the fiscal year ended June 30, 2002, mainly due to lower expenses in the segments: Development and Sales, Offices and Other and Hotels. As a percentage of sales, administrative expenses rose from 17.8% for the fiscal year ended June 30**,** 2001 to 23.3% for the fiscal year ended June 30, 2002. The main components for the fiscal year are salaries and social security contributions, fees and compensations for services and depreciation and amortization.

Development and Sale of Properties. Administrative expenses of Development and Sale of properties decreased by 34.1% from Ps. 17.0 million for the fiscal year ended June 30, 2001 to Ps. 11.2 million for the fiscal year ended June 30, 2002, primarily due to (i) the restructuring carried out with the purpose of achieving a structure sustainable in the medium term and (ii) the decreases as measured in constant values of expenses such as salaries, fees and services, principally due to the effect of inflation during the last semester. Administrative expenses of Development and Sale of properties as a percentage of sales from Development and Sales increased from 16.3% for the fiscal year ended June 30, 2001 to 20.6% for the fiscal year ended June 30, 2002.

Offices and Other. The administrative expenses of Offices and other fell by 19.6 % from Ps. 7.5 million for the fiscal year ended June 30, 2001 to Ps. 6.1 million for the fiscal year ended June 30, 2002, primarily due to (i) the restructuring carried out with the purpose of achieving a structure sustainable in the medium term and (ii) the decreases as measured in constant values of expenses such as salaries, fees and services, mainly due to the effect of inflation during the last semester. Administrative expenses of Offices and other as a percentage of the sales from this segment increased from 12.7% for the fiscal year ended June 30, 2001 to 13.6% for the fiscal year ended June 30, 2002.

Shopping Centers. Administrative expenses of Shopping Centers increased by 135.3%, from Ps. 0.6 million for the fiscal year ended June 30, 2001 to Ps. 1.4 million for the fiscal year ended June 30, 2002 due to the increase in the percentages applied to allocate general administrative expenses to this segment.

Hotels. Administrative expenses of Hotels dropped by 12.3% from Ps. 13.8 million for the fiscal year ended June 30, 2001 to Ps. 12.1 million during the fiscal year ended June 30, 2002, basically due to the decrease during this fiscal year of all the administrative expenses of Intercontinental Hotel, and especially due to the reductions in fees for services, salaries and social security contributions. Administrative expenses of hotels as a percentage of sales from the hotel operation rose from 22.4% during the fiscal year ended June 30, 2001 to 31.3% during the fiscal year ended June 30, 2002. The main components of administrative expenses of hotel operation are salaries, fees for services depreciation and amortization.

International. Administrative expenses of international operations increased by 18.2%, from Ps. 1.1 million during the fiscal year ended June 30, 2001 to Ps. 1.3 million during the fiscal year ended June 30, 2002, mainly due to the increase in the percentages applied to allocate general administrative expenses to this segment.

Loss from Operations and Holdings of Real Estate Assets, net

Loss from operations and holdings of real estate assets, net, showed a Ps. 39.7 million loss change between both fiscal years, from a Ps. 7.1 million loss for the fiscal year ended June 30, 2001 to a Ps. 46.8 million loss for the fiscal year ended June 30, 2002. This decrease results mainly from the net result between (i) the gain obtained from the sale of our equity interest in Brazil Realty which amounted to Ps. 35.4 million in this fiscal year; (ii) the non-recurrence in 2002 of the Ps. 1.2 million loss attributable to the sale of our equity interest in FVI recognized in 2001 and (iii) the Ps. 76.3 million loss from the impairment of long-lived assets, which rose from Ps. 6.4 million during 2001 to Ps. 82.7 million during 2002. This Ps. 76.3 million loss from the impairment of long-lived assets between both fiscal years was distributed among our segments as follows: (a) Development and Sales: Ps. 22.2 million, (b) Offices and Other: Ps. 47.5 million and (c) Hotels: Ps. 6.6 million..

Operating Income

As a result of the foregoing, the total operating income decreased from a Ps. 30.1 million gain during the fiscal year ended June 30, 2001 to a Ps. 36.6 million loss during the fiscal year ended June 30, 2002.

Development and Sale of Properties. Operating results from Development and Sales of properties showed an improvement, from a Ps. 6.4 million loss for the fiscal year ended June 30, 2001 to a Ps. 33.8 million loss for the fiscal year ended June 30, 2002.

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Offices and Other. The operating results from Offices and Other decreased from a Ps. 36.3 million profit for the fiscal year ended June 30, 2001 to a Ps. 24.7 million loss for the fiscal year ended June 30, 2002.

Shopping Centers. The operating results from Shopping Centers increased from a Ps. 0.6 million loss for the fiscal year ended June 30, 2001 to a Ps. 1.4 million loss for the fiscal year ended June 30, 2002.

Hotels. The operating results from Hotels decreased from a Ps. 2.8 million profit for the fiscal year ended June 30, 2001 to a Ps. 11.3 million loss for the fiscal year ended June 30, 2002.

International. The operating results from international operations increased from Ps. 1.9 million loss for the fiscal year ended June 30, 2001 to a Ps. 34.6 million profit for the fiscal year ended June 30, 2002.

Financial Results, net

The financial, net results reflected an increase from a loss of Ps. 99.4 million during the fiscal year ended June 30, 2001 to a loss of Ps. 505.8 million during the fiscal year ended June 30, 2002. The total increase in financial results was primarily due to: (i) the increase in the net loss of Ps. 289.6 million as compared to the previous fiscal year due to the joint effect of the peso devaluation and inflation, the impact of foreign currency denominated net debts, and (ii) an increase in the loss for financial transactions for Ps. 116.8 million as compared to 2001, mainly due to the fall in the value of the stock of Banco Hipotecario, to losses connected with investments such as Telecom stock, Pro1 bonds and FRB and the drop in the quotation of Quantum Fund during this fiscal year.

Net (Loss) Income in Equity Investments

The net loss derived from affiliated companies showed a 87.9% reduction from a profit of Ps. 0.8 million during the fiscal year ended June 30, 2001 to a profit of Ps. 0.1 million during the fiscal year ended June 30, 2002, mainly due to the net variation between (i) the loss recognized between both fiscal years as a result of our investment in Brazil Realty in the amount of Ps. 25.0 million and (ii) gains originated between both fiscal years in the amount of Ps. 24.3 million as a result of the rest of our investments mainly in: Llao Llao Ps. 13.3 million and IRSA Telecomunicaciones Ps. 9.0 million.

Other Income (Expenses), Net

The Other Income (Expenses), net line decreased by 18.3% from a loss of Ps. 6.0 million during the fiscal year ended June 30, 2001 to a loss of Ps. 4.9 million during the fiscal year ended June 30, 2002, basically due to: (i) lower charges from gifts and non-computable VAT as compared to the previous fiscal year for Ps. 4.1 million; (ii) the loss originated during the current fiscal year by the tax on bank credits and debits for Ps. 1.3 million; (iii) the non-recurrence, during this fiscal year, of recoveries of provisions for taxes and rates and for other expenses recorded during fiscal year 2001 in the amount of approximately Ps. 1.7 million.

Ordinary Loss before Minority Interest and Taxes

As a consequence of the factors described above, the loss before minority interest and taxes showed an increase from a Ps. 74.4 million loss during the fiscal year ended June 30, 2001 to a Ps. 547.1 million loss during the fiscal year ended June 30, 2002.

Income Tax and asset Tax

Income tax increased 105.8% from a gain of Ps. 37.8 million during the fiscal year ended June 30, 2001 to a loss of Ps. 2.2 million during the fiscal year ended June 30, 2002, mainly due to the net variation between: (i) the increase during the current fiscal year of our Minimum Presumed Income Tax charges by Ps. 3.5 million, as an income tax recovery for such amount was computed during 2001 as a result of amendments of Law 25,360, and (ii) the gain during both fiscal years of Ps. 41.3 million as deferred tax.

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Minority Interest

Minority interest registered a variation of Ps. 10.9 million, from a Ps. 5.2 million loss during fiscal year 2001 to a Ps. 5.7 million profit during fiscal year 2002 mainly due to (i) a Ps. 7.3 million increase in profits from our minority interest in Hoteles Argentinos and Nuevas Fronteras (ii) a Ps. 2.1 million increase in losses from our minority interest in Palermo Invest and (iii) Ps. 3.6 million decrease in losses as a result of the application of deferred income tax of our controlled companies.

Net Loss for the Year

As a consequence of the factors mentioned above, the net loss for the fiscal year changed from a Ps. 41.8 million loss during the fiscal year ended June 30, 2001 to a Ps. 543.7 million loss during the fiscal year ended June 30, 2002.

APSA s Result of Operations

Fiscal Year 2002 as compared to Fiscal Year 2001

Sales

Sales decreased by 26.3%, from Ps. 266.0 million during fiscal year 2001 to Ps. 196.0 million during fiscal year 2002 due to a 28.3% reduction in leases and services revenues (from Ps. 203.9 million to Ps. 146.1 million), a 69.1% reduction in sales of properties (from Ps. 13.0 million to Ps. 4.0 million) and a 6.8% reduction in sales from credit card operation (from Ps. 49.2 million to Ps. 45.8 million).

The reduction in leases and services revenues was mainly due to the economic recession undergone by Argentina for more than 4 years, which has affected consumption, the main variable of our business. As a result, our tenants have suffered a decrease in their sales representing a reduction both in occupancy rates and in minimum lease and admission rights revenues. The overall occupancy rate in our shopping centers fell from 94.4% as of June 30, 2001 to 92.4% as of June 30, 2002.

The reduction in sales of properties, related mainly to Torres de Abasto, was attributable to the lower inventory available during the fiscal year 2002, which included only 39 units for sale as opposed to the 135 units existing at the beginning of fiscal year 2001.

The fall in sales from credit card operation was mainly a result of the consumption reduction, despite the higher number of cards issued during the fiscal year 2002, the average credit portfolio and the volume of sales performed with the card and thus the revenues of this segment suffered a slight fall.

	Fiscal Years ended June 30,	
	2002	2001
	(In thousands of constant Ps. of February 28, 2003)	
Leases and services	146,122.6	203,880.5
Sales and development properties	4,003.2	12,957.7
Credit card operations	45,840.4	49,210.5
Total net sales	195,966.2	266,048.7

Costs

Total costs registered a 12.7% decrease, from Ps. 104.3 million during fiscal year 2001 to Ps. 91.1 million during fiscal year 2002.

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Leases and services costs registered a 1.9% decrease, from Ps. 74.5 million during fiscal year 2001 to Ps. 73.1 million during the fiscal year 2002. In spite of such situation, during fiscal year 2002 we experienced a once-off loss of Ps. 11.8 million in connection with expenses charges billed to our tenants which were not recovered. Excluding such charges, leases and services costs decreased 17.6%, main cutbacks include taxes, rates, contributions and services reductions as a result of changes to the tax legislation which now imposes a VAT charge to commercial leases, allowing us to use the VAT tax credit previously identified as loss.

Cost from sales of properties decreased by 61.7%, from Ps. 14.1 million in fiscal year 2001 to Ps. 5.4 million in fiscal year 2002, as a result of the reduction in sales mentioned above.

The cost from credit card operation decreased by 19.7% from Ps. 15.7 million in fiscal year 2001 to Ps. 12.6 million in fiscal year 2002, as a result of the reduction in the level of activity.

	Fiscal Years ended June 30,	
	2002	**2001**
	(In thousands of constant Ps. of February 28, 2003)	
Leases and services	(73,071.5)	(74,508.0)
Sales and development properties	(5,397.9)	(14,121.7)
Credit card operations	(12,601.1)	(15,707.8)
Total costs	(91,070.6)	(104,337.5)

Gross Profit

As a result of the factors mentioned above, gross profit decreased by 35.3%, recording an income of Ps. 161.7 million for the fiscal year ended June 30, 2001 against Ps. 104.9 for fiscal year 2002.

Gross profit, calculated in terms of total sales percentage, fell from 60.8% during fiscal year 2001 to 53.5% during fiscal year 2002. Gross profit from leases and services, calculated in terms of leases and services sales percentage, fell from 63.5% during fiscal year 2001 to 50% during fiscal year 2002. Sales of properties gross loss, calculated as a percentage of sales of properties, increased from 9.0% during fiscal year 2001 to 34.8% during fiscal year 2002. Credit cards operations gross profit, calculated as a percentage of sales of credit cards operations, rose from 68.1% during fiscal year 2001 to 72.5% during fiscal year 2002.

	Fiscal Years ended June 30,	
	2002	**2001**
	(In thousands of constant Ps. of	

	February 28, 2003)	
Leases and services	73,051.1	129,372.5
Sales and development properties	(1,394.7)	(1,164.0)
Credit card operations	33,239.3	33,502.7
Total Gross Profit	104,895.7	161,711.2

Selling expenses

Selling expenses registered a 57.5%, increase from Ps. 40.1 million in fiscal year 2001 to Ps. 63.2 million in fiscal year 2002. The increase resulted mainly from the 161.7% increase in the allowance for

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doubtful accounts, from Ps. 20.2 million during fiscal year 2001 to Ps. 52.8 million during fiscal year 2002. Excluding the allowance for doubtful accounts, selling expenses decreased by 47.7% mainly due to a 43.7% reduction in advertising charges and 64.7% in salaries and bonuses.

Selling expenses, calculated in terms of total sales percentage increased from 15.1% during the fiscal year ended June 30, 2001 to 32.3% during the fiscal year ended June 30, 2002.

Administrative expenses

Administrative expenses registered a 26.7% fall from Ps. 34.6 million during fiscal year 2001 to Ps. 25.4 million during fiscal year 2002, basically as a result of the reduction in salary, bonuses, social security contributions, taxes, rates, contributions and services.

Administrative expenses, calculated, as a percentage of total sales did not charge during fiscal year 2002, maintaining the 13% reached in 2001.

Torres de Abasto unit contracts rescissions

The results of purchasers recessions of sales contracts registered a Ps. 0.09 million increase, surging from a Ps. 0.03 million loss during fiscal year 2001 to a profit of Ps. 0.06 million during fiscal year 2002.

Net (loss) Income in credit card trust

Net (loss) Income in credit card trust registered a Ps. 6.4 million decrease, going from a Ps. 2.3 million profit in the fiscal year ended June 30, 2001 to a Ps. 4.1 million loss during the fiscal year ended June 30, 2002, as a result of an increase in bad debtors concerning financial trust issuance under Tarshop S.A. securitization programs.

Operating income

As a result of the factors mentioned above, the operating income decreased by 86.2%, recording a profit of Ps. 89.2 million during fiscal year 2001 against a profit of Ps. 12.3 million during fiscal year 2002. The operating income measured in terms of total sales decreased from 33.5% during fiscal year 2001 to 6.3% during fiscal year 2002.

Equity loss from related companies

The result stemming from the interests in Pérez Cuesta S.A.C.I. and E-Commerce Latina S.A. registered a 58.7% increase, from a Ps. 3.1 million loss during fiscal year 2001 to a Ps. 4.9 million loss during fiscal year 2002, mainly due to the loss registered in E-Commerce Latina S.A., where we hold a 50% interest.

Financial results, net

Net financial results recorded a 10.8% decrease, from a Ps. 82.3 million loss during fiscal year 2001 to a Ps. 91.2 million loss during fiscal year 2002, as a result of the income generated as a result of inflation exposure partially compensated due to (a) a higher average indebtedness cost during fiscal year 2002, (b) a higher average of financial indebtedness level in fiscal year 2002 than in fiscal year 2001, (c) the application on debts converted to Pesos of the CER which by June 30, 2002 amounted to approximately 25% and (d) the impairment of long-lived assets for Ps. 62.8 million.

Other expense, net

Other expense, net registered an increase of Ps. 10.5 million, from a Ps. 0.3 million loss during fiscal year 2002 to a Ps. 10.8 million loss during fiscal year 2002 mainly due to the Ps. 6.7 million contingencies provision, in connection with a legal action filed by Carrefour supermarket regarding the construction of Paseo Alcorta.

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Net Loss before taxes and minority interest

As a result of the factors described above, the loss before taxes and minority interest suffered a Ps. 98.2 million decrease, recording a Ps. 99.5 million loss during fiscal year 2002 against a loss of Ps. 1.3 million during fiscal year 2001.

Income tax

The income tax charge decreased by Ps. 88.2 million, from a loss of Ps. 5.2 million for the year 2001 to a gain of Ps. 83.0 million for the year 2002. It should be noted that the income tax charge was calculated using the deferred tax method, thus recognizing the temporary difference in the accounting and tax measurement of assets and liabilities and the capitalization of tax loss carry-forwards. As a result, the figure disclosed under income tax does not only reflect the amount to be paid but also includes the tax reported based on the accounting accrual.

Amortization of goodwill

The result stemming from the amortization of goodwill did not vary with regard to the previous year, and amounted to Ps. 4.8 million for 2001 and for 2002. The results reflected the amortization of goodwill stemming from the acquisition of Shopping Alto Palermo S.A., FIBESA S.A. and Tarshop S.A.

Minority Interest

Minority interest registered a Ps. 6.0 million increase, from a Ps. 0.9 million loss during fiscal year 2001 to a Ps. 5.1 million profit during fiscal year 2002.

Net income (Loss)

As a result of the factors explained above, the net loss for the period registered a Ps. 3.9 million increase, from a loss of Ps. 7.4 million for fiscal year 2001 to a loss of Ps. 11.3 million for fiscal year 2002.

B. Liquidity and Capital Resources

Our liquidity and capital resources include our cash and cash equivalents, proceeds from bank borrowing and long-term debt, capital financing and sales of real estate investments.

As of June 30 2003, we had a working capital of Ps. 116.1 million. At the same date, we had cash and cash equivalents totaling Ps. 187.3 million, an increase of 300.1 % from Ps. 28.4 million of cash and cash equivalents held as of June 30, 2002.

Our operating activities resulted in net cash inflows of Ps. 87.1 million, Ps. 53.2 million and Ps. 107.8 million for fiscal years 2003, 2002 and 2001, respectively. Net cash inflows for fiscal year 2003 significantly increased from net cash inflows for fiscal year 2002 primarily due to operating gains of Ps. 11.6 million and increases in accrued interest and exchange gain of Ps. 56.5 million. The operating cash inflows for fiscal year 2002 primarily resulted from the increase in financial results of Ps. 338.6 million, a decrease in investments for Ps. 18.1 million and in a decrease of receivables for Ps. 42.7 million. The operating cash inflows for fiscal year 2001 primarily resulted from operating gains of Ps. 8.8 million, a decrease in inventories totaling Ps. 58.6 and an increase in accrued interest of Ps. 61.8 million, partially offset by an increase in investment of Ps. 39.0 million.

Our investing activities resulted in net cash outflows of Ps. 37.5 million for fiscal year 2003, Ps. 19.6 million for fiscal year 2002 and net cash inflows of Ps. 81.8 million for fiscal year 2001. In fiscal year 2003 we made investments in our subsidiaries and equity investees for Ps. 31.7 millions primarily in APSA. In February 2002 we sold our investment in Brazil Realty for US$ 44.2 million. In fiscal years 2003, 2002 and 2001, we repurchased and/or invested in existing properties for Ps. 7.9 million, Ps. 27.0 million and Ps. 10.1 million, respectively. In fiscal year 2002, we also granted loans to related parties for Ps. 105.7 million.

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Our net cash provided by financing activities of Ps. 109.4 million for fiscal year 2003 was primarily due to the proceeds from short-term and long-term debt of Ps. 397.3 millions partially offset by the payment of short-term and long-term debt of Ps. 271.0 million. Our net cash used in financing activities of Ps. 42.6 million for fiscal year 2002 was primarily due to the payment of short-term debt partially offset by the income for new loans for Ps. 170.0 million. Net cash used in financing activities of. Ps. 185.0 million for fiscal year 2001 was primarily due to the repayment of short-term debt indebtedness and seller financing for Ps. 453.9 million and Ps. 90.3 million of cash paid to repurchase shares of our common stock outstanding, partially offset by Ps. 145.2 million proceeds from the sale of our Convertible Notes in December 2000 and Ps. 219.6 million proceeds from other short-term and long-term indebtedness.

After the restructuring of our existing debt and the issuance of the Convertible Notes we believe that we have a working capital that will enable us to take advantage of the opportunities available in the real estate market, as they arise.

In our opinion, our working capital is sufficient for our present requirements. In the event that cash generated from our operations is at any time insufficient to finance our working capital, we would seek to finance such working capital needs through new debt or equity financing or selective asset sales.

Our indebtedness

Our total outstanding debt as of June 30, 2003, amounted to Ps. 679.5 million, as compared to the Ps. 634.8 million as of June 30, 2002. Although this shows an increase of 7%, it is attributed to the consolidation as from fiscal year 2003 of 100% of APSA and the issue of Convertible Notes for US$ 100 million and US$ 50 million on behalf of our company and APSA, respectively. According to the consolidation APSA´s indebtedness is lower due to our holding of its Convertible Notes. Furthermore, it is worth noting that as of June 30, 2003, 87% of the total financial debt was long term, whereas in the previous year 100% of it was short term.

Pursuant to Decree No. 214/02, part of our indebtedness was pesified, although a large portion, governed by foreign laws continued to be U.S. dollar-denominated. Pesified indebtedness is to be adjusted by the CER index.

On May 24, 2000, we entered into a US$ 80.0 million Syndicated Loan Agreement (the Syndicated Loan Agreement) arranged by BankBoston N.A. Loans under this Syndicated Loan Agreement bear interest at three-month LIBOR plus a margin of 500 basis points.

Amounts owing under the Syndicated Loan Agreement were payable in U.S. dollars. Although final maturity on the loan agreement was on August 30, 2002, due to the continuing effects of economic recession, the unavailability of financing sources and the succession of recent governmental measures adversely affecting the normal operations of the banking and payments system, we could not make the scheduled payment on that date. As explained below we renegotiated this Syndicated Loan Agreement under new conditions.

On December 18, 2000, we issued US$ 43.5 million unsecured Class 2 Floating Rate Notes due December 24, 2001 (the Class 2 Floating Rate Notes). Proceeds from this issuance were used to repay certain outstanding short-term indebtedness. Our Class 2 Floating Rate Notes matured in December 2001, and we were unable to pay the principal then due. As a result of such non-payment, in December 2001, we entered into negotiations with the holders of our Class 2 Floating Rate Notes and to date have been able to obtain short-term deferrals of our obligation to pay such matured notes. On February 8, 2002, we agreed with our holders to replace the floating interest rate for an annual fixed interest rate of 12%. Pursuant to the most recent deferral, granted on October 31, 2002, the principal of and interest on our Class 2 Floating Rate Notes were due in full on November 14, 2002 and were further renegotiated as explained below. We also agreed with our holders on a capitalization of the interest due on October 31, 2002. On May 15, 2002, we repurchased from Banco Sudameris its participation in the mentioned Class 2 Floating Rate Notes of US$ 6.8 million.

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On November 15, 2002, we signed a Framework Refinancing Agreement (the Framework Refinancing Agreement) to refinance the Syndicated Loan Agreement of US$ 80.0 million and the Class 2 Floating Rate Notes amounting, at that time, to US$ 37.0 million through the following schedule:

US$ 13.6 million were paid in cash, reducing the principal;

US$ 15.0 million were swapped for Convertible Notes at a rate of 8% and maturing in the year 2007;

US$ 37.4 million in Secured Class 3 Floating Rates Notes (the Class 3 Floating Rate Notes) with a 90-day LIBOR rate plus 200 base points and maturing in the year 2009. These notes are secured by a first mortgage drawn out on some of our properties for an amount equivalent to 50% of the debt; and

US$ 51.0 million Unsecured Loan Agreement (the Unsecured Loan Agreement) expiring in the year 2009. 69% of this loan accrues interest at a ninety-day LIBOR rate plus 200 base points, whereas the remainder accrues interest at a phased fixed rate starting at 5.5% and reaching 6.5%.

The offer of Convertible Notes into our ordinary shares was successfully completed on November 21, 2002, for a total amount of US$ 100 million. These notes are accompanied by a warrant that offers the option to purchase additional shares. The subscription price was 100% of the face value of the Convertible Notes, which accrue interest at an annual 8% payable semiannually and maturing in November 2007. The conversion price is US$ 0.5450 per ordinary share, in other words each note may be swapped for 1.8349 ordinary shares. The funds generated by the issue were mainly allocated to the settlement and restructuring of the liabilities existent at the date, and to finance our working capital and for other general corporate purposes.

Due to the distribution of 4,587,285 treasury shares, we have adjusted the conversion price of our Convertible Notes according to the subscription clauses. The conversion price of the Convertible Notes decreased from US$ 0.5571 to US$ 0.5450 and the warrants price went from US$ 0.6686 to US$ 0.6541. Such adjustment was effective as from December 20, 2002.

As of December 16, 2003, the holders of our Convertible Notes exercised their conversion rights for the total 4,712,709 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 8,647,168 with a face value of Ps.1 each.

The number of Convertible Notes currently outstanding amounts to US$ 95,287,291, the number of warrants currently outstanding amounts to 100,000,000 while the number of our outstanding shares are 220,646,441.

On December 4, 2002, we paid off our debt with GSEM/AP Holdings, L.P. (Goldman Sachs) which amounted to US$ 16.3 million including the principal and accrued interest, with a total payment of US$ 11.1 million.

On July 19, 2002, APSA issued US$ 50.0 million Series I Convertible Notes (the Series I Convertible Notes), according to the resolution of the Ordinary and Extraordinary APSA Shareholders Meeting held on December 4, 2001. The terms of the issue included a conversion price that consists of the maximum between the face value of APSA common shares divided by the exchange rate and US$ 0.0324, which means that each Series I Convertible Note may be converted into approximately 30.8642 shares with a face value of Ps. 0.1 each, accruing an annual 10%

interest payable semiannually and with a subscription price of 100% of the principal of the notes. The issue of this instrument enabled APSA to prepay a significant portion of its debt, thus considerably improving its financial structure and schedule of payments.

On August 23, 2002, APSA successfully completed the placement of Series I Convertible Notes for US$ 50.0 million of which we have subscribed a total of US$ 27.2 million. In January 2003 we purchased an additional 3.4 million APSA shares, taking our current equity interest to 54.9%. We also acquired 2.6 million Series I Convertible Notes which, with the notes subscribed at the time of issue, lead to a total of 59.9% of the notes issued by our subsidiary.

On July 23, 2003, we made a prepayment to HSBC Bank Argentina S.A. of US$ 16 million under the US$ 51.0 million Unsecured Loan Agreement whose final expiration is in November 2009. This transaction involved a payment of US$ 10.9 million, representing 68% of the face value of the debt and a discount of US$ 5.1 million.

In January 2001, our subsidiary Hoteles Argentinos S.A., holder of 100% of the Hotel Sheraton Libertador, obtained a loan of US$ 12.0 million from BankBoston N.A. This loan expires in January 2006 and accrues a quarterly interest at the LIBOR rate plus a markup ranging between 401 and 476 basis points, according to the value of certain financial indicators. This loan was not converted to Pesos and is stated in U.S. dollars because it is governed by the laws of the State of New York. There are currently installments of the principal and interest that are overdue and unpaid, and we are negotiating the terms of payment of this liability. This loan is without recourse to us.

As of June 30, 2003, we had outstanding Collateralized Loans for a total amount of Ps.134.0 million, including accrued interests. The Collateralized Loans include several loans at fixed/variable rates ranging from 3.34% to 6.10%, with different maturities through November 2009. A total amount of Ps. 39.1 million debt is collateralized with a mortgage over the Sheraton Libertador Hotel. A total amount of US$ 37.4 million, which matures on November 20, 2009 and accrues quarterly interest payments at three-month LIBOR plus 200 basis points, is secured by several assets. As of June 30, 2003, we recorded a total balance of US$ 32.9 million, which corresponds to US$ 37.4 million discounted at a market rate equivalent to 8% p.a., accruing an annual interest rate of 1.34% at LIBOR.

The following table sets forth our debt as of June 30, 2003 (excluding APSA):

IRSA Debt	Principal (US$ MM) (1)	Interest Rate	Maturity
Unsecured Loan Agreement (2)	51.0	LIBOR + 200 bps	November 2009
Class 3 Floating Rate Notes	37.4	LIBOR + 200 bps	November 2009
Hoteles Argentinos Loan	12.0	LIBOR + 500 bps	January 2006
Total Debt	**100.4**		
Convertible Notes	100.0	8%	November 2007

(1) Accrued interests are not included.
(2) On July 23, 2003 we made an advance payment of US$ 16.0 million of face value for US$ 10.9 million.

APSA s indebtedness

On January 18, 2001, APSA issued US$ 120.0 million of secured Senior Notes (the Senior Notes) due on January 13, 2005 in three classes: (i) US$ 40.0 million of Class A-2 notes due January 13, 2005, at a corrected Badlar interest rate plus 395 basis points; (ii) US$ 5.0 million of Class B-1 notes, which APSA issued together with its wholly-owned subsidiary SAPSA, and which are due on January 13, 2005, at a 90-day LIBOR plus 475 basis points, and (iii) US$ 75.0 million of Class B-2 notes, which APSA issued together with SAPSA, maturing at various dates through January 13, 2005, at a corrected Badlar rate plus 395 basis points. The proceeds from this issuance were used to repay financial indebtedness, including outstanding mortgage-collateralized borrowings and other short-term debts. Additionally, during the third quarter of the fiscal year 2001, APSA redeemed US$ 2.5 million of the Class A-2 notes at 100% of par value. The payment of the total amount of the Senior Notes is guaranteed by a trust agreement pursuant to which all of the shares of SAPSA were transferred to a trust. The Trust Agreement was entered into on January 16, 2001 among APSA and Ritelco, as shareholders of SAPSA and as Trustors, RioTrust S.A., as trustee, and the holders of the Senior Notes as beneficiaries.

Interest on both classes are paid on a quarterly basis as from April 18, 2001.

On April 7, 2000, APSA issued the Ps. 85.0 million Notes (the Ps. 85.0 million Notes) due April 7, 2005 at a 14.875% annual rate, payable semiannually. Proceeds from this issuance were used to repay certain outstanding syndicated loan and other short-term financial debt. During March 2001 and June 30, 2003, APSA redeemed Ps. 35.4 million historical pesos, at different prices below par. After subtracting our holding, the aggregate outstanding amount for such notes as of October 31, 2003 was Ps. 49.6 million.

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On March 30, 2000, in connection with the issuance of Ps. 85 million Notes, APSA entered into a swap agreement with Morgan Guaranty Trust in order to reduce the related financing cost. This swap agreement initially allowed APSA to reduce the net cost of its debt. However, due to the Argentine economic crisis, the political instability, and the depreciation of the Argentine public debt, there was a substantial negative deviation of the performance of the swap agreement that required the modification of the original terms. Under the terms of the revised agreement, APSA agreed to pay US$ 69.1 million on March 30, 2005 and will receive Ps. 69.1 million on such date. As collateral for its payment obligations under the modified agreement, APSA was required to make a deposit of US$ 50 million with the counterparty. APSA is not required to make additional deposits until maturity. An additional payment at maturity could be required depending on the prevailing exchange rate between the Peso and the U.S. dollar. Thus, a continued devaluation of the Peso against the US dollar and/or an increase in interest rates would increase its loss which could be material. As of June 30, 2003 this modified swap agreement was accounted for at its fair market value resulting in a recognition of a liability of US$ 47 million. The line item Interest rate swap receivable included within Other receivables and prepaid expenses, net represents the net amount of the US$ 50 million deposited as collateral and the US$ 47 million payable under the swap agreement.

In order to finance the US$ 50 million collateral deposit and the subsequent transactions related to the swap, APSA entered into loan agreements with us and Parque Arauco S.A. As of June 30, 2002 its debt with us and Parque Arauco S.A. under those loan agreements amounted to Ps. 40.6 million and Ps. 20.4 million respectively.

In addition, between May and July 2002, our company and Parque Arauco S.A. granted to APSA loans for US$ 10.1 million and US$ 4.9 million respectively. The annual interest rate for such loans was 10%. The funds obtained under these loans have been used to fully cancel APSA short-term bank debt for the total amount of Ps. 4.8 million plus the accrued CER adjustment.

The amounts APSA owed under the loans which were granted to APSA from us and Parque Arauco, were used by us and Parque Arauco to subscribe to the APSA offering of US$ 50.0 million Series I Convertible Notes on August 20, 2002 (the Series I Convertible Notes). We and Parque Arauco subscribed for US$ 27.2 million and US$ 15.2 million respectively of APSA´s Series I Convertible Notes. As of September 30, 2001, APSA begun to be in non-compliance with certain financial covenants with respect to the US$ 120 million Senior Notes due in 2005 and the Ps. 85.0 million Notes due in 2005. Nevertheless, during fiscal year 2003, APSA met all of its financial covenants.

In addition, non compliance with certain financial covenants mentioned above, APSA has not made certain payments for an aggregate amount of Ps. 21.7 million under APSA Class A and B-2 Senior Notes which where scheduled to be paid on January 14, 2002. However, on January 16, 2002 and March 15, 2002, the holders of Senior Notes unanimously approved certain waivers and deferrals of accrued interests and scheduled principal payments until July 17, 2002. On June 24, 2002, APSA agreed with the holders of its Class A and B-2 Senior Notes, that APSA would pay all interest owed and the amortization coupon which originally matured in January 2002, prior to July 17, 2002. Such payment would receive approximately a 20% discount. As of July 17, 2002, all interest owed and the amortization coupon under APSA Class A and B-2 Senior Notes that matured in January 2002, had been fully paid.

The Public Emergency Law, enacted on January 6, 2002 and Decree No. 214/02 of the National Executive Branch established the conversion to Pesos of all loans and agreements in effect that had been agreed in U.S. dollars or any other foreign currency at the exchange rate of Ps. 1.00 = 1.00 U.S. dollar (US$ 1.00). The pesification of debts affected APSA´s Senior Notes (US$ 117.5 million), short-term bank debt (US$ 44.6 million) and the loans with its majority shareholders. Such agreements and loans have been adjusted as from February 3, 2002 by the CER Thus if there were a severe inflationary process, APSA´s debt would be significantly increased.

With respect to interest rates, Argentine Central Bank Communication A 3507 dated March 13, 2002 established a fixed interest rate between 6% and 8% to debts issued by companies under Argentine law. This resolution affected APSA´s Senior Notes (Ps. 132.0 million) and its short-term bank debt (Ps. 50.11 million).

On June 9, 2003 APSA signed a Compensation Agreement with the only holder of Senior Notes, reducing the negative impact that the pesification of contracts had on this holder. APSA has extended the original schedule of payments remaining as follows: On January 13, 2004 and on January 13, 2005 APSA will pay US$ 1.25 million and US$ 3.75 million, respectively.

On July 19, 2002 APSA issued US$ 50 million of Series I Convertible Notes which are convertible into shares of its common stock at the holder s option. The offer was subscribed in full.

The terms of these Series I Convertible Notes include (i) a conversion price that consists of the maximum between the face value of APSA common stock (Ps. 0.10) divided by the exchange rate and US$ 0.0324, which means that every Series I Convertible Note is potentially convertible into approximately 30.8642 shares of APSA´s common stock with a face value of Ps. 0.10 each (ii) an accrual of a 10% annual interest rate payable semi-annually and (iii) a subscription price of 100% of the principal amount of the Convertible Note. The Series I Convertible Notes, mature on July 19, 2006. Raymond James Argentina Sociedad de Bolsa S.A. acted as subscription and placement agent.

In the event that all the bondholders were to convert their Series I Convertible Notes, APSA´s share capital would increase from 704,829,745 as of June 30, 2003 shares to 2,242,675,255 shares.

As of December 16, 2003, the holders of Series I Convertible Notes exercised their conversion right, for a total amount of 669,144 units with a face value of US$ 1 each, receiving 19,902,543 common shares with a face value of Ps. 0.1 each.

The number of Series I Convertible Notes currently outstanding amounts to US$ 14,330,856, while the number of APSA´s shares were 719,902,543.

The issuance of APSA´s Series I Convertible Notes has allowed APSA to repay an important portion of its existing debt. The proceeds of this offering have been allocated to fully repay (i) loans from its major shareholders for approximately US$ 33.1 million, and (ii) US$ 16.8 million (plus the accrued CER adjustment) which APSA owed under its Senior Notes and under which they obtained discounts for up to 25%.

The early redemption of debt during fiscal year 2003, allowed APSA to recognize a gain of Ps. 19.8 million for the year ended June, 30 2003.

On February 17, 2003, APSA entered into a repurchase agreement (the Repurchase Agreement) with us and Parque Arauco Argentina S.A. in which each company granted to APSA loans for Ps. 4.2 million and Ps. 2.1 million, respectively. According to the Repurchase Agreement, APSA made a collateral deposit of Ps. 5.5 million nominal value of Class A-2 Senior Notes and Ps. 10.0 million nominal value of Class B-2 Notes with us and other of Ps. 2.8 million nominal value of Class A-2 Senior Notes and Ps. 5.0 million nominal value of Class B-2 Senior Notes with Parque Arauco Argentina S.A. On December 6, 2003, APSA agreed to repurchase the securities at a price of Ps. 4.4 million and Ps. 2.2 million to us and Parque Arauco Argentina S.A., respectively. APSA expects to obtain a renewal upon expiration.

Furthermore, during the year ended June 30, 2003, APSA met all its financial commitments relating to its outstanding notes.

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During the year ended June 30, 2003 APSA was in compliance with the financial covenants under the indentures of the APSA Senior Notes and the Ps. 85.0 million Notes. The following table shows APSA´s outstanding debt as of June 30, 2003 (Accrued interest are not included):

	Ps.	US$[(1)]	Interest Rate	Maturity
Senior Notes Class A-2 and B-2	22,806,334	8,145,119	8% + CER	January 2005
Senior Notes Class B-1	14,000,000	5,000,000	Libor + 475 Bps.	January 2005
Ps. 85.0 million Notes	49,621,000	17,721,786	14.88%	April 2005
Shareholders loans	6,412,456	2,290,163		January 2004
Subtotal	**92,839,790**	**33,157,068**		
Series I Convertible Notes	139,561,845	49,843,516	10%	January 2006
Total Debt	**232,401,635**	**83,000,584**		

(1) 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 2003, which was Ps. 2.8 per US$1.0. We make no representation that the 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 .

Capital expenditures

During the fiscal year ended June 30, 2003 we had capital expenditures of Ps. 39.6 million. We made investments in our subsidiaries and equity investees of Ps 31.7 millions primarily in APSA. We also made investments in fixed assets of Ps. 7.6 million among which we can highlight fixed assets belonging to the shopping center and hotel segment. In addition we made investments in undeveloped parcels of land of Ps. 0.2 million

During the fiscal year ended June 30, 2002 we had capital expenditures of Ps. 48.7 million. We made investments in fixed assets of Ps. 27.0 million primarily to the acquisition of Costeros Dique IV in the office segment of Ps. 20.6 million and in undeveloped parcels of land of Ps. 3.4 million primarily in Dique III of Ps. 2.5 million and in our subsidiaries and equity investees of Ps. 21.7 million.

During fiscal year ended June 30, 2001 we had capital expenditures of Ps. 68.9 million. We made investments in related companies of Ps. 58.8 million primarily in Brazil Realty of Ps. 15.5 million, APSA of Ps. 13.4 million and Latin American Econetworks of Ps. 11.5 million. We also made investments in fixed assets of Ps. 7.6 million primarily to the acquisition of a property in the office segment of Ps. 2.7 million and in the hotels segment of Ps. 2.8 million. We also invested Ps. 2.5 million in undeveloped parcels of land.

We believe that the restructuring of our existing debt, the issuance of our Convertible Notes and the sale of non-core assets, together with our cash generating activities, have provided us with the working capital necessary to cover our needs and invest as opportunities may arise.

Sales

Sale of the Piscis Hotel in Valle de Las Leñas. In March 2003, we sold the Piscis Hotel and our stake in *Valle de Las Leñas S.A.* of US$ 7.7 million.

U.S. GAAP Reconciliation

U.S. GAAP Reconciliation The accounting principles applied in Argentina vary in certain significant respects from accounting principles applied in the United States. Application of accounting principles generally accepted in the United States (U.S. GAAP) would have affected the determination of amounts shown as net income (loss)income for each of the three years in the period ended June 30, 2003, and the amounts of total shareholders equity as of June 30, 2003 and 2002 2002, to the extent summarized in Note 21 to the financial statements.

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are related to the following:

(i) the impact of certain U.S. GAAP adjustments on equity investees;

(ii) the accounting for marketable securities;

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(iii) the accounting for derivatives and hedging activities;

(iv) the accounting for options to acquire marketable securities;

(v) the accounting for the non-contributory management stock ownership plan;

(vi) the application of different useful lives for depreciation purposes;

(vii) the deferral of certain preoperating and organization expenses under Argentine GAAP which are expensed as incurred under U.S. GAAP;

(viii) the accounting for a mortgage payable with no stated interest;

(ix) the accounting for securitization programs;

(x) the application of certain U.S. GAAP adjustments to the estimation of the fair value of net assets acquired;

(xi) the accounting for securitization programs;

(xii) the accounting for available for sale securities;

(xiii) the present-value accounting;

(xiv) the restoration of previously recognized impairment losses accounting;

(xv) the accounting for convertible notes;

(xvi) the accounting for troubled debt restructuring;

(xvii) the accounting for the appraisal revaluation of fixed assets;

(xviii) the accounting for deferred charges;

(xix) the amortization of fees related to the Senior Notes;

(xx) the accounting for software obtained for internal use;

(xxi) the accounting for changes in interest in consolidated affiliated companies;

(xxii) the differences between the price-level restated amounts of assets and liabilities and their historical basis, that under Argentine GAAP, are treated as permanent differencescertain differences in accounting for deferred income tax calculation purposes while under US GAAP are treated as temporary differences. In addition, the US GAAP adjustment effecttaxes and the effects on deferred incometax of the foregoing taxes of the above-mentioned reconciling items; and

(xxiii) items, and the effect on minority interest of the foregoing above-mentioned reconciling items, as appropriate.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 21 to our annual financial statements as of June 30, 2003 and 2002 and for the three years in the period ended June 30, 2003,2002 and 2001, included elsewhere in this annual report for details.

Net income (loss) under Argentine GAAP for the years ended June 30, 2003, 2002 and 2001 was approximately Ps. 286.4 million, Ps. (543.7) million, and Ps. (41.8) million, respectively, as compared to approximately Ps. 191.2 million, Ps. (731.4) million and Ps. 22.5 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of June 30, 2003 and 2002, was Ps. 809.2 million and Ps.522.7 million, respectively, as compared to Ps. 630.7 million and Ps. 370.2 million, respectively, under U.S. GAAP.

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APSA S U.S. GAAP Reconciliation

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are the following:

(i) the recognition of revenue for sales of development properties under fixed-priced construction contracts following the percentage-of-completion method under Argentine GAAP while revenue is recognized under the installment method under U.S. GAAP;

(ii) the appraisal revaluation of certain fixed assets under Argentine GAAP while fixed assets are valued at cost under U.S. GAAP;

(iii) the deferral of certain preoperating and advertising expenses under Argentine GAAP which are expensed as incurred under U.S. GAAP;

(iv) the treatment of expenses incurred for the development of web sites under the provisions of EITF 00-02;

(v) the treatment of expenses incurred for the development and acquisition of software under the provisions of SOP 98-1;

(vi) the application of certain U.S. GAAP adjustments to the estimation of the fair value of net assets acquired;

(vii) the impact of certain U.S. GAAP adjustments on our equity investees;

(viii) the accounting for changes in interest in unconsolidated affiliated companies;

(ix) the accounting for changes in interest in consolidated affiliated companies;

(x) the accounting for securitized credit card receivables in accordance with SFAS No. 140;

(xi) the accounting for available-for-sale securities;

(xii) the deferral of certain costs under Argentine GAAP which are expensed as incurred under U.S. GAAP;

(xiii) the amortization of fees related to the Senior Notes,

(xiv) the present-value accounting of asset tax credits;

(xv) the restoration of previously recognized impairment losses;

(xvi) the differences between the price-level restated amounts of assets and liabilities and their historical basis, that under Argentine GAAP, are treated as permanent differences for deferred income tax calculation purposes while under US GAAP are treated as temporary differences. In addition, the US GAAP adjustment effect on deferred income tax of the foregoing reconciling items, and

(xvii) the effect on minority interest of the foregoing reconciling items.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 17 to the consolidated financial statements included elsewhere in this annual report for details.

Net income (loss) under Argentine GAAP for the years ended June 30, 2003, 2002 and 2001 was approximately Ps. 77.4 million, Ps. (11.4) million and Ps. (37.1) million, respectively, as compared to approximately Ps. 63.9 million, Ps. (161.8) million and Ps. (14.2) million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of June 30, 2003 and 2002 was Ps. 759.2 million and Ps. 681.4 million, respectively, as compared to Ps. 594.7 million and Ps. 530.3 million, respectively, under U.S. GAAP.

C. Research and Development, Patents and Licenses, etc.

This item is not applicable.

D. Trend Information

After the recession that hit the Argentine economy for the last few years, some signs of recovery begun to arise at the end of 2002. The appreciation of the exchange rate, the price stability and the increase of industrial production were some of the signs that depicted a promising economic outlook for 2003. Furthermore, the presidential elections in the second quarter of 2003 brought some political stability to the country. During 2003, the exchange rate and inflation followed a steady path, whilst the economic recovery showed acceleration, indicating a projected growth of 7.1% for the year.

We are positioned within our business segments to spearhead the process of growth of the Argentine economy. We believe that our portfolio of assets, made up of our majority interest in the leading shopping mall operator in Argentina, APSA, our reserves of land available for future development, our portfolio of office buildings, which are beginning to gradually recover historical occupancy levels after remaining at a floor of 60% during the crisis, and our portfolio of hotels, together with our long-term financial structure, current liquidity, and the strong confidence demonstrated by shareholders, may allow us to take advantage of future business opportunities.

Even though we expect the positive economic trends to continue, we cannot assure this to happen. Our business is largely affected by economic downturns. Any decrease in investment and consumption decisions could cause a reduction in retail sales, sales of real state and demand for office and commercial space.

Development and sale of properties

The lack of financial asset investment alternatives because of their low yields and the uncertainty regarding the future evolution of the exchange rate has encouraged the public to invest in safe assets such as real estate. These factors have favored our sales in this sector, enabling us to complete the sale of practically all of our developed projects. Furthermore, our current financial structure together with a positive outlook of the evolution of the Argentine economy and the significant portion of undeveloped land ready to use, allow us to continue to plan the launching of new developments.

We consider that now is the time to take advantage of the gap that has arisen from the drop in construction prices that was not reflected in the price of apartments for sale intended for the ABC1 socio-economic sector. Given the current unavailability of credit for the purchase of housing, our next projects are likely to be directed at the high-income segment.

We are expecting the launching of Cruceros Dique 2 in the first months of 2004. Furthermore, we begun the construction on San Martín the Tours in December 2003 and we plan to start selling the units in late 2004. We also began the construction of the first stage of Project Rosario, which will include the construction of the first shopping centers in that city.

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Offices and other non-shopping center rental properties

The economic and legal measures implemented by the governments as from December 2001, have forced rental contracts, formerly denominated in U.S. dollars, to be restated in Pesos.

Following the recovery of the economy, we have applied the CER Index to our outstanding contracts, a coefficient which is being negotiated between owners and tenants, upon the nominal values in Pesos agreed upon. Additionally, we have begun to implement U.S. dollar-denominated lease agreements with a floating band so that in the case of a downturn in the exchange rate, the parties may renegotiate such leases by mutual agreement.

The occupancy rate for our property is above average for the market. Following the severe economic crisis, several companies were obliged to reduce their costs and transfer their offices to surrounding areas where costs were lower, with a damaging impact on this segment. Nevertheless, in the last months we have begun to detect a recovery, and it is likely that those companies with export-oriented businesses that have benefited from the high rate of exchange move back to occupy class A office space in the search for increased security, taking advantage of the drop in prices.

Shopping centers

According to the new economic and political scenario, we adapted our proposals to new customers and generated new offers in our shopping centers. We were successful in attracting to our shopping centers the growing flow of tourists visiting Argentina through actions in hotels, ports and airports. In addition, we carried out advertising campaigns both locally and internationally.

This transformation generated demand from potential tenants and enabled us to select an improved standard of client and a tenant mix in line with the nature of each shopping center. Tenants also invested large sums in the development of new commercial proposals, improving the offer at each shopping center.

As a result, as of June 30, 2003 we were able to achieve an average occupancy rate of 95.8% of the gross area of our shopping centers, an improvement on the occupancy rates prior to the crisis. Likewise, sales by our tenants in nominal terms grew during the period by 41.9%, equivalent to an increase of 8.2% in values adjusted per inflation. This performance allowed us to further widen the efficiency gap with our market competitors.

Following this recovery in occupancy and sales, we adjusted our rental charges, widening the application of the CER reference stabilization index, increasing key-money for new tenants and raising charges in terms of percentages of tenant sales. In a similar manner, we continued with the process of reducing bad debts.

In December 2003, we launched project Rosario, which will include the construction of the first shopping center in that city.

Even though we cannot assure the positive economic conditions to be maintained, we expect them to continue, allowing us to keep benefiting from them.

Hotels

The hotel segment has been benefiting from the devaluation of the peso, as Argentina has been receiving a growing influx of tourists. Given the favorable conditions, the Government is actively promoting tourism, generating a significant inflow of hard currency from this activity. The cumulative average occupancy rate for our hotels has recorded an increase and the average rates have risen. The Llao Llao Hotel, which has one of the highest room rates in Argentina, has become renowned as a high-category resort unique in Argentina because of both its services and its location.

E. Off-Balance Sheet Arrangement

There is no transactions, agreements or other contractual agreements to which an entity unconsolidated with us is a party that is not currently reflected on our balance sheet.

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F. Tabular Disclosure of Contractual Obligations

This section is not applicable.

G. Safe Harbor

This section is not applicable.

ITEM 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Composition of the Board of Directors

We are managed by a board of directors which is composed of seven directors and four alternate directors. Our directors and alternate directors are elected for three-year terms by our shareholders by a majority vote at a general ordinary shareholders meeting. Our directors and alternate directors may be reelected indefinitely.

Our current board of directors was elected at a shareholders meeting held on October 31, 2003. Our director and vice-chairman M. Marcelo Mindlin has resigned as from December 1, 2003. As of the date of this annual report the board of directors has not yet elected a new member to replace Mr. Mindlin. Our current directors are as follows:

Name	Date of birth (m/d/y)	Occupation in IRSA	Date of current appointment	Term expiration	Current position held since
Eduardo S. Elsztain	01/26/1960	chairman, member of the executive committee and chief executive officer.	2003	2006	1991
Saúl Zang	12/30/1945	vice-chairman and member of the executive committee.	2003	2006	1994
Oscar P. Bergotto	06/19/1943	director, chief treasury officer and alternate member of the excutive committee.	2003	2006	1994
Fernando A. Elsztain	01/04/1961	director and chief commercial officer.	2002	2005	1999
Alejandro G. Elsztain	31/03/1966	director.	2001	2004	2001

Cedric D. Bridger	11/09/1935	director.	2003	2006	2003
Marcos Fischman	04/09/1960	director.	2003	2006	2003
Salvador D. Bergel	04/17/1932	alternate director.	2002	2005	1996
Juan C. Quintana Terán	06/11/1937	alternate director.	2002	2005	1996
Gabriel A.G. Reznik	11/18/1958	alternate director and chief technical officer.	2002	2005	1999
Emilio Cárdenas	08/13/1942	alternate director.	2003	2006	2003

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The following is a brief biographical description of each member of our board of directors:

Eduardo S. Elsztain. Mr. Elsztain studied accounting at the Universidad de Buenos Aires. He has been engaged in the real estate business for more than twenty years. He is the Chairman of the board of directors of APSA, SAPSA, Hoteles Argentinos and Cresud among others; he is also Vice-Chairman of Banco Hipotecario and E-Commerce Latina S.A. He is Fernando A. Elsztain s cousin and Alejandro G. Elsztain s brother.

Saúl Zang. Mr. Zang obtained a degree in law from the Universidad de Buenos Aires. He is founding partner of the law firm Zang, Bergel & Viñes. He is also the Vice-Chairman of Cresud and Vice-Chairman of Puerto Retiro and Fibesa; director of APSA, Banco Hipotecario, Nuevas Fronteras S.A., Tarshop and Palermo Invest S.A.; and alternate director of SAPSA.

Oscar P. Bergotto. Mr. Bergotto is the Chief Treasury Officer of our company since 1991. He has also worked in various other real estate companies. He is an alternate director of APSA.

***Fernando A. Elsztain*.** Mr. Elsztain studied architecture at the Universidad de Buenos Aires. He has been our Chief Commercial Officer since March 1994. He has been engaged in the real estate business as consultant and as managing officer of a familiar real estate company. He is Chairman of the board of directors of Llao Llao Resorts S.A., Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of APSA, Hoteles Argentinos and Tarshop and alternate director of Banco Hipotecario and Puerto Retiro among others. He is the cousin of Alejandro Elsztain and Eduardo S. Elsztain.

***Alejandro G. Elsztain*.** Mr. Elsztain obtained a degree in agricultural engineering from the Universidad de Buenos Aires. He is Chairman of Inversiones Ganaderas and director of APSA and Cresud. He is the brother of our Chairman Eduardo S. Elsztain and is the cousin of our Director, Fernando A. Elsztain.

Cedric D. Bridger. Mr. Bridger is qualified as a certified public accountant in the United Kingdom. From 1992 through 1998, he served as Chief Financial Officer of YPF S.A. Mr. Bridger was also Financial Director of Hughes Tool Argentina, Chief Executive Officer of Hughes Tool in Brazil and Hughes Corporate Vice President for South American Operations. He is Director of Banco Hipotecario.

Marcos Fischman. Marcos Fischman is pioneer in individual and corporate coaching in Argentina. He studied at the Hebrew University of Jerusalem. He provides consulting services to businessmen, scholars and artists. Since 1993, he is with our company providing consulting services in organizational communication and development.

Salvador D. Bergel. Mr. Bergel obtained a degree in law and a Ph.D. in law from the Universidad del Litoral. He is a founding partner of the law firm Zang, Bergel & Viñes and a consultant to Repsol YPF S.A. He is also an alternate director of Cresud.

Juan C. Quintana Terán. Mr. Quintana Terán obtained a degree in law from the Universidad de Buenos Aires. He is a consultant of the law firm Zang, Bergel & Viñes. He has been Chairman and Judge of the National Court of Appeals of the city of Buenos Aires dealing in commercial matters. He is an alternate director of Cresud; Banco Hipotecario and Nuevas Fronteras S.A.

Gabriel A. G. Reznik. Mr. Reznik obtained a degree in civil engineering from the Universidad de Buenos Aires. He has been working for our company since 1992. He formerly worked for an independent construction company in Argentina. He is director of APSA; Emprendimientos Recoleta, Inversora Bolívar, Puerto Retiro and Nuevas Fronteras S.A. and alternate director of Banco Hipotecario among others.

Emilio J. Cárdenas. Mr. Cárdenas obtained a degree in law from the Universidad de Buenos Aires and a master s degree in law from the University of Michigan. He has been a member of our board of directors of our company since 1996. He was the President of ABRA, a founding partner at the law firm of Cárdenas, Cassagne & Asociados, Argentina s Permanent Representative to the United Nations, a member of United Nations Security Council and is currently a member of the board of directors of HSBC Banco Roberts.

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Employment Contracts with our Directors

We do not have any employment contracts with our directors, except for Messrs Elsztain, Zang and Bergotto, as disclosed further under the Compensation caption.

Executive Committee

Pursuant to our bylaws, our day-to-day business is managed by an executive committee consisting of five directors among which, there should be the chairman, first vice-chairman and second vice-chairman of the board of directors. The current members of the Executive Committee are Messrs. Eduardo S. Elsztain, Saúl Zang, and Mr. Oscar Bergotto. As a consequence of the resignation of M. Marcelo Mindlin our Board of directors is currently in process of designating new members of the executive committee. The executive committee is responsible for the management of the day-to-day business delegated by the Board of Directors in accordance with applicable law and our bylaws. Our bbylaws authorize the executive committee .

designate the managers and establish the duties and compensation of such managers;

grant and revoke powers of attorney on behalf of us;

hire, discipline and fire personnel and determine wages, salaries and compensation of personnel;

enter into contracts related to our business;

manage our assets;

enter into loan agreements for our business and set up liens to secure our obligations; and

perform any other acts necessary to manage our day-to-day business.

Supervisory Committee

Composition of the Supervisory Committee

The supervisory committee (*Comisión Fiscalizadora*) is responsible for reviewing and supervising our administration and affairs, and verifying compliance with the bylaws and the resolutions adopted at shareholders meetings. The members of the supervisory committee, the syndics, are appointed at the annual general ordinary shareholders meeting for a one-year term. The supervisory committee is composed of 3 members and 3 alternate members.

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Information about Members of the Supervisory Committee

The following table shows information about the members of our supervisory committee, who were elected at the ordinary and extraordinary shareholders meeting held on October 31, 2003:

Name and position	Date of birth (m/d/y)	Position in IRSA	Current position held since
Martín Barbafina	09/03/1965	member	1997
José D. Abelovich	07/20/1956	member	1992
Marcelo H. Fuxman	11/30/1955	member	1992
Diego Niebuhr	02/10/1953	alternate member.	2002
Roberto Murmis	04/07/1959	alternatemember	2003
Silvia De Feo	10/07/1958	alternate member	2003

Set forth below is a brief biographical description of each member of our supervisory committee.

Martín Barbafina. Mr. Barbafina obtained a degree in accounting from the Universidad Católica Argentina. He is a partner of Price Waterhouse & Co. a member firm of PricewaterhouseCoopers. He is also a member of the supervisory committee of APSA, Cresud*,* Metrovías S.A. and Grupo Concesionario del Oeste.

José D. Abelovich. Mr. Abelovich obtained a degree in accounting from the Universidad de Buenos Aires. He is a founding member and partner of Abelovich, Polano & Asociados/SC International, a public accounting firm in Argentina. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the supervisory committees of APSA, SAPSA, Hoteles Argentinos and Inversora Bolívar.

Marcelo H. Fuxman**.** Mr. Fuxman obtained a degree in accounting from the Universidad de Buenos Aires. He is a partner of Abelovich, Polano and Associates/SC International, a public accounting firm in Argentina. He is also a member of the supervisory committee of APSA, SAPSA and Inversora Bolívar.

Diego Niebuhr. Mr Niebuhr obtained a degree in accounting from the Universidad de Buenos Aires. He is a partner of Price Waterhouse & Co. a member firm of PricewaterhouseCoopers. He is also a member of the supervisory committee of Cresud, Commercial Union S.A., Ford Credit Cía Financiera S.A., Nutricia Bagó S.A., Ace Seguros and Epson Argentina S.A.

Roberto Murmis. Mr. Murmis holds a degree in accounting from the Universidad de Buenos Aires. Mr. Murmis is a partner at Abelovich, Polano & Asociados / SC International. He worked for Harteneck, López y Cia./Coopers & Lybrand in the tax department. Mr. Murmis worked as an advisor to the *Secretaría de Ingresos Públicos*. Furthermore, he is a member of the supervisory committee of Futuros y Opciones S.A. and Llao Llao Resorts S.A.

Silvia De Feo. Mrs. De Feo obtained a degree in accounting from the University of Belgrano. She is a manager at Abelovich, Polano & Asociados/ SC International, an accounting firm in Argentina and former senior at Harteneck, Lopez & Cia./Coopers & Lybrand. She is also a member of the Supervisory Committees of Inversora Bolivar S.A. and Baldovinos S.A.

Senior Management

Appointment of the Senior Management

The board of directors appoints and removes the senior management. The senior management performs its duties in accordance with the instructions of the board of directors.

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Information about Senior Management

The following table shows information about our current Senior Management:

Name	Date of birth (m/d/y)	Position	Current position held since
Eduardo S. Elsztain	01/26/1960	Chief Executive Officer	1991
David A. Perednik	11/15/1957	Interim Chief Financial Officer	1993
Gabriel A. G. Reznik	11/18/1958	Chief Technical Officer	1992
Fernando A. Elsztain	01/04/1961	Chief Commercial Officer	1994
Oscar P. Bergotto	06/19/1943	Chief Treasury Officer	1991

Mr. Perednik was appointed by the board of directors as interim chief financial officer at a meeting held on November 26, 2003.

The following is a description of each of our senior managers who are not directors:

David A. Perednik. Mr. Perednik obtained a degree in accounting from the Universidad de Buenos Aires. He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as Financial Manager from 1986 to 1997. He also worked as a Senior Consultant in the administration and systems department of Deloitte & Touche from 1983 to 1986. He serves as Administrative Officer at Cresud since 1997.

B. Compensation

Compensation to Directors and Supervisory Committee

Under Argentine law, if the compensation of the members of the board of directors and the supervisory committee is not established in the bbylaws of a company, it should be determined by the shareholders meeting. The maximum amount of total compensation of the members of the board of directors and the supervisory committee, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders, and will be increased proportionally to the distribution.

When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders meeting may approve compensation in excess of the above mentioned limits. The compensation of our directors for each fiscal year is determined pursuant to the Argentine corporations law, taking into consideration if the directors perform technical or administrative activities and our fiscal year s results, their responsibilities, the amount of time devoted to their functions, their capability, their professional reputation and the market value of the services they perform. Once the amounts are determined, they are considered by the shareholders meeting.

Provisions have been made for compensations of the members of our board of directors for the fiscal year ended 2003, for an amount of Ps.6.0 million as approved by our shareholders meeting held on October 31, 2003. The members of the supervisory committee renounced to collect their fees for the fiscal year ended 2003.

Compensation to Senior Management.

We pay our senior management pursuant to a fixed amount established taking into consideration their background, capacity and experience as well as an annual bonus which varies according to their individual performance and our overall results.

The aggregate cash compensation of our senior management for the fiscal year ended 2003, was Ps. 631,714.

Executive Employment Agreements

On October 30, 1997, our shareholders authorized us to enter into Master Executive Employment Agreements with Eduardo S. Elsztain, M. Marcelo Mindlin, Saúl Zang and Oscar P. Bergotto. The Employment Agreements were executed on December 27, 1997 and our shareholders approved their subscription at an extraordinary shareholders meeting held on April 7, 1998.

Pursuant to the Employment Agreements, Messrs. Elsztain, Mindlin, Zang and Bergotto served in their current capacity as director or senior manager; and were restricted from participating in real estate activities in Argentina that are in the same line of our business.

Under this employment agreements, Messrs. Elsztain, Mindlin, Zang and Bergotto were entitled to receive from us annual compensation in the aggregate of approximately Ps. 750,000, subject to an annual 4% increase.

The initial term of this employment agreements is seven years; however, the agreements may be terminated prior to their expiration by us or the relevant executive. If we terminate the employment agreements without cause, we will be liable to the relevant executive for two years of compensation. The Executive Employment Agreement with Mr. M. Marcelo Mindlin was terminated as a consequence of its resignation as director of our company.

Management Ownership Plan

On October 30, 1997 our shareholders authorized us to enter into a management ownership plan with eight executive officers (the Beneficiaries), pursuant to which the Beneficiaries were granted the right to purchase up to 24 million shares of common stock (the Participation Shares), at a purchase price equal to Ps. 1 per share, subject to the implementation of an Equity Participation Agreement (EPA). Under Argentine Law, we established a special purpose trust in this connection (the Trust).

The Beneficiaries were required to purchase the Participation Shares available, if any, within 24 months of any capital increase. The Trust has an original term of six years. According to the terms of the management ownership plan and the Trust, Beneficiaries are not entitled to receive any distributions (either in the form of shares, cash or other) from the Trust during its term, although, Beneficiaries are allowed to cause the Trust to sell their designated shares of common stock held by the Trust in certain cases. In addition, we were not allowed to grant any loans or otherwise assist the Beneficiaries in financing the purchase of the Participation Shares. On April 7, 1998, our shareholders, at an extraordinary shareholders meeting, approved a capital increase of 24 million shares to permit the Beneficiaries to purchase all of the Participation Shares to which they were entitled under the EPA. As of June 30, 1998, the EPA had not yet been implemented. On October 1, 1998, we issued 21,090,024 shares to be subscribed by the Beneficiaries and, on August 31, 1999, we and the Beneficiaries entered into a Subscription Agreement pursuant to which the Beneficiaries purchased the abovementioned amount of shares at Ps. 1 per share, in the following proportions: Eduardo S. Elsztain, 56.66%; M. Marcelo Mindlin, 10.00%; Saúl Zang, 5.00%; Ricardo Torres, 6.67%; A. Gabriel Juejati, 6.67%; Gabriel A. G. Reznik, 5.00%; Fernando A. Elsztain, 6.67%; and Oscar P. Bergotto, 3.33%.

On May 31, 2001, we entered into a Confidential Separation Agreement and General Release (the Agreement) with Ricardo Torres, our former Chief Financial Officer, pursuant to which we and Ricardo Torres set forth our mutual agreement with respect to all matters relating to the Ricardo Torres s resignation and cessation of employment and the Ricardo Torres s release of claims upon the terms set forth therein. In consideration of the mutual promises and agreements, we and Mr. Torres agreed that Mr Torres would resign as chief financial officer, we would pay Mr. Torres a lump sum cash amount equal to Ps. 125,447 and would also be entitled to continued coverage for him and his dependants under our medical and dental plans for a period of up to six months following his termination.

As the result of the sale and reallocation of Mr. Torres shares in the trust, the interests of Mr. Eduardo S. Elsztain and Mr. Saúl Zang in the shares in the trust increased to 61.66% and 6.67%, respectively.

According to the terms of the Trust, on October, 2002 7,718,701 shares of the Beneficiaries were sold. As a result, there were only 111,575 shares remaining in hands of the Beneficiaries. On February 2003 the Trust was liquidated according to its terms. Consequently, the remaining shares were distributed, on a pro rata basis, among the Beneficiaries.

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Benefit Plans

Currently there are no variable compensations; no plans providing for pension, retirement; nor any other kind of compensation or remuneration that the ones described for the members of the board of directors, supervisory committee and senior management.

C. Board Practices

Benefits upon Termination of Employment

Under the Executive Employment Agreements entered into with Messrs. Eduardo S. Elsztain, Saúl Zang and Oscar P. Bergotto, if we terminate the Executive Employment Agreements without cause, we will be liable to the relevant executive for two years of compensation.

Audit Committee

Section 15 of Decree No. 677/01 provides that companies that make public offering of their shares must have audit committees. This new obligation starts on January 1, 2004 and the committees shall be constituted before May 28, 2004.

The audit committee shall be made up of three or more directors, most of whom shall be independent directors. The number of members and their appointment shall be decided at the first board of directors meeting held immediately after the annual ordinary shareholders meeting and the members so appointed shall remain in their position until the following annual ordinary shareholders meeting. Only directors that are proficient in business, financial or accounting matters may be appointed to the audit committee.

The audit committee will issue its own rules of procedure that should be informed to the board of directors.

The audit committee will assist the board of directors especially in the following matters:

- the enforcement of our accounting policy;
- all matters relating to the preparation and publication of our accounting and financial information;
- the management of our business risks;

the preparation and implementation of our internal control systems;

the preparation and implementation of a code of ethics or conduct of the principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions;

the supervision of the accuracy of our financial statements;

the compliance with all applicable laws and contractual obligations;

the convenience and legality of any transaction where members of company bodies or controlling shareholders are parties or any other related party transaction;

our directors compensation and share option plans;

the issue of new shares of the company;

the independence and capability of our independent auditors; and

the performance of our internal audit functions and our independent auditors.

The audit committee shall issue an opinion regarding the proposal by the board of directors to appoint and remove the external auditors to be retained by our company and shall ensure their independence; it will review the plans of the external auditors and assess their performance, issuing its opinion on this matter addressed to the board of directors and included in the annual management report.

It shall be responsible for supervising internal systems, the operation of the internal control systems and the system for maintaining accounting records; it will check the reliability of the system for maintaining accounting records and any financial information; it will review the plans of the internal auditors and assess their performance, approving and supervising the progress of the annual audit plan.

It will supervise the enforcement of policies governing risk management information related to us; it will provide complete information regarding transactions involving a conflict of interest with members of company bodies or controlling shareholders; it will issue an opinion regarding Directors and Administrators emoluments and share option plans, the issue of shares, and transactions with related parties; and it will issue a report prior to any decision by the board of directors to purchase shares in our company.

The audit committee will prepare each year an action plan for the year and submit it to the board of directors and to the supervisory committee within sixty (60) consecutive days after the beginning of the fiscal year. Upon the presentation and publication of the annual financial statements, the audit committee will submit a management report addressed to the board of directors explaining how it dealt with the matters coming under its competence as envisaged in the *Comisión Nacional de Valores* regulations (section 15 of Chapter III) during fiscal year 2003.

In our annual ordinary shareholders meeting held on October 31, 2003, the audit committee plan was unanimously approved. Pursuant to this plan, the board of directors by a simple majority of votes shall appoint the members of the audit committee who shall have expertise in corporate administration, finance and accounting. Our company will organize training courses for each new member of the audit committee.

Remuneration Committee

There is no Remuneration Committee.

D. Employees

As of October 31, 2003, we had 1,696 employees. Our employees are not represented by any union or other collective bargaining organization except for our Hotel s workers, whom are members of a union. We have never experienced a work stoppage. We believe that our relations with our employees are good.

The following table sets forth the number of employees in our various businesses at the dates shown:

	Hotels

	Argentine Real Estate	Venezuelan Real Estate	Brazilian Real Estate	Shopping Centers		Telecommu-nication	Credit Card	Total Staff
As of June 30, 2000	186	118	34	750	714	43	210	2,055
As of June 30, 2001	169	0	33	663	660	36	312	1,873
As of June 30, 2002	150	0	0	600	618	45	226	1,639
As of June 30, 2003	140	0	0	605	628	51	222	1,646
As of October 31, 2003	133	0	0	612	638	46	267	1,696

Real Estate Argentina includes IRSA, Inversora Bolívar, Baldovinos, Madero, Libertador 498

Shopping Centres includes since June 2000 Altocity (e-commerce)

Hotels includes Iintercontinental, Sheraton Libertador, Llao Llao

Telecommunications Companies includes Red Alternativa, Alternativa Gratis

Credit Card includes Tarshop.

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The decrease in the number of our employees from June 30, 2000, to June 30, 2001, was due to outsourcing programs. The decrease from June 30, 2001, to June 30, 2002, was due to reorganization programs. As of October 31, 2003 we also had 38 temporary employees working in the hotels.

As of June 30, 2001 we also had 26 temporary employees working in the Shopping center, not included in the total expressed above.

E. Share Ownership

Share Ownership of Directors, Members of the Executive Committee, Members of the Supervisory Committee and Senior Management.

The following table sets forth the amount and percentage of our shares beneficially owned by our directors, members of the executive committee, senior management and members of the supervisory committee as of November 30, 2003.

		Share Ownership	
Name	**Position**	**Number of Shares**	**Percentage(*)**
Boards of Directors			
Eduardo S. Elsztain	chairman, member of the executive committee and chief executive officer.	53,443,889(1)	25.06%
Saúl Zang	vice-chairman and member of the executive committee.	703	0.00%
Oscar P. Bergotto	director, chief treasury officer and alternate member of the excutive committee.	83	0.00%
Fernando A. Elsztain	director and chief commercial officer.		
Alejandro G. Elsztain	director.		
Cedric D. Bridger	director.		
Marcos Fischman	director.		
Salvador D. Bergel	alternate director.		
Juan C. Quintana Terán	alternate director.		
Gabriel A.G. Reznik	alternate director and chief technical officer.	124	0.00%
Emilio Cárdenas	alternate director.		
Supervisory Committee			
Martín Barbafina	member		
José D. Abelovich	member		
Marcelo H. Fuxman	member		
Diego Niebuhr	alternate member		
Roberto Murmis	Alternate member		
Silvia De Feo	alternate member		

(1) Includes (i) 3,531,539 shares of our common stock owned by Dolphin Fund, plc, an investment fund in which the principal investment manager is Consultores Asset Management S.A. (formerly Dolphin Fund Management S.A.). As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as of Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock; (ii)

49,912,350 shares of common stock owned by Cresud by reason of his position with Cresud, may be deemed to own all of our common stock shares held for the account of Cresud. The number of shares beneficially owned will be 245,989,625 in case of full conversion of the notes and warrants issued pursuant to 52,468,713 units.

ITEM 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Information about Major Shareholders

Share Ownership

The following table shows, as of November 30, 2003, the information known by us, regarding the beneficial ownership of our outstanding common stock by:

each person known to us to be beneficial owner of more than 5% of our outstanding common shares.

each of our named executive officers;

each director; and

all current directors and executive officers as a group.

Shareholder(s)	Number Of Shares Beneficially Owned	% [1]
Eduardo S. Elsztain	53,443,889 (1)	25.06
Saúl Zang	703	0.00
Oscar P. Bergotto	83	0.00
Fernando A. Elsztain		
Gabriel A.G. Reznik	124	0.00
Alejandro G. Elsztain		
Directors and executive officers in the aggregate	53,444,799	25.06
Pension Funds in the aggregate [2]	21,345,381	10.01
Templeton Investment Counsel	32,715,880	15.34
Emerging Markets Investors Corp	13,796,310	6.47

(1) Includes (i) 3,531,539 shares of our common stock owned by Dolphin Fund, plc, an investment fund in which the principal investment manager is Consultores Asset Management S.A. (formerly Dolphin Fund Management S.A.). As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as of Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock; (ii) 49,912,350 shares of common stock owned by Cresud and Mr. Eduardo S. Elsztain by reason of his position with Cresud, may be deemed to own all of our common stock shares held for the account of Cresud. The number of shares beneficially owned will be 264,732,553 in case of full conversion of the notes and warrants issued pursuant to 57,576,161 units.

(2)

Based on estimations from the *Superintencia de AFJP*. None of the pension funds own more than 5.0% of our common stock. The highest percentage owners of the shares are *Consolidar* with 3.09%, *Siembra* with 2.07%, and *Máxima* with 2.11%.

Changes in Share Ownership

	Share Ownership as of				
Shareholder	**Nov. 30, 2003**	**June 30, 2003**	**June 30, 2002**	**June 30, 2001**	**June 30, 2000**
Eduardo S. Elsztain	25.06%	26.52%	31.93%	28.76%	15.55%
Cresud	23.41%	22.86%	19.85%	14.91%	0.00%
Templeton Investment Counsel	15.34%	16.73%	16.76%	11.03%	9.07%
The Peabody Group	4.92%	4.95%	9.54%	6.69%	4.99%
Energing Mkts. Investors Corp	6.50%	2.92%	5.06%	5.09%	0.00%

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Our major shareholders do not have different voting rights.

There are no arrangements that may at a subsequent date result in a change in control.

In November 2002, Eduardo S. Elsztain sold 5,392,546 shares to Cresud.

Except for the above, we are not aware of the existence of other shareholders owning more than 5% of our capital stock. The voting rights of our principal shareholders are not different from those of the remaining shareholders.

Differences in Voting Rights

Our major shareholders do not have different voting rights.

Arrangements for change in control

There are no arrangements that may at a subsequent date result in a change in control.

Securities held in the host country

As of November 30, 2003, there were approximately 13,668,508 Global Depositary Shares (representing 136,685,080 of our common shares, or 64.1% of all of our outstanding shares) held in United States. Additionally, as of such date, there were approximately 95 registered holders represented by American Depositary Shares in the United States.

On October 15, 2002, we initiated a preemptive rights offering of rights to subscribe for 100,000,000 units consisting of US$100.0 million of 8% Convertible Notes due 2007 and non-detachable warrants to purchase shares of our common stock. The Convertible Notes may be converted into shares of our common stock at an exercised price of US$ 0.5445. Existing shareholders have subscribed through the exercise of their preemptive rights for US$ 66.7 million and they have exercised their accretion rights for US$ 10.7 million, amounting to a total of US$ 77.4 million. During the allocation of the remainder new investors have subscribed the remaining 22.6 million units completing the US$ 100 million offering.

As of December 16, 2003, holders of our Convertible Notes exercised their conversion rights for the total 4,712,709 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 8,647,168 with a face value of Ps.1.0 each.

The number of Convertible Notes currently outstanding amounts to US$ 95,287,291 the number of warrants currently outstanding amounts to 100,000,000, while the number of our outstanding shares are 220,646,441.

At November 30, 2003 our directors and senior officers controlled, directly or indirectly, approximately 25.1% of our common shares. As a result, these shareholders have, and will continue to have, significant influence on the election of our directors and the outcome of any action requiring shareholder approval. Moreover, certain of our directors and senior managers hold 52,468,713 units of Convertible Notes issued by the Company. If our directors and senior managers convert all Convertible Notes and exercise all warrants so acquired and none of our other bondholders as of that date convert their notes, they will control, directly or indirectly, 60.62% of our common stock.

B. Related Party Transactions

IRSA Management ownership plan

On October 30, 1997 our shareholders authorized us to enter into a management ownership plan with certain executive officers, the content and details of which have been previously disclosed in this document under the Compensation caption.

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We have subscribed for Convertible Notes issued by APSA.

In order to finance APSA´s US$ 50 million collateral deposit and the subsequent transactions related to the swap agreement entered into APSA and Morgan Guaranty Trust on March, 30, 2002, we and Parque Arauco S.A. entered into loans agreements with APSA. As of August 20 2002, the outstanding debt with us on these loans was Ps. 43.6 million. In addition, between May and July 2002, we granted APSA a loan for US$ 10.1 million.

The amounts we granted APSA under the above mentioned loans, were used to subscribe for US$ 27.2 million Convertible Notes issued by APSA, on August 20, 2002. As of November 30, 2003, we owned 30.9 million of the convertibles notes issued by our subsidiary.

As of November 30, 2003, we owned 54.2% of APSA s common shares. Assuming we exercise our conversion rights of all of our Convertible Notes and no exercise of such rights by any of APSA s other bondholders, we would own 80.40% of APSA s common shares. In the case all shareholders exercise their conversion rights and we exercise them as well, we would own 58.86% of APSA s common stock.

Repurchase Agreement with APSA

On February 17, 2003, we and Parque Arauco Argentina S.A., entered into a repurchase agreement with APSA, in which we and Parque Arauco Argentina S.A. granted to such company loans for Ps. 4.2 million and Ps. 2.1 million, respectively. According to the repurchase agreement, APSA made a collateral deposit of Ps. 5.5 million nominal value of Class A-2 Senior Notes and Ps. 10.0 million nominal value of Class B-2 Senior Notes with us and other of Ps. 2.8 million nominal value of Class A-2 Senior Notes and Ps. 5.0 million nominal value of Class B-2 Senior Notes with Parque Arauco Argentina S.A. On December 6, 2003, APSA agreed to repurchase the securities at a price of Ps. 4.4 million and Ps. 2.2 million to us and Parque Arauco Argentina S.A., respectively. The agreement is likely to be renewed upon expiration.

Issue of Convertible Notes by Cresud

On October 15, 2002, Cresud initiated a preemptive rights offering to subscribe for 50,000,000 units consisting of US$ 50.0 million of 8% Convertible Notes due 2007 and non-detachable warrants to purchase shares of its common stock. The offering was fully subscribed and the funds have already been received by Cresud. Proceeds of the offering were applied to subscribe US$ 50.0 million of our Convertible Notes.

As of June 30, 2003 23.4% of our common shares are property of Cresud and no conversion was executed by this company. Assuming Cresud exercises its conversion rights of all of its Convertible Notes and no exercise of such rights by any of our other bondholders, Cresud would own 46.4% of our common shares. In the case all shareholders exercise their conversion rights and Cresud exercise them as well, Cresud would own 35.7% of our common stock.

Lease of our Headquarters

We sublease a portion of our headquarters from Dolphin Fund Management pursuant to two lease agreements dated June 30, 1997. We pay monthly rents of Ps. 5,500 and Ps. 6,415. Both contracts expire on June 30, 2007. As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock. Consultores Asset Management S.A. (formerly Dolphin Fund Management) leases such offices both from Elsztain e Hijos S.C.A., a company controlled by relatives of Eduardo S. Elsztain, our chairman, and also from Hamonet S.A., a company controlled by Fernando A. Elsztain, our chief commercial officer, and certain of his relatives. Rental expenses incurred under these leases for of the fiscal years ended June 30, 2003 and 2002 amounted to Ps. 200,203 and Ps. 274,183, respectively, plus CER.

Corporate Services Rendered to APSA and Cresud

In order to reduce administrative expenses, and to achieve a more efficient allocation of corporate resources, as of June 30, 2003 we and APSA provide corporate services in the areas of institutional relations, finance, human resources, technology, systems and insurance to us and our affiliate Cresud.

In the future and in order to continue with our policy of achieving a more efficient allocation of corporate resources, we may extend the areas in which we share corporate services with APSA and Cresud.

Our chairman is also chairman of Cresud and APSA and our vice-chairman is also vice-chairman of Cresud.

We believe that the terms and conditions of these transactions are consistent in all material respects with those prevailing in the market at the relevant time for agreements between unaffiliated parties.

Lease of office property

We have entered into lease agreements for offices located in the Costero, a building located in Puerto Madero with Altocity.Com, Alternativa Gratis S.A. and Consultores Land Interventures S.A. (formely Dolphin Interventures S.A). The first agreement expires in January 2004 and the second in May 2004. Both of them may be extended by the lessees for up to seven additional consecutive twelve-month periods. The leases are for monthly rents of Ps. 9,523 and of Ps. 8,302, respectively. The agreement with Consultores Land Interventures S.A. (formely Dolphin Interventures S.A.) expired in June 2002..

We lease to Tarshop the seventh floor of our property located in Suipacha 664. The total monthly rent is Ps. 3,650 and the lease expires on August 10, 2004.

Legal Services

During the fiscal years ended June 30 2003, 2002 and 2001, we paid the law firm Zang, Bergel & Viñes an aggregate amount of approximately Ps. 1.4 million, Ps. 1.8 million and Ps. 2.7 million as payment for legal services (for comparison purposes legal services for fiscal years 2002 and 2001 include the amounts corresponding to APSA which are not consolidated in our results). Our director, Saúl Zang and our alternate director Salvador D. Bergel are partners of, and Juan C. Quintana Terán our alternate director is off counsel of the law firm.

Investment fund

Since 1996, we have investments in Dolphin Fund Plc, an open-ended investment fund which is related to our director Eduardo Elsztain. These investments are carried at market value as of year-end. Unrealized gains and losses relating to investment funds are included in financing results, net, in the consolidated statements of income. The amounts relating to our net gain on holding Dolphin Fund Pls. for the years ended June 30, 2003, 2002 and 2001 are Ps. 13.1, million, Ps.28.2 million and Ps. 3.3 million, respectively.

Donations to Fundación IRSA and Museo de los Niños

During the years ended June 30, 2003, 2002, and 2001, we made donations to two not-for-profit organizations, namely Fundación IRSA and Fundación Museo de los Niños, for a total amount of Ps. 3.3 million (as of June 30, 2003, this amount was included in our results but we began to donate after the end of this fiscal year), Ps. 0.1 million and Ps. 2.1 million, respectively. Eduardo S. Elsztain is the President of these organizations.

Purchase of our shares by Cresud

As of June 30, 2003, Cresud has invested in our shares for a total amount of Ps. 133.6 million, resulting in a 22,65% ownership. Eduardo S. Elsztain and Saúl Zang, are chairman, and vice-chairman,

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respectively, of our board of directors as well as our shareholders. They are also chairman and vice-chairman, respectively, of the board of directors of Cresud. Mr. Eduardo S. Elsztain and Saúl Zang are also shareholders of Cresud.

Investment in Banco Hipotecario

As of June 30, 2003, we owned 6.4% of Banco Hipotecario. Additionally, as of the same date we owned 26,975 options to purchase Banco Hipotecario s ADS. Each option represents the right to purchase 100 ordinary shares at an exercise price of Ps. 7.0 per ADS. These options are exercisable through February 2, 2004. Some of our directors are also directors of Banco Hipotecario.

We have increased our overall investment in Banco Hipotecario S.A.

On December 30, 2003, we acquired 7,468,166 Class D shares of Banco Hipotecario S.A. and 70,996 warrants affording us the right to acquire an additional 7,099,600 Class D shares of Banco Hipotecario. Of the total amount of Class D shares, 4,111,290 were purchased from Quantum Industrial Partners LDC, a corporation organized under the laws of the Cayman Islands, and the remaining 3,356,876 Class D shares were purchased from EMOF LLC, a corporation organized under the laws of the State of Delaware. Of the total amount of warrants, 41,113 were purchased from Quantum Industrial Partners LDC and 29,883 were purchased from EMOF LLC. We paid Ps. 100 per warrant (each warrant represents the right to acquire, prior to February 2, 2004 one hundred of Class D shares for a purchase price per share of Ps. 7) and Ps. 7.05 per share which reflected a premium of approximately 11.90% above the prevailing price for such shares on the *Bolsa de Comercio de Buenos Aires* on the date of such purchase.

We increased our investment in Banco Hipotecario because we consider it to be an investment that may have attractive long-term prospects, and because we believe its mortgage lending activities complement our diversified real estate activities.

At the same time as we purchased the shares referred to above, we also transferred 5,492,176 Class D shares and 52,976 warrants to Inversiones Financieras del Sur S.A., a company which is 100% beneficially owned by Eduardo Elsztain, our President and the Chairman of our board of directors. The shares we acquired represent approximately 4.98% of Banco Hipotecario s Class D shares and increased our overall investment in Banco Hipotecario s Class D shares from 3.66% to 4.98% of such shares.

C. Interests of Experts and Counsel

This section is not applicable

ITEM 8. Financial information

A. Consolidated Statements and Other Financial Information

See Item 19 for our consolidated financial statements.

Legal or Arbitration Proceedings

The following, is a description of the material legal proceedings to which we are a party. We are not engaged in any other material litigation or arbitration and no other material litigation or claim is known to us to be pending or threatened against us or our subsidiaries. Nevertheless, we may be involved in other litigation from time to time in the ordinary course of business.

IRSA

Puerto Retiro

On November 18, 1997, through the acquisition of the capital stock of the Old Alto Palermo (currently Inversora Bolívar S.A.), Pérez Companc s real estate subsidiary, we indirectly acquired 35.2%

capital stock of Puerto Retiro. The Old Alto Palermo had purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In addition, pursuant to the execution of several stock purchase agreements in May and June 1999, we -through Inversora Bolívar S.A.- increased our interest in Puerto Retiro up to 50% of its capital stock.

On April 18, 2000 Puerto Retiro received notice of a complaint filed by the Federal Government, through the Ministry of Defense, with the purpose of requiring the extension of the bankruptcy of Inversora Dársena Norte S.A. (Indarsa). Concurrently with the complaint, at the request of plaintiff, the bankruptcy court granted an order restraining the ability of Puerto Retiro to sell or dispose in any manner the real estate property purchased from Tandanor S.A. (Tandanor).

Indarsa had purchased 90% of the capital stock of Tandanor, a formerly state owned company privatized in 1991 engaged in the shipyard industry which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. Such property did not have (and still does not have) approved zoning established in the Urban Planning Code and therefore no project can be currently developed.

After the purchase of Tandanor by Indarsa, Tandanor sold to Puerto Retiro, Planta 1 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. The deed was executed in June, 1993.

Indarsa did not comply with the payment of the outstanding price for the purchase of the capital stock of Tandanor, and therefore the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa were the shareholdings in Tandanor, the Ministry of Defense is pursuing to extend the bankruptcy to other companies or individuals which, according to its view, acted as an economic group, and therefore, requested the extension of the bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

On April 18, 2001, the judicial procedure entered into trial stage. At the present time, a provisional measure prohibiting changes and disposition of this building is still in effect.

We believe, pursuant to the advice of our legal advisors, that the plaintiff s claim shall be rejected by the courts. However, no assurance can be given that such decision will be obtained. If the plaintiff s claim is favored by the court or by the court of appeals, such decision may cause a material adverse effect in our financial situation, since all of the assets of Puerto Retiro will be used to pay the debts incurred by Indarsa.

Santa María del Plata

Santa María del Plata is an undeveloped waterfront property located at the southern end of Puerto Madero, adjacent to the city of Buenos Aires nature reserve. Approval has been granted for the construction of 715,952 squared meters. The development will be targeted at the high-income market. The master plan is pending final authorities approval. It is considered to be a project with relevant environmental impact, and consequently, a special approval process is required. At the present time, a public auction has taken place in order to evaluate the project and a certificate of environmental aptitude has been issued under certain requirements which have already been fulfilled. At the present time these unconditioned certificate is being dealt out.

APSA

Neuquén Project

On July 6, 1999, APSA acquired a 94.6% interest in Shopping Neuquén S.A. for US$ 4.2 million. Our subsidiary paid US$ 0.9 million on September 1, 1999, and the remaining US$ 3.3 million were originally scheduled to be paid on or before July 5, 2001. As of today the remaining payment is overdue.

Shopping Neuquén s sole asset comprises of a piece of land of approximately 50,000 square meters with preliminary governmental approval for construction of a shopping center on the site. The project contemplates construction of a shopping center with 135 stores, a hypermarket, a multiplex movie theater and a hotel.

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Legal issues with former shareholders of Shopping Neuquén S.A

In 2002 the sellers had initiated a mediation process which is a mandatory non-judicial process prior to filing a suit to collect the payment. The result of the mediation was negative, the parties did not reach an agreement.

Furthermore, on August 15, 2003 APSA was informed that 85.75% of the old shareholders of Shopping Neuquén have filed a complaint against the company, claiming collection of a price balance of US$ 3.0 million plus interest and legal costs. On September 2003, the company answered the complaint and filed a counterclaim for the contract readjustment based on the economic and social emergency situation.

In November 2003, the old shareholders of Shopping Neuquén answered the counterclaim alleging that the payment was overdue before the economic and social situation had collapse. For that reason they allege that APSA cannot plead readjustment of the contract.

Although we hope for a favorable resolution to the judicial proceeding, and APSA is still negotiating a new arrangement with the old shareholders, we cannot assure a favorable result to APSA.

Legal issues with Neuquén Municipality

In June, 2001 Shopping Neuquén filed a request with the municipality of Neuquén for extension of the original construction timetable and for authorization to sell part of the land to third parties for the construction by them of the property that Shopping Neuquén will develop.

The extension has to be approved by the City Counsel of the City of Neuquén which is the municipal legislative body. On December 20, 2002, the Municipality of Neuquén rejected the company s request for a readjustment of the terms and the transfer of the plots, and declared the expiration of Municipal ordinance 5178/91, annulling the purchase contracts for the real estate that had been transferred to the company previously.

In view of this situation, Shopping Neuquén S.A. requested the revocation of this administrative act, however, the revocation was rejected by the Municipal Mayor on May 9, 2003 through decree No. 585/03.

Subsequently, in June 2003, Shopping Neuquén S.A. lodged a remedy before the Province of Neuquén Supreme Court, requesting the annulment of the above resolutions issued by the Mayor. At the date, the Neuquén Supreme Court has not yet issued a decision regarding the remedy.

If the extension is not approved, the Municipality of Neuquén could request the reconveyance of the real estate previously sold by it, in which case Shopping Neuquén runs the risk of not recovering its initial investment.

Although we hope for a favorable resolution to the remedy filed, and the company is still negotiating a new arrangement with the Neuquén Municipality, we cannot assure a favorable result to APSA.

In addition, we and APSA are involved in other litigation from time to time in the ordinary course of business, but it believes that the litigation in which it is currently involved is not likely to have a material effect on its financial condition or results of operations.

Dividend Policy

Pursuant to the Argentine law, the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to an annual financial statements approved by the shareholders. The approval, amount and payment of dividends are subject to the approval of our Annual Ordinary Shareholders Meeting. That approval requires the affirmative vote of the majority of the present votes with right to vote at the meeting.

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Pursuant to the Law of Corporations and Section 29 of our bylaws, liquidated and realized profits of each fiscal year shall be distributed as follows:

- 5% to the legal reserve fund until reaching 20% of our capital stock;
- a certain amount determined at a shareholders meeting is allocated for the compensation of our directors and members of the supervisory committee; and
- dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders meeting determines are distributed.

In the past, we paid dividends in cash and stock that averaged Ps. 0.11 per share. At our shareholder´s meeting held on October 30, 2000, our shareholders approved the distribution of 20,729.472 treasury shares on a pro rata basis.

With regard to the fiscal year ended June 30, 2001, there was a loss of Ps. 59.9 million. In order to keep adequate liquidity level, to reduce the outstanding debt and the financial burden, we did not pay any cash dividends.

In the shareholders meeting held on November 5, 2002, the shareholders approved the distribution of 4,587,285 treasury shares distributed pro rata among the shareholders. Due to the Ps. 499.6 million loss, no cash dividends were distributed. This year we reported a profit of Ps. 286.4 million, although owing to the restrictions arising from our debt instruments we are prevented from distributing dividends.

In accordance with certain obligations assumed by our company, there are limitations on the dividends that we can distribute. Under the Unsecured Loan Agreement, neither our company nor its subsidiaries (with the exception of APSA) shall be able to pay dividends or make any distribution or repurchase of debt or shares except for restricted payments from our subsidiaries to our company. Restricted payments can be made as long as no event of default shall have occurred and be continuing or would occur as a consequence thereof, and no breach of the financial covenants shall have occurred in the calculation period immediately preceding the proposed date of such restricted payment.

The Fourth Supplemental Indenture that governs the terms of the Class 3 Floating Rate Notes contains the same restrictions on the payment of dividends, although limited to the existence of outstanding Class 3 Floating Rate Notes.

Although we expect to distribute cash dividends in the future, we cannot assure that we will be able to do so.

The table that follows presents the dividend payment ratio and the total amount of dividends paid for each fully paid-in common share during fiscal year 2003. Figures in Pesos are stated in historical Pesos at the corresponding. See Exchange Rate .

Year declared	Payments (1) Cash dividends	Stock dividends	Total per share
	(Pesos)	*(Pesos)*	*(Pesos)*
1995	0.094	0.06	0.154
1996	0.092		0.092
1997	0.110		0.110
1998	0.060	0.05	0.110
1999	0.076	0.04	0.116
2000		0.20	0.204
2001			
2002			
2003			

(1) Corresponds to per share payments. To calculate the dividends paid per GDS, the payment per share should be multiplied by ten.

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Under certain of our debt obligations, we have specific limitations regarding the distribution of dividends. In accordance with our Syndicated Loan Agreement for US$ 80 million, neither we nor our subsidiaries are able to pay dividends or make any other distribution or debt or equity repurchase, except for certain restricted subsidiary payments to us. Restricted payments can be made only if no event of default has occurred, or would occur as a result of such payment, and no financial covenants have been violated during the prior calculation period. Moreover, as agreed upon the issuance of the Floating Rate Notes, if we do not fulfill any of our obligations, neither we nor our subsidiaries will be able to pay dividends in cash directly or indirectly through payments of bonds, compensation, loans, forgiveness of debt, or any other distribution, in money or kind, to shareholders, or fees to directors, except that our subsidiaries may distribute dividends to us, to be used to pay off the Floating Rate Notes.

Although our intentions are to distribute cash dividends in the future, there can be no assurance that we will be able to do it.

B. Significant Changes in Interim Period

Conversion of Notes

As of December 16, 2003, the holders of our Convertible Notes exercised their conversion right. The total number of notes converted amounted to 4,712,709 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 8,647,168 with a face value of Ps.1 each.

The number of Convertible Notes currently outstanding amounts to US$ 95,287,291 the number of warrants currently outstanding amount to 100,000,000 , while the number of company shares 220,646,441.

Substitution of Real Estate Guarantee

On August 2003, we have substituted the guarantee over our US$ 37.4 million Class 3 Floating Rate Notes due November 2009. These Notes are guaranteed by a first priority mortgage equivalent to 50% of the debt which was initially constituted over a group of properties and which has substituted on August 2003 over the following properties: Puerto del Centro (Cossentini 340), Prourban (Avda. Del Libertador 450, 18º) and Laminar Plaza.

Prepayment of US$ 16 million on debt held

On July 23, 2003 we redeemed to HSBC Bank Argentina US$ 16 million under the US$ 51 million Unsecured Loan Agreement, maturing in November 2009. The transaction value totaled US$ 10.9 million, representing a 68% of face value of the debt, providing a US$ 5.1 million discount. The redemption was made according to the procedure established in the Unsecured Loan Agreement contract.

We have increased our overall investment in Banco Hipotecario S.A.

On December 30, 2003, we acquired 7,468,166 Class D shares of Banco Hipotecario S.A. and 70,996 warrants affording us the right to acquire an additional 7,099,600 Class D shares of Banco Hipotecario. Of the total amount of Class D shares, 4,111,290 were purchased from Quantum Industrial Partners LDC, a corporation organized under the laws of the Cayman Islands, and the remaining 3,356,876 Class D shares were purchased from EMOF LLC, a corporation organized under the laws of the State of Delaware. Of the total amount of warrants, 41,113 were purchased from Quantum Industrial Partners LDC and 29,883 were purchased from EMOF LLC. We paid Ps. 100 per warrant (each warrant represents the right to acquire, prior to February 2, 2004 one hundred of Class D shares for a purchase price per share of Ps. 7) and Ps. 7.05 per share which reflected a premium of approximately 11.90% above the prevailing price for such shares on the *Bolsa de Comercio de Buenos Aires* on the date of such purchase.

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We increased our investment in Banco Hipotecario because we consider it to be an investment that may have attractive long-term prospects, and because we believe its mortgage lending activities complement our diversified real estate activities.

At the same time as we purchased the shares referred to above, we also transferred 5,492,176 Class D shares and 52,976 warrants to Inversiones Financieras del Sur S.A., a company which is 100% beneficially owned by Eduardo Elsztain, our President and the Chairman of our board of directors. The shares we acquired represent approximately 4.98% of Banco Hipotecario s Class D shares and increased our overall investment in Banco Hipotecario s Class D shares from 3.66% to 4.98% of such shares.

ITEM 9. The Offer and Listing

A. Offer and Listing Details

The following summary provides information concerning our share capital and briefly describes all material provisions of our bylaws and the Argentine Law of Corporations.

Stock Exchanges in which our securities are listed

Our common shares are listed on the *Bolsa de Comercio de Buenos Aires* and our GDSs on the NYSE.

As of December 16, 2003, holders of our Convertible Notes exercised their conversion rights for the total 4,712,709 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 8,647,168 with a face value of Ps.1.0 each.

The number of Convertible Notes currently outstanding amounts to US$ 95,287,291 the number of warrants currently outstanding amounts to 100,000,000, while the number of our outstanding shares are 220,646,441.

The common stock has one vote per share. All of the common shares of the common stock are validly issued, fully paid and non-assessable.

The following description of the material terms of our capital stock is subject to our certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this Form 20-F is part of, and the provisions of applicable Argentine Law.

Price history of our stock on the Bolsa de Comercio de Buenos Aires

Our common shares are listed and traded on the *Bolsa de Comercio de Buenos Aires* under the trading symbol IRSA . The shares began trading on the *Bolsa de Comercio de Buenos Aires* on the year 1948. The following table shows, for the periods indicated, the high and low closing sales price of our common shares on the *Bolsa de Comercio de Buenos Aires*. On November 28, 2003, the closing price for our common shares on the *Bolsa de Comercio de Buenos Aires* was, approximately, Ps 3.00 per share.

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Fiscal Year	Pesos per Share High	Pesos per Share Low
2003	1.88	1.44
2002	1.88	0.58
2001	2.23	1.30
2000	3.15	1.99
1999	3.37	1.63
1998	4.08	2.52

Fiscal Quarter	Pesos per Share High	Pesos per Share Low
2003		
4th quarter	2.88	2.32
3rd quarter	2.53	1.82
2nd quarter	2.25	1.75
1st quarter	2.20	1.44
2002		
4th quarter	1.88	1.26
3rd quarter	1.45	0.76
2nd quarter	0.97	0.58
1st quarter	1.59	1.00
2001		
4th quarter	1.71	1.30
3rd quarter	2.06	1.47
2nd quarter	2.08	1.46
1st quarter	2.23	2.06

Month	Pesos per Share High	Pesos per Share Low
November (Fiscal Year 2004)	3.03	2.70
October (Fiscal Year 2004)	3.29	2.60
September (Fiscal Year 2004)	2.68	2.50
August (Fiscal Year 2004)	2.61	2.45
July (Fiscal Year 2004)	2.55	2.10
June (Fiscal Year 2003)	2.85	2.50
May (Fiscal Year 2003)	2.78	2.32

Source: *Bloomberg.*

Price history of our stock on the NYSE

Our Global Depositary Shares, each representing 10 common shares, are listed and traded on the NYSE under the trading symbol IRS . The Global Depositary Shares began trading on the NYSE on December 20, 1994 and were issued by the Bank of New York, Inc., acting as Global Depositary Shares Depositary. It should not be assumed, however, that the Global Depositary Shares will actually trade at a multiple of 10 times the price per common share. The following table shows, for the periods indicated, the high and low closing sales price of the Global Depositary Shares on the NYSE. On November 28, 2003, the closing price of our Global Depositary Shares on the NYSE was US$ 10.30.

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Fiscal year	U.S. dollar per GDS High	Low
2003	10.36	3.86
2002	16.08	3.66
2001	22.22	13.00
2000	31.25	19.86
1999	33.50	16.00
1998	40.33	25.20

Fiscal year	U.S. dollar per GDS High	Low
2003		
4th quarter	6.11	3.86
3rd quarter	6.02	6.79
2nd quarter	8.00	5.50
1st quarter	10.36	7.96
2002		
4th quarter	6.10	3.67
3rd quarter	6.29	4.25
2nd quarter	9.75	4.90
1st quarter	16.00	9.80
2001		
4th quarter	17.11	13.00
3rd quarter	20.50	14.50
2nd quarter	20.92	14.50
1st quarter	22.22	20.50

Month	U.S. dollar per GDS High	Low
November (FY 2004)	10.30	9.32
October (FY 2004)	11.43	9.18
September (FY 2004)	9.22	8.65
August (FY 2004)	9.02	8.22
July (FY 2004)	8.86	7.25
June (FY 2003)	10.05	8.88
May (FY 2003)	9.94	8.06

Source: *Bloomberg*.

B. Plan of Distribution

This item is not applicable.

C. Markets

Argentine Securities Markets

The *Comisión Nacional de Valores* is a separate governmental entity with jurisdiction covering the territory of the Argentine Republic. Its main purpose is to ensure transparency of Argentina s securities markets, to watch over the market price formation process and to protect investors. The *Comisión Nacional de Valores* supervises corporations authorized to issue securities to the public, the secondary markets where these securities are traded, and all persons and corporations involved in any capacity in the public offering and trading of these securities. Pension funds and insurance companies are regulated by separate government agencies. The Argentine markets are governed generally by Law No. 17,811, as amended, which created the *Comisión Nacional de Valores* and regulate stock exchanges, stockbrokers, market operations and the public offerings of securities. There is a relatively low level of regulation of the market for Argentine securities and investors activities in such market, and enforcement of existing regulatory provisions has been extremely limited. Furthermore, there may be less publicly available information about Argentine companies than is regularly published by or about companies in the United States and certain other countries. However, the Argentine government and the *Comisión Nacional de Valores*, taking into consideration the deeper global awareness of the importance of having adequate corporate governance practices and a legal framework to enforce principles such as full information, and transparency, have recently issued decree No. 677/2001. This decree has the objective of determining the rights of the financial consumer , increasing market transparency and an adequate legal framework to increase the investor s protection within the capital market. Most of its reforms are in line with world trends pertaining to corporate governance practices that have already been adopted by many emerging markets.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the *Comisión Nacional de Valores* regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the *Comisión Nacional de Valores* may be listed on the *Bolsa de Comercio de Buenos Aires*. This approval does not imply any kind of certification or assurance related to the merits or the quality of the securities, or the solvency of the issuer. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as various other periodic reports, with the *Comisión Nacional de Valores* and the *Bolsa de Comercio de Buenos Aires*.

There are 10 securities exchanges in Argentina, the principal exchange for the Argentine securities market is the *Bolsa de Comercio de Buenos Aires*, which handles approximately 99% of all equity trading in the country.

The *Bolsa de Comercio de Buenos Aires* is a complex, non-profit and self-regulated organization. Various markets require different self-organizations of brokers within the *Bolsa de Comercio de Buenos Aires*, which is one of its particular characteristics. The most important and traditional of such markets is *Mercado de Valores*.

The securities that may be listed on the *Bolsa de Comercio de Buenos Aires* are: Stocks, Corporate Bonds, Convertible Corporate Bonds, Close-ended Investment Funds, Financial Trust, Indexes, Derivatives and Public Bonds. The *Bolsa de Comercio de Buenos Aires* is legally qualified for admission, suspension, and delisting of securities according to its own rules approved by the *Comisión Nacional de Valores*. Furthermore, the *Bolsa de Comercio de Buenos Aires* works very closely with the *Comisión Nacional de Valores* in surveillance activities. Also under a special agreement, registration and listing applications are directly filed with the *Bolsa de Comercio de Buenos Aires* for simultaneous processing.

The Merval is a self-regulated incorporated business organization. The capital stock of such entity is divided into 183 stocks, the holders of which (natural or artificial persons) are thereby entitled to act as individual brokers or brokerage firms; i.e. to execute securities purchase and sale transactions in their own name and on behalf of third parties. Brokers receive a commission for their services.

The primary functions of the Merval are concerned with the settlement, surveillance and guarantee of market trades. This entity is also qualified to take disciplinary actions against individual brokers or brokerage firms who might violate the statutory rules in vigor, and/or the rules and regulations governing the Argentine Stock Market System.

Furthermore, the Merval regulates, coordinates and implements each and every aspect connected with stock exchange trading, types of securities, market mechanisms, terms and conditions of payment, and the like. Jointly with the *Bolsa de Comercio de Buenos Aires* is has implemented stock-watch mechanisms.

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The Merval counts with a trading mechanism applicable to corporate securities and government bonds called Concurrent Market, where trades are executed screen-based or in the traditional open out-the mode on the floor of the *Bolsa de Comercio de Buenos Aires* in an automated order-matching system. Merval guarantees the settlement of all trades executed in the Concurrent Market.

Also trades on government and corporate bonds may be executed on the Continuous Trading Session (with or without Merval s settlement guarantee).

The cash mechanism (standard maturity) in the Concurrent Market admits the following operating forms:

- Automated trade execution based on orders entered from Sistema Integral de Negociación Asistida por Computadora work-stations or through open out-cry Floor-trade order slips.
- Open out-cry Floor-trade executions are subsequently inputted through order slips.

Open out-cry trades are executed pursuant to the rules applicable to traditional floor trading. Automated-execution trades based on the offers are carried out according to the rules of the electronic system. Both executions entail the registration of trades in a unique price-volume structure, and both modes of entering the system feed a unique order structure per issue.

Among the main features of the open out-cry mechanism carried out on the Floor, the following are highlighted:

- trades are executed open out-cry;
- they are perfected through the preparation of order slips; and
- the best-offer rule applies and as in the electronic system, it open out-cry the *Mercado de Valores* settlement guarantee.

Block trading is allowed in a minimum amount of Ps. 200,000 for leader companies which are listed on the leader panel of the *Bolsa de Comercio de Buenos Aires*, and Ps. 100,000 for the companies listed on the general panel of the *Bolsa de Comercio de Buenos Aires*. Block trading takes place on the floor of the *Bolsa de Comercio de Buenos Aires* and is conducted in Spanish by continuous open outcry. Transaction of more than Ps. 1.0 million are announced on the floor and are put on stand by for approximately 30 minutes. For transactions of more than Ps. 5.0 million, a certificate of the units from *Caja de Valores* is additionally required.

As to the electronic system, its outstanding characteristics are:

- trades are executed based on bids and offers entered in work-stations, i.e. computers linked to the Stock Exchange information network, trades are executed automatically,

offers are recorded as per price-time priority, privileging the best of them.

These trades have the *Mercado de Valores* guarantee.

Brokers and brokerage firms may trade in this segment, either by buying or selling government and corporate bonds for their own account, executing trades with another broker or brokerage firm or any other intermediary, by means of direct negotiations. In this system the best-offer rule does not apply and traders´ compensations as well as stock market and stock exchange fees are implicit in the price agreed upon.

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Trades must be reported in real-time for their dissemination, registration and publication. Counterparty trades are settled by *Mercado de Valores*, and may be channeled through the guaranteed or the non-guaranteed segment.

Over the Counter Market, MAE

The *Mercado Abierto Electrónico* (the MAE) is an exchange organized under the laws of the Argentine Republic, which operates as a self-regulatory organization under the supervision of the *Comisión Nacional de Valores*.

The MAE works as an electronic environment to process Over The Counter transactions. It is an electronic exchange where both government securities and corporate bonds are traded through spot and forward contracts.

MAE has 82 brokers/dealers members, which include national banks, provincial banks, municipal banks, private national banks, foreign banks, cooperative banks, financial institutions, foreign exchange entities and pure brokers/dealers (exclusively engaged in brokerage activities). Both Argentine or foreign capital banks and financial institutions may be MAE s brokers/dealers.

Securities to be traded must be registered with the pertinent supervising authorities and may be traded in MAE, in other exchanges or in both of them concurrently.

Securities Central Depositary, Caja de Valores

The Caja de Valores is a corporation, totally private, which acts as central depositary of public bonds and private securities. It was established in 1974 by Act 20,643, and it is supervised by the *Comisión Nacional de Valores*.

Those authorized to make deposits of securities with the Caja de Valores are stockbrokers, banking and financial institutions, and mutual funds.

The majority shareholders of the Caja de Valores are the *Bolsa de Comercio de Buenos Aires* and the *Mercado de Valores* (49. 98% each).

Certain Information Regarding the Bolsa de Comercio de Buenos Aires

	As of June 30,		As of December 31,	
	2003	**2002**	**2001**(1)	**2000**

Market capitalization (Ps. Billon)	415.9	348.0	192.5	165.8
Average daily trading volume (Ps. Million)	29.5	17.7	30.9	38.8
Number of listed companies	113	114	119	125

Although companies may list all of their capital stock on the *Bolsa de Comercio de Buenos Aires*, in many cases a controlling block is retained by the principal shareholders resulting in only a relatively small percentage of many companies stock being available for active trading by the public on the *Bolsa de Comercio de Buenos Aires*.

As of June 30, 2003, approximately 113 companies had equity securities listed on the *Bolsa de Comercio de Buenos Aires*. As of June 30, 2003, approximately 25.6% of the total market capitalization of the *Bolsa de Comercio de Buenos Aires* was represented by the securities of ten national companies.

The Argentine securities markets are substantially more volatile than the securities markets in the United States and certain other developed countries. The Merval experienced a 13% increase in

1995, a 25% increase in 1996, a 6% increase in 1997, a 37% decrease in 1998, a 28% increase in 1999, a 24% decrease in 2000, a 29% decrease in 2001, a 78% increase through September 30, 2002, measured in Pesos, and a 77% increase trough October 31, 2003, also measured in Pesos To control volatility, the *Bolsa de Comercio de Buenos Aires* operates a system in which trades of an issuer s stock are suspended for one-half hour when such issuer s share price changes by more than 10% from its opening price.

D. Selling Shareholders

This item is not applicable.

E. Dilution

This item is not applicable.

F. Expenses of the Issue

This item is not applicable.

ITEM 10. Additional Information

A. Share Capital

Our Common Stock

As of December 16, 2003, holders of our Convertible Notes exercised their conversion rights for the total 4,712,709 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 8,647,168 with a face value of Ps.1.0 each.

The number of Convertible Notes currently outstanding amounts to US$ 95,287,291 the number of warrants currently outstanding amounts to 100,000,000, while the number of our outstanding shares are 220,646,441.

B. Memorandum and articles of association

Our corporate purpose

Our legal name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated under the laws of Argentina on April 30, 1943 as a stock corporation (sociedad anónima) and were registered with the Inspección General de Justicia of the city of Buenos Aires on June 23, 1943 under number 284, on page 291, book 46 of volume A.

Article 4 of our bylaws defines our purpose as follows:

Invest, develop and operate real estate developments;

Invest, develop and operate personal property, including securities;

Construct and operate works, services and public property;

Manage real or personal property, whether owned by us or by third parties;

Build, recycle, or repair real property whether owned by us or by third parties;

Advise third parties with respect to the aforementioned activities;

Finance projects, undertakings, works and/or real estate transactions of third parties.

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Board of Directors

Voting on proposals in which directors have material interest

Decree No. 677/01 establishes in Section 8 that the directors, administrators and members of the supervisory committee of companies whose securities are publicly offered, shall act in a loyal and diligent manner when exercising their functions. In that sense, they have to:

- place the corporate interests of the company and the common interest of the shareholders above any other interest, including the controlling shareholder s interests;
- refrain from obtaining a personal benefit from the issuer other than the compensation paid for their functions;
- organize and implement preventive systems and mechanisms to protect the corporate interests, reducing the risk of conflicts of interests, either permanent or temporary, in the personal relationship with the company or with persons related to the company. This duty specifically refers to activities in competition with the company, the use or imposition of a lien on corporate assets, the determination of compensations or proposals related thereto, the use of non public information, the use of business opportunities for their own benefit or for the benefit of third parties and, in general, any situation that may generate a conflict of interests affecting the issuer;
- make the necessary arrangements to perform the company s activities and implement the necessary internal control to ensure a careful management and avoid breaches of the duties established by the applicable regulations;
- act with due diligence when preparing and disclosing the information to the market, and maintain the independence of external auditors.

The Argentine Law of Corporations No. 19,550 establishes in Section 271 that directors may contract with the company when the contract is related to the regular activities of the company and its terms and conditions are established on market terms. All other contracts with directors should be approved by the shareholders.

Further, Section 73 of Decree No. 677/01 establishes a specific procedure for transactions of a company whose securities are publicly offered, entered into with its directors, members of the supervisory committee, or senior managers and which involve a relevant amount. The transaction is considered to have a relevant amount when it exceeds: (i) one percent (1%) of the corporate capital, measured pursuant to the last approved financial statements, and (ii) the equivalent of one hundred thousand pesos (Ps. 100,000).

The related person with an interest in the transaction, should submit all the relevant documentation to the approval of the board of directors. The directors must request a report (i) of the audit committee stating if the conditions of the operation may be reasonably considered adequate according to normal market conditions; or (ii) of two independent evaluating firms that shall have informed about the same matter and about the other operation conditions. Immediately after being approved by the board of directors the transaction has to be informed to the *Comisión Nacional de Valores*.

Notwithstanding that, Section 272 of the Law of Corporations No.19,550 provides that when a director has an opposite interest to the one of the company, he or she should notify that situation to the board of directors and the supervisory committee and abstain to vote in that respect. The violation of this provision results in the director being jointly and severally unlimitedly liable.

In the event that the results of the reports are not favorable to the transaction, its approval should be considered by the shareholders meeting.

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Approval of compensation of the members of the Board of Directors and Supervisory Committee

Our bylaws do not establish the compensation to be paid to members of the board of directors and the supervisory committee, and therefore pursuant to Section 261 of the Law of Corporations No.19,550, it should be approved by the shareholders. The maximum amount that may be paid as compensation to members of the board of directors and the supervisory committee, should not exceed 25% of the realized and net earnings of the company and 5% when there is no distribution of dividends. If the company does not distribute the total earnings, the amount of the compensation should be proportional to that distribution and within the mentioned limits. These limits may only be surpassed by express approval of the shareholders.

Provisions have been made for compensations of the members of the board of directors for the fiscal year ended 2003, for an amount of Ps. 6.0 million as approved by the shareholders meeting held on October 31, 2003. The members of the supervisory committee renounced to collect their fees for the fiscal year ended 2003.

Borrowing powers of directors

Our bylaws establish, in Section 18, that the board of directors has full and broad powers to organize, manage and direct us in order to fulfilling the corporate purpose.

Retirement of directors

Our bylaws do not establish any requirements or provisions regarding age limits for director s retirement, nor do they require a number of shares a director must own to qualify for the position.

Rights, preferences and restrictions attaching to the common shares

Dividend rights

The Law of Corporations No.19,550 establishes that the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to an annual balance sheet approved by the shareholders. The board of directors submits our financial statements for the previous fiscal year, together with the reports of the supervisory committee, to the annual ordinary shareholders meeting. This meeting must be held by October 31 of each year to approve the financial statements and decide on the allocation of our net income for fiscal year 2003. The distribution, amount and payment of dividends if any, must be approved by the affirmative vote of the majority of the present votes with right to vote at the meeting. Under the applicable regulations of the *Comisión Nacional de Valores*, cash dividends must be paid to the shareholders pro rata according to the interest held by shareholders within 30 days of the decision approving their distribution. If stock dividends are declared, the corresponding shares must be delivered to the shareholders within three months of the shareholders meeting approving them. The right of shareholders to collect the dividends expires upon the end of three-years´ term since they were placed at the disposal of shareholders.

The shareholders meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In that case, all and each of the members of the board of directors and the supervisory committee will be jointly and severally unlimitedly liable for the refund of those dividends if, as of the end of the respective fiscal year, the realized and net earnings of the company are not sufficient to allow the payment of dividends.

When we declare and pay dividends on the common shares, the holders of our GDSs, each representing the right to receive ten ordinary shares, outstanding on the corresponding registration date, shall be entitled to receive the dividends due on the common shares underlying the GDSs, subject to the terms of the Modified and Ordered Deposit Contract dated December 12, 1994 executed by and between us, the Bank of New York (the Depository) and the eventual holders of GDSs (the Deposit Contract). The cash dividends are to be paid in pesos and, except under certain circumstances, are to be converted by the Depositary into U.S. dollars at the exchange rate prevailing at the conversion date and are to be paid to

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the holders of the GDSs net of any applicable fee on the dividend distribution, costs and conversion expenses, taxes and public charges. From 1989 to December 3, 2001, there were no exchange controls restricting the peso-U.S. dollar translation or the remittance of U.S. dollars abroad. From December 3, 2001 to January 2, 2003, remittances of foreign currency, except for certain transactions, should be authorized by the Argentine Central Bank, including payments made by Argentine debtors in connection with financial debts principal. Nowadays, in general, exchange transactions can be freely performed in Argentina, however, the Argentine Central Bank has imposed recent restrictions on certain exchange transactions. Therefore, we cannot assure you that we can transfer abroad the payment of dividends to the holders of our GDSs. See Taxation-Argentine Taxes-Taxation of Dividends .

Voting rights and staggered elections

Our stock capital is composed by book-entry common shares with face value of Ps. 1 per share and entitled to one vote each.

All directors and alternate directors are elected for a three-year term.

Our by laws do not consider staggered elections.

Rights to share in IRSA s profits

The holders of our common shares have the right to participate in our net and realized profits on a *pro rata* basis of their respective interests.

Pursuant to the Law of Corporations and Section 29 of our bylaws, liquidated and realized profits of each fiscal year shall be distributed as follows:

- allocate 5% of such net profits to legal reserve, until the amount of such reserve equals 20% of our capital stock;
- the sum established by the shareholders meeting as remuneration of the board of Directors and the supervisory committee; and
- dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders meeting determines.

Rights to share in any surplus in the event of liquidation

Section 30 of our bylaws establishes that in the event of liquidation, dissolution or winding-up, our assets (i) will be first applied to satisfy liabilities and (ii) the remaining will be proportionally distributed among holders of preferred stock if there are any and in accordance with the terms of the preferred stock. If any surplus remains, the holders of common shares are entitled to receive and share on a pro rata basis in all net assets remaining for distribution.

Provisions related to a shareholder s ownership of certain amount of shares

Section 9 of our bylaws establishes that the acquisition by any person or group, directly or indirectly of our shares, convertible securities, rights to receive any of those securities that may grant that person the control of our company or 35% or more of our capital stock; may only be done by following a tender offer procedure for all of our shares.

There are cases excluded from the tender offer requirements:

acquisitions by persons holding or controlling shares or convertibles securities which represent more than 50% of our capital stock, notwithstanding the provisions of the *Comisión Nacional de Valores*; and

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holdings of more than 35%, which derive from the distribution of shares or dividends paid in shares approved by the shareholders, or the issuance of shares as a result of a merger approved by the shareholders; in both cases, the excess holding shall be disposed of within 180 days of its registration in the relevant shareholder s account, or prior to the holding of our shareholders meeting, whatever occurs first.

The *Comisión Nacional de Valores* regulations require that transactions which cause a person s holdings of capital stock of a registered Argentine company, to hold 5% or more of the voting power, should be immediately notified to the *Comisión Nacional de Valores*. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

Procedure to change the rights of stockholders

The rights of holders of stock are established in the Law of Corporations and in the bylaws. The rights of shareholders provided for by the Law of Corporations may not be diminished by the bylaws. Section 235 of the Law of Corporations establishes that the amendment of the bylaws should be approved by the absolute majority of our shareholders at an extraordinary shareholders meeting.

On October 31, 2003 in the ordinary and extraordinary annual shareholders meeting, shareholders decided not to adhere to the Régimen Estatutario Optativo de Oferta Pública de Adquisición Obligatoria (Optional Statutory Body of Public Offering of Compulsory Acquisition) provided under Decree No. 677/2001, consequently, shareholders decided to incorporate that provision under Section 1 of the by-laws.

Ordinary and extraordinary shareholders meeting

Our bylaws establish that any meeting must be called by the board of directors or by the supervisory committee in the assumptions provided for by law or at the request of the holders of shares representing no less than 5% of the share capital. Any meetings requested by shareholders must be held within 30 days after the request is made. Ordinary meetings may be called simultaneously for the first and second call. Upon failure to give simultaneous call, the meeting on second call, due to failure to constitute quorum on first call, must be held within 30 days after such meeting, complying with all notices required by applicable regulations.

Any shareholder may appoint any person as its duly authorized representative at whatever meeting, by granting a proxy with duly certified signature. Co-owners of shares must have single representation.

In order to attend a shareholders meeting, shareholders should deposit with us the share certificate issued by the registrar agent, with at least 3 business days prior to the date of the respective shareholders meeting. We will deliver the respective receipt which will be required for admission to the shareholders meeting. On the day of the meeting, the shareholders or their representatives will have to fill in their addresses, identity document and number of votes and will sign the Shareholders Meetings Attendance Book.

The meetings shall be presided by the Chairman of the board of directors.

The first call of the ordinary shareholders meeting requires the attendance of shareholders representing a majority of the shares with voting rights. The second call, does not require a minimum of shares with right to vote. In both cases, resolutions shall be adopted by the absolute majority of the votes that may be cast in the relevant decision.

The first call of the extraordinary shareholders meeting requires the attendance of shareholders representing 60% of the shares with voting rights. The second call, does not require a minimum of shares with right to vote. In both cases, resolutions shall be adopted by the absolute majority of the votes that may be cast in the relevant decision.

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Limitations to own securities by non-resident or foreign shareholders

There are no legal limitations to own securities or exercise voting rights, by non-resident or foreign shareholders.

Ownership threshold above which ownership should be disclosed

The *Comisión Nacional de Valores* regulations require that transactions which cause a person s holdings of capital stock of a registered Argentine company, to hold 5% or more of the voting power, should be immediately notified to the *Comisión Nacional de Valores*. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

Directors, senior managers, executive officers, members of the supervisory committee, and controlling shareholders of an Argentine company whose securities are publicly offered, should notify the *Comisión Nacional de Valores* on a monthly basis, their beneficial ownership of shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

Further, the *Comisión Nacional de Valores* must be immediately notified of transactions which cause a person s holdings of capital stock of an Argentine company whose securities are publicly offered to hold 5% or more of the voting power and every change in the holdings that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares or who otherwise control decision making in shareholders meetings, as well as directors, officers and members of the supervisory committee, must provide the *Comisión Nacional de Valores* with annual reports of their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

C. Material Contracts

We do not have any material contract entered into outside the ordinary course of business other than some of the operations previously described under the Related Party Transactions and Our Indebtedness sections

D. Exchange Controls

Currency exchange regulation

Pursuant to Decree No. 260/2002 enacted by the Executive Power on February 8th, 2002, the dual exchange rate system in force since January 2002 has been eliminated. This dual system established an official exchange rate of Ps.1.40 equal to 1 U.S. dollar and a free exchange rate, and was replaced by a unique and free exchange market. All foreign currency exchange transactions must be carried out in the free exchange market, in which the Argentine Central Bank participates by purchasing and selling foreign currency.

Import and export of capital

Import of capital

At present, there are no laws, executive orders or regulations nor any exchange controls in force in Argentina limiting the import of capital.

Pursuant to the Argentine Foreign Investment Law No. 21.382, and Decree No. 1853, enacted in 1993, the purchase by foreign investors (any natural or legal person domiciled out of Argentina or an Argentine company of foreign capital) of capital participation in a company existing in Argentina (according to the Foreign Investment Act) shall constitute a foreign investment.

At present there are no restrictions on foreign investment in industries other than public broadcasting media, and no prior authorization is required to make foreign investments.

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Therefore, no prior authorization is required for the purpose of purchasing securities of our company.

See Item 3: Key Information B. Exchange Rates .

Export of capital including the availability of cash or cash equivalents

From 1989 to December 3, 2001, there were no exchange controls restricting the peso-U.S. dollar translation or the remittance of U.S. dollars abroad. In compliance with the economic measures set forth by the Government by means of Decree No. 1570/2001 dated December 1, 2001 and subsequent amendments thereto, aimed at protecting the integrity of the Argentine financial system, money could not be transferred abroad, unless expressly authorized by the Argentine Central Bank.

Effective May 6, 2003, the prior authorization by the Argentine Central Bank to remit funds abroad in order to pay principal and/or interest is no longer required, provided certain conditions are met (such as a certificate evidencing compliance with the Argentine Central Bank regulations in connection with application of funds to repay debts).

The Argentine Central Bank issued Communication A 3944 and other similar measures for the purpose of managing the value of the Argentine peso in relation to the U.S. dollar. It cannot be anticipated whether the Argentine Central Bank will be able to achieve the referred purpose in the short term. In addition, it cannot be foreseen whether the Argentine Central Bank will introduce new amendments to exchange control regulations in order to control the quotation of the Argentine peso. Any amendment to the referred Communication restricting payments in foreign currency abroad will prevent us from meeting our liabilities abroad in foreign currency.

Nowadays, exchange transactions can be freely performed in Argentina, however, the Argentine Central Bank has recently imposed particular restrictions on certain exchange transactions.

Remission of Dividends, interests or other payments to holders of securities in our company, to non-residents

In compliance with the economic measures set forth by the Argentine Government by means of Decree No. 1570/2001 dated December 1st, 2001, as amended by Decree No. 1606/2001 and Law No. 25,557, aimed at protecting the integrity of the Argentine financial system, some limitations have been imposed on export of capital. See: Export of Capital, including the availability of cash or cash equivalents.

The Argentine exchange market was subject to controls up to December 1989, when a floating exchange rate for all foreign currency transactions was established. From 1989 to December 3, 2001, there were no exchange controls restricting the peso-U.S. dollar translation or the remittance of U.S. dollars abroad. From December 3, 2001 to January 2, 2003, remittances of foreign currency, except for certain transactions, should be authorized by the Argentine Central Bank, including payments made by Argentine debtors in connection with financial debts principal. Although, in general, exchange transactions can be freely performed in Argentina, recently, the Argentine Central Bank imposed restrictions on certain exchange transactions.

E. Taxation

United States taxation

The following summary describes the material United States federal income tax consequences of the ownership of shares and GDSs as of the date hereof. The discussion set forth below is applicable to U.S. Holders (as defined below). Except where noted, this discussion deals only with U.S. Holders (as defined below) that purchase the shares or GDSs as capital assets and that do not have a permanent establishment in Argentina, are not residents of Argentina, are not domiciled in Argentina, are not organized in Argentina, do not have a local branch in Argentina, do not carry on certain commercial activities, do not fall within the legal presumption for non-Argentine legal entities with respect to the Argentine Personal Assets Tax, do not own an Argentine bank account and are not physically present in Argentina for 183 days or more within a calendar year. This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a bank;
- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax exempt organization;
- a person holding the shares or GDSs as part of a hedging, integrated or conversion transaction, constructive sale or straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns more than 10% of the voting stock of our company;
- an investor in a pass-through entity; or
- a United States person whose functional currency is not the United States dollar.

Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions there under as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary (the Depositary) to us and assumes that the deposit agreement governing the GDSs, and all other related agreements, will be performed in accordance with their terms. **IF YOU ARE CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF SHARES OR GDSs YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO YOU AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.**

U.S. Holder means a beneficial owner of a share, or GDS that is for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States or any political subdivision of the United States;
- an estate the income of which is subject to United States federal income taxation regardless of its source;
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons has authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

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If a partnership holds shares or GDSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares or GDSs, you should consult your tax advisors.

GDSs

In general, for United States federal income tax purposes, U.S. Holders of GDSs will be treated as the owners of the underlying shares that are represented by the GDSs. However, the United States Treasury has expressed concerns that parties to whom depositary shares are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits by the holders of GDSs. Accordingly, the analysis of the creditability of Argentine taxes described herein could be affected by future actions that may be taken by the United States Treasury. Deposits or withdrawals of shares by U.S. Holders for GDSs will not be subject to United States federal income tax.

Distributions on Shares or GDSs

Subject to the discussion under Passive Foreign Investment company Rules below, distributions on the shares or GDSs, (including net amounts withheld to reflect Argentine withholding taxes, if any) will be taxable as dividends to the extent of our current and accumulated earnings and profits (as determined under United States federal income tax principles). Such income will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of shares, or by the GDS depositary, in the case of GDSs. Such dividends will not be eligible for the dividends-received deduction.

The amount of any dividend paid in Pesos will equal the United States dollar value of the Pesos received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you in the case of shares, or by the GDS depositary, in the case of GDSs, regardless of whether the Pesos are converted into United States dollars. If the Pesos received are not converted into United States dollars on the day of receipt, you will have a basis in the Pesos equal to their United States dollar value on the date of receipt. Any gain or loss you realize on a subsequent conversion or other disposition of the Pesos will be treated as United States source ordinary income or loss.

Subject to certain significant conditions and limitations, Argentine tax withheld from dividends, if any, may be treated as foreign income tax eligible for credit or deduction against your United States federal income tax liability. For purposes of the foreign tax credit, dividends paid on the shares will be treated as income from sources outside the United States and will generally constitute passive income or, in the case of certain United States Holders, financial services income. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of Capital Gains

Subject to the discussion under Passive Foreign Investment company Rules below, upon the sale, exchange or other disposition of shares or GDSs, you generally will recognize capital gain or loss equal to the difference between the United States dollar value of the amount realized upon the sale, exchange or other disposition and the adjusted tax basis of the shares or GDSs, determined in United States dollars. The capital gain or loss will be long-term capital gain or loss if at the time of sale, exchange or other disposition you have held the shares or GDSs for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation depending upon the holding period of such capital assets. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss.

Passive Foreign Investment company Rules

Although it is an inherently uncertain factual issue, we may be a PFIC for the current or future taxable years.

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In general, we will be a PFIC for any taxable year in which, either (i) at least 75% of the gross income of our company for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business and not derived from a related person), annuities and gains from assets that produce passive income. If we own at least 25% by value of the stock of another corporation, we will be treated for purposes of the PFIC tests as owning a proportionate share of the assets of the other corporation, and as receiving directly a proportionate share of the other corporation s income.

The determination of whether we are a PFIC is made annually. If we are a PFIC for any taxable year during which you hold shares or GDSs in our company, unless you make the mark-to-market election discussed below, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our shares or GDSs, you will be subject to special tax rules with respect to any excess distribution received and any gain realized from a sale or other disposition, including a pledge, of such shares or GDSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the equity interests will be treated as excess distributions. Under these special tax rules (i) the excess distribution or gain will be allocated ratably over your holding period for the equity interests, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election is only available for stock traded on certain designated United States exchanges and foreign exchanges which meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable United States Treasury regulations. Consequently, the mark-to-market election may be available to you with respect to the GDSs because the GDSs will be listed on the Nasdaq, which constitutes a qualified exchange under the regulations, although there can be no assurance that the GDSs will be regularly traded. You should note that only the GDSs and not the shares are listed on the Nasdaq. The shares are listed on the Buenos Aires Stock Exchange. Consequently, the Buenos Aires Stock Exchange would need to meet the trading, listing, financial disclosure and other requirements of the United States Treasury regulations. The GDSs or shares would need to be regularly traded on such exchanges in order for the GDSs or shares to be potentially eligible for the mark-to-market election.

If we are a PFIC in any taxable year in which you hold our shares or GDSs, but you do not make a mark-to-market election until a subsequent taxable year, you will be subject to special rules in the taxable year of the election. You should consult your own tax advisors regarding the application of the mark-to-market election in your particular situation.

If you make an effective mark-to-market election, you will include in income each year as ordinary income, rather than capital gain, the excess, if any, of the fair market value of your PFIC shares or GDSs at the end of the taxable year over your adjusted tax basis in the shares or GDSs and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of such shares or GDSs over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your basis in the shares or GDSs will be adjusted to reflect any such income or loss amounts. Any gain or loss on the sale of the shares or GDSs will be ordinary income or loss, except that such loss will be ordinary loss only to the extent of the previously included net mark-to-market gain.

If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the shares or GDSs are no longer regularly traded

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on a qualified securities exchange or the IRS consents to the revocation of the election. Under proposed Treasury regulations, mark-to-market inclusions and deductions will be suspended during taxable years in which are not a PFIC, but would resume if they subsequently become a PFIC. You are urged to consult your own tax advisor about the availability of making such a mark-to-market election.

Alternatively, a United States Holder of shares or GDSs in a PFIC can sometimes avoid the rules described above by electing to treat the company as a qualified electing fund under section 1295 of the Code. This option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

A United States Holder who owns shares or GDSs during any year that we are a PFIC must file IRS Form 8621.

You should consult your own tax advisors concerning the United States federal income tax consequences of holding the shares or GDSs if we are considered a PFIC in any taxable year.

Argentine Personal Assets Taxes

Amounts paid on account of the Argentine Personal Assets Taxes, if any, will not be eligible as a credit against your United States federal income tax liability, but may be deductible subject to applicable limitations in the Code.

Information Reporting and Backup Withholding

In general, information-reporting requirements will apply to distributions on shares or GDSs and to the proceeds of sale of a share or GDS paid to United States Holders other than certain exempt recipients (such as corporations). Backup withholding may apply to such payments if you fail to provide a correct taxpayer identification number or certification of foreign or other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided you furnish the required information to the IRS.

Argentine Taxation

The following discussion is a summary of certain Argentine tax considerations associated with an investment in, ownership or disposition of, the shares or the GDSs by an individual holder that is not domiciled or resident in Argentina and a legal entity that is not organized under the laws of Argentina and does not have a permanent establishment in Argentina or is not otherwise doing business in Argentina on a regular basis (a Foreign Holder). The discussion is for general information only and is based on current Argentine tax laws. Moreover, while this summary is considered to be a correct interpretation of existing laws in force as of the date of this 20-F Form, no assurance can be given that the courts or administrative authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws or interpretations will not occur**. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES ARISING UNDER ANY TAXING JURISDICTION.**

Taxation of Dividends

Dividends, either in cash, shares or kind approved by our shareholders are currently exempt from Argentine withholding or other taxes.

Notwithstanding the foregoing, according to Argentine law, income tax will be applied to the amount of dividends distributed in excess of a company s net taxable income determined in accordance with general income tax regulations for the fiscal years preceding the date of the distribution of such dividends. The legislation requires that companies withhold 35% of the amount of distributed dividends in excess of the net taxable income of such distribution, as determined in accordance with the income tax law.

The withholding would not be applied to the payment of future dividends derived out of retained earnings obtained in the fiscal years ended prior to December 30, 1998. Dividends distributed by an Argentine company are not subject to this tax to the extent that those dividends arise from dividend income or other distributions received by such company from other Argentine companies.

Taxation of Capital Gains

Gains on sales or other dispositions of shares or GDSs by non-resident individuals and foreign entities without a permanent establishment in Argentina are currently exempt from taxation. Notwithstanding, if the foreign entity qualifies as an Offshore Taxable Entity and shares or GDS s are not listed, sales or other dispositions of such shares or GDSs are taxable at the rate of 17,5%.

An Offshore Taxable Entity is a foreign entity without permanent establishment in Argentina which (i) pursuant to its bylaws or to the applicable regulatory framework has its principal investing activity outside the jurisdiction of its incorporation and/or (ii) cannot perform in the jurisdiction of its incorporation certain transactions and/or investments expressly indicated in its bylaws or in the applicable regulatory framework.

Gains on sales or other dispositions of listed shares or GDSs by resident individuals are currently exempt from taxation. In the case of non-listed shares or GDS s its sale or other dispositions are taxable at the rate of 9% up to 15%, but the losses generated by such transactions may only be offset against income from the same type of transactions.

Gains on the sale or other dispositions of shares or GDSs by Argentine entities are subject to Argentine income tax at the fixed rate of 35% but the losses generated by such transaction may only be offset against income from the same type of transactions.

Notwithstanding the foregoing, on July 3, 2003, the Attorney of the Argentine Republic Treasure has passed Judgment No. 351/03 in which interprets that, as from the enactment of Law No. 25,556, the above-mentioned regime is no longer in force. No assurance can be given on the applicable regime, as of today, no official interpretation of this judgment has been done.

WE RECOMMEND PROSPECTIVE INVESTORS TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES CONCERNING THE SALE OR OTHER DISPOSITIONS OF THE SHARES OR GDS´s.

Value Added Tax

The sale, exchange, disposition, or transfer of shares or GDSs is not subject to Value Added Tax.

Personal Assets Tax

Law No. 25,585 issued on April 24, 2002 and published in the Official Gazette on May 15, 2002 (and applicable to personal assets held as of December 31, 2002) introduces amendments to Law No. 23,966 and imposes the personal assets tax on shares and GDSs held by individuals and undivided estates domiciled or located in Argentina or abroad and legal entities not domiciled in Argentina, separately from other assets.

This amendment imposes the obligation to pay the personal assets tax on the Argentine private issuer of the shares and GDSs, and authorizes it to seek recovery of the amount so paid, without limitation, by way of withholding or by foreclosing on the assets that gave rise to such payment. The tax is levied on the shares proportional equity value of the shares as reflected in the most recent balance sheet closed as of December 31 of the taxable year, at the rate of 0.5% without any non-taxable minimum being applicable.

Tax on Minimum Notional Income (Impuesto a la Ganancia Minima Presunta, IGMP)

Companies domiciled in Argentina, partnerships, foundations, sole proprietorships, trusts, certain mutual funds organized in Argentina, and permanent business establishments owned by foreign persons,

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among other taxpayers, shall apply a 1% rate to the total value of assets held by such persons, above an aggregate nominal amount of Ps. 200,000. Nevertheless, shares and GDSs issued by entities subject to such tax, are exempt from paying the IGMP.

Gross Income Tax

The gross income tax is local in nature; therefore, the rules of the relevant provincial jurisdiction should be considered, which may levy this tax on the purchase and sale of shares and/or the collection of dividends. In the particular case of the city of Buenos Aires, any transaction involving shares and/or the collection of dividends and revaluations is exempt from this tax.

There is no gross income tax withholding system applicable to the payments made to foreign beneficiaries. Those investors who customarily perform, or who are deemed to perform, transactions in any jurisdiction in which they obtain their income from the sale of shares and/or the collection of dividends are subject to this tax at rate of 3%, unless an exemption is applicable to them.

Stamp Tax

The stamp tax is a local tax that is generally levied on the instrumentation of onerous acts executed within a certain territorial jurisdiction or outside a certain territorial jurisdiction but with effects in such jurisdiction.

In the city of Buenos Aires, the stamp tax has been repealed for all those acts that do not imply an onerous conveyance of real property. However, most provincial tax authorities maintain this tax in effect for all acts in general; therefore, the instruments which implement onerous transactions (including issuance, subscription, placement and transfer) involving the shares or GDSs, executed in other jurisdictions, or with effects in those jurisdictions, could be deemed to be subject to this tax.

Court and Other Taxes

In the event that it becomes necessary to institute legal actions in relation to the shares or GDS´s in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the city of Buenos Aires.

Argentina imposes neither an estate nor gift tax on a decedent, donor, legatee or donee. No Argentine tax is imposed on the deposit or withdrawal of shares in exchange for GDSs. Other than the taxes discussed above, no other Argentine taxes are applicable to an investment in shares or GDSs. At present, there is no national tax specifically applicable to the transfer of securities.

Tax Treaties

Argentina has entered into tax treaties with several countries. There is currently no tax treaty or convention in effect between Argentina and the United States.

F. Dividends and Paying Agents

This section is not applicable.

G. Statement by Experts

This section is not applicable.

H. Documents on display

We file annual, quarterly and other information with the SEC. You may read and copy any document that we file at the public reference rooms of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the Public Reference Rooms by calling the SEC at 1-800-SEC-0330. Our Internet address is http://www.irsa.com. It should be noted that nothing on our website should be considered part of this annual report on Form 20-F. You may request a copy of these filings at no cost, by writing or calling the offices of IRSA, Bolívar 108, (C1066AAB) Buenos Aires, Argentina. Our telephone number is +54-11-4323-7555. Please notice that as from January, 2004, we are moving our headquarters to Moreno 877, (C1091AAQ), Buenos Aires, Argentina, keeping the same telephone number.

I. Subsidiary Information

This section is not applicable.

ITEM 11. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our consolidated financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and interest rates. We are exposed to market risk in the areas of interest rates and foreign currency exchange rates. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors. Uncertainties that are either nonfinancial or nonquantifiable, such as political, economic, tax, other regulatory or credit risks, are not included in the following assessment of our market risks.

Interest Rate Risk

Our exposure to market risk associated with changes in interest rates is limited to our current investments and variable-rate debt.

We place our cash and current investments in high quality financial institutions in the United States and Argentina. Our policy is to limit exposure with any individual institution. Our investment portfolio primarily consists of income securities and local market stocks. As of June 30, 2003 we had cash and cash equivalents of Ps. 114.7 million and marketable securities totaling Ps. 111.6 million. In view of the nature of our total portfolio, a 10% movement in market interest rates would not have a significant impact on the total value of our portfolio as of June 30, 2003.

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include short-term borrowings, and other variable-rate long-term debt used to maintain liquidity and fund our business operations. The instruments actual cash flows are denominated in U.S. dollars. Our interest expense is sensitive to changes in the general level of interest rates because most of our long-term debt arrangements bear interest at variable rates. Therefore, our results of operations would be affected by interest rate changes. Based on the nature and current levels of our long-term debt, however, we have concluded that an immediate 10% change in interest rates would not have a material effect on our results of operations over the next fiscal year.

For debt obligations, the following table presents principal cash flows and related weighted average interest rates by expected maturity dates. The information is presented in U.S. dollars.

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The following table sets forth principal cash flows and related weighted average interest rates by expected maturity dates for debt obligations:

	June 30, 2003 Expected Maturity Date (US$ Equivalent in million)						
Liabilities	**FY2004**	**FY2005**	**FY2006**	**FY2007**	**FY2008**	**Total**	**Fair Value**
Fixed Rate (US$) (3)		0.8	1.6	122.1	3.2	127.7	127.7
Average interest rate		5.5%	6.0%	7.3%	6.0%	7.3%	
Fixed Rate (Pesos) (1)	5.0	23.4				28.4	28.4
Average interest rate (2)	8.4%	13.4%				13%	
Variable Rate (US$) (4) (5)	5.15	8.65	14.1	10.9	14.5	53.3	53.3
Average interest rate (1)	6.2%	4.8%	4.7%	3.2%	3.2%	4.1%	

(1) Peso-denominated loans were converted to U.S. dollar at an exchange rate of Ps. 2.80 per U.S. dollar.
(2) Average interest rate based on the prices settled in the contracts as of June 30, 2003.
(3) It Includes U.S. 16 million under the Syndicated Loan Agreement that were paid in advance on July 23, 2003, obtaining a 32% discount.
(4) It Includes US$ 12 million loan of our subsidiary Hoteles Argentinos, wich some of its principal and interest installments are overdue an unpaid and whose terms of payment are being negotiated.
(5) Includes APSA´s Class B-1 Senior Notes and the obligations regarding the Compensation Agreement.

As a matter of policy, we use derivative instruments only to minimize our financing costs. However, there can be no assurance that such risks would be managed in the future through a variety of strategies, including the use of hedging transactions. We do not use derivative instruments for trading or speculative purposes.

Foreign exchange exposure

We carry out all of our business in Pesos. Accordingly, our earnings are subject to exposure from adverse movements in currency exchange rates primarily related to our U.S. dollar-denominated debt.

Historically, volatility has been caused by currency devaluation, among other factors. Most of these factors have occurred at various times in the last two decades in Argentina.

On February 28, 2002, we sold all of our interest, we participated in Brazil Realty through which we participated in the Brazilian real estate market.

From April 1, 1991, until the beginning of year 2002, the Convertibility Law No. 23,928 was applicable in Argentina. This law established a fixed exchange rate, under which the Argentine Central Bank was forced to sell U.S. dollars to any person at a fixed rate of Ps. 1.00 per US$

1.00. Accordingly, the foreign currency fluctuations were reduced to a minimum level during this period.

The primarily economic change implemented by the current Argentine government in January 2002 was the announcement of the devaluation of the Peso. Most of our lease contracts and most of our liabilities were denominated in U.S. dollars. Decree No. 214/02 and Decree No. 762/02 mandatorily converted into pesos, all monetary obligations in U.S. dollars entered into between parties under Argentine Law. Consequently, all of our leases were *pesified* at a one-to-one exchange rate and, additionally, inflation adjusted by the CER index. On the other hand, most of our debt obligations, which are governed by the laws of the State of New York, remained U.S. dollar-denominated.

Due to the end of Convertibility Plan, our foreign exchange exposure has increased considerably. Currently all of our revenues are derived from our operations in Argentina and foreign exchange volatility will probably affect our Peso-denominated revenues, making it more burdensome for us to pay our U.S. dollar-denominated debt.

Foreign currency exchange fluctuations may additionally affect the risk of default on our mortgage receivables, leases and services and other receivables, as any of our customers that have Peso-denominated revenue streams may experience a relative increase in their U.S. dollar-denominated liabilities compared to

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their Peso-denominated revenues. Foreign currency exchange restrictions hereafter imposed by the Argentine government could prevent or restrict our access to U.S. dollars, affecting our ability to service our U.S. dollar-denominated liabilities.

Our hedging strategies may prove ineffective to address the effects of interest rate or foreign currency exchange movements on our financial condition. We have experienced net hedging losses in the past, and we could experience such losses in the future to the extent that interest rates or foreign exchange rates shift in excess of the risk covered by hedging arrangements. In entering into interest rate and foreign currency contracts, we bear the credit risk of counterparties being unable to meet the terms of their contracts; and we may be unable to recover damages from any such defaulting counterparty through legal enforcement actions due to laws affording bankruptcy or protection to insolvent obligors, foreign laws limiting cross-border enforcement actions or otherwise.

We have entered into foreign currency forward exchange contracts with maturities of one year or less. Consistent with our risk management policy, we have used foreign currency forward exchange contracts as a supplement to reduce our overall borrowing costs. The fair value of the forward foreign exchange contracts is not recognized in our consolidated financial statements. At June 30, 2003, we had no outstanding foreign currency forward contracts. After June 30, 2003, we entered into two foreign currency future contracts for a total amount of US$ 4.55 million. As of the date hereof, all of them have matured, resulting in a gain of US$ 302,066.

Based on our historical foreign currency rate movements, we do not believe that reasonably possible near-term changes in foreign currency will result in a material effect on our future earnings, fair values or cash flows.

Foreign exchange net losses during fiscal years 2003, 2002 were Ps. 188.7 million and Ps. 319.3 million, respectively.

The following table presents principal cash flows by expected maturity dates related to the swap agreement:

	Expected Maturity Date June 30,					
Consolidated Debt	**Notional principal amount (million)**	**FY2003**	**FY2004**	**FY2005**	**FY2006**	**Market Value (1)**
Related derivatives						
U.S. dollars	US$ (69.13)			**(69.13)**		(47.1)
Peso	Ps. 69.13			69.13		

(1) Market value of swap agreement, which includes cash flow of principal and interest as of June 30, 2003

ITEM 12. Description of Other than Equity Securities

This item is not applicable.

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PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies

Nowadays, pursuant to a restructuring and reorganization plan we set forth the necessary measures to restore the liquidity position of our company. Consequently, we are currently in payment of our outstanding debts.

However, our subsidiary Hoteles Argentinos, owner of the Hotel Sheraton Libertador, has not paid yet principal installments for a total of US$ 2.4 million, that were due between July 29, 2002 and October 29, 2003 and interest installments for a total amount of US$ 846,000, under the US$ 12.0 million loan. Although Hoteles Argentinos Management is renegotiating its debt with its creditors, we cannot assure you that an agreement will be reached.

On July 6, 1999, APSA acquired a 94.6% interest in Shopping Neuquén S.A. for US$ 4.2 million. APSA paid US$ 0.9 million on September 1, 1999, and the remaining US$ 3.3 million were originally scheduled to be paid on or before July 5, 2001. As of today the remaining payment is overdue.

In August 2003, APSA was informed that 85.75% of the old shareholders of Shopping Neuquén had filed a complaint against them. On September 2003, APSA answer the complaint and filed a counterclaim for the contract readjustment based on the economic and social emergency situation. In November 2003, the old shareholders of Shopping Neuquén answered to counterclaim alleging that the payment was overdue before the economic and social emergency situation. For that reason they allege that APSA cannot plead readjustment of the contract.

Although APSA hopes for a favorable resolution to the judicial proceeding, and APSA still is negotiating a new arrangement with the old shareholders, APSA cannot assure a favorable result.

ITEM 14. Material Modifications to the Rights of Security Holders and the use of Proceeds

Fair Price Provision

At our annual meeting held on October 30, 2000, our shareholders approved an amendment to our bylaws which included the adoption of a fair price provision (the Fair Price Provision). On March 8, 2002 our shareholders decided to make a new amendment to Article Nine of our by laws including, among others, an increase in the minimum percentage of capital obliged to comply with the Fair Price Provision, from twenty percent (20%) to thirty five percent (35%), according to Decree No. 677/2001. The following description is a summary of the principal provisions of the Fair Price Provision, which constitutes Article Nine of our bylaws and does not contain a description of all of the terms of the Fair Price Provision. The Fair Price Provision prohibits a party seeking to acquire, directly or indirectly, either control or (together with such party s other holdings) thirty five percent (35%) or more of our capital stock without complying with the procedural and price requirements described below. Acquisitions made in violation of the Fair Price Provision are deemed ineffective against us and will not be registered in our share registry. Shares acquired in violation of the Fair Price Provision shall have no voting or equity rights until the Fair Price Provision has been complied with. The Fair Price Provision applies to transactions involving shares of our common stock and any securities convertible in shares of our common stock, including, without limitation, convertible debentures and bonds and our global depositary receipts (GDRs). The Fair Price Provision excludes certain acquisitions of shares in certain limited circumstances.

The Fair Price Provision provides that a party seeking to acquire, directly or indirectly, control of our company or thirty five percent (35%) or more of our capital stock shall be required to make a public tender offer for all of the outstanding common stock of us and any shares of common stock into which outstanding securities of our company are presently convertible or exchangeable in accordance with the procedural and price terms of the Fair Price Provision and in accordance with applicable law. For purposes of the thirty five percent threshold contained in the Fair Price Provision parties acting in concert or which are under common control or administration are deemed a single party.

There are cases excluded from the tender offer requirements:

- acquisitions by persons holding or controlling shares or convertibles securities which represent more than 50% of our capital stock, notwithstanding the provisions of the *Comisión Nacional de Valores*; and

- holdings of more than 35%, which derive from the distribution of shares or dividends paid in shares approved by the shareholders, or the issuance of shares as a result of a merger approved by the shareholders; in both cases, the excess holding shall be disposed of within 180 days of its registration in the relevant shareholder s account, or prior to the holding of our shareholders meeting, whatever occurs first.

The Fair Price Provision requires the offering party to notify use of the tender offer simultaneously with its filing of the public tender offer with the *Comisión Nacional de Valores*, the Argentine National Securities Commission. The notice to us is required to set forth all of the terms and conditions of any agreement that the offering party has made with any other of our shareholders with respect to the proposed transaction and to provide, among other things, the following information:

- the identity and nationality of the offering party and, in the event the offer is made by a group, the identity of each member of the group;

- the terms and conditions of the offering, including the price, the tender offer period and the requirements for accepting the tender offer;

- accounting documentation required by Argentine law relating to the offering party;

- details of all prior acquisitions by the offering party of shares or securities convertible into shares of our capital stock.

We will distribute the information provided by the offering party to our shareholders.

The *Comisión Nacional de Valores* regulations require that transactions which cause a person s holdings of capital stock of a registered Argentine company, to hold 5% or more of the voting power, should be immediately notified to the *Comisión Nacional de Valores*. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

The Fair Price Provision requires that the consideration paid in the tender offer be paid in cash and that the price paid for each share in the tender offer be the same and not less than the highest price per share derived from the five following alternative valuation methods:

- the highest price per share of our common stock paid by the offering party, or on behalf of the offering party, for any acquisition of shares or convertible securities within the 2 years prior to the commencement of the tender offer;

- the highest closing selling price of a share of our common stock on the BCBA during the thirty day period immediately preceding the commencement of the tender offer;

the highest price resulting from the calculations made according to the provisions of (i) and (ii) above multiplied by a fraction the numerator of which is such highest price and the denominator of which is the lowest closing price of a share of our common stock on the BCBA during the two-year period prior to the period referred to in sub-sections (i) or (ii), as applicable;

our aggregate net earnings per share during our preceding four completed fiscal quarters prior to the commencement of the tender offer, multiplied by our highest price to earnings ratio during the two-year period immediately preceding the commencement of the tender offer. Such

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multiples shall be determined considering the average closing selling price of our common stock on the BCBA, and our aggregate net income from our preceding four completed fiscal quarters; and,

the book value per share of our common stock at the time the tender offer is commenced, multiplied by the highest ratio determined by a fraction the numerator of which is the closing selling price of a share of our common stock on the BCBA on each day during the two year period prior to the commencement of the tender offer and the denominator of which is the latest known book value per share of our common stock on each such date.

ITEM 15. Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation of the controls and procedures of our company with the participation of our Chief Executive Officer and Chief Financial Officer to determine the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in all material respects to ensure that the information we file and submit under the U.S. Securities and Exchange Act of 1934 is recorded, processed, summarized and reported as and when required.

Furthermore, the evaluation found no significant changes in our internal controls or other factors that could significantly affect these controls, including any corrective actions with regards to significant deficiencies and material weaknesses.

ITEM 16.

ITEM 16.A. Audit Committee Financial Expert

In our annual ordinary shareholders meeting held on October 31, 2003, the audit committee plan was unanimously approved. Pursuant to this plan, the board of directors shall appoint the members of the audit committee who shall have expertise in corporate administration, finance and accounting. This committee shall be constituted before May 28, 2004.

Therefore, after appointment of the members of this committee, the board of directors of the company will determine if there is an audit committee financial expert serving on the audit committee according with the rules adopted by the SEC.

ITEM 16.B. Code of Ethics

One of the responsibilities of our audit committee will be to assist the board of directors in the conduct and ethic of our business and the preparation or modification of a code of ethics or Conduct for our principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions.

Therefore, we expect that after appointment of the members of the audit committee this entity will start working in the preparation and implementation of the code of ethics.

ITEM 16.C. Principal Accountant Fees and Services

This section is not applicable.

ITEM 16.D. Exemption from the Listing Standards for Audit Committees

This section is not applicable.

PART III

ITEM 17. Financial Statements

The Registrant has responded to Item 18 in lieu of responding to this Item.

ITEM 18. Financial Statements

Reference is made to pages F-1 through F-170.

ITEM 19. [Exhibits]

Index to Financial Statements (see page F-1).

[INDEX OF EXHIBITS]

Exhibit No.	Description of Exhibit
3.1*	*Estatutos* of the registrant, which serve as the registrant s articles of incorporation and bylaws, and an English translation thereof.
4.1**	Unit Agreement between the registrant and the Bank of New York.
4.2**	Indenture between the registrant and the Bank of New York.
4.2**	Warrant Agreement between the registrant and the Bank of New York, as warrant agent.
21.1**	Subsidiaries of the registrant

* Incorporated herein by reference to the exhibit to the registrant s registration statement on Form F-1 (File No. 33-86792)

** Incorporated herein by reference to the same-numbered exhibit to the registrant s registration statement on Form F-1 (File No. 333-89660)

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

By: ______________________________

Alejandro G. Elsztain
Position: Director
Date: December 29, 2003

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SECTION 302 CERTIFICATION

I, Alejandro G. Elsztain, certify that:

1. I have reviewed this annual report on Form 20-F of IRSA Inversiones y Representaciones Sociedad Anónima;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us and others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant s disclosure controls and procedures within 90 days prior to the filing date of this annual report (the Evaluation Date); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls and procedures which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls;

6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ ALEJANDRO G. ELSZTAIN

Alejandro G. Elsztain

Chief Executive Officer

IRSA

Dated: December 29, 2003.

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SECTION 302 CERTIFICATION

I, David A. Perednik, certify that:

1. I have reviewed this annual report on Form 20-F of IRSA Inversiones y Representaciones Sociedad Anónima;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us and others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant s disclosure controls and procedures within 90 days prior to the filing date of this annual report (the Evaluation Date); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls and procedures which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls;

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6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ DAVID A. PEREDNIK

David A. Perednik

Interim Chief Financial Officer

Dated: December 29, 2003.

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS

ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of IRSA Inversiones y Representaciones Sociedad Anónima (the company) for the year ended June 30, 2003 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), Eduardo S. Elsztain, as Chief Executive Officer of the company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

By: Eduardo S. Elsztain

Chief Executive Officer

December 29, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except as to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.

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CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS

ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of IRSA Inversiones y Representaciones Sociedad Anónima (the company) for the year ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), David A. Perednik, as Iterim Chief Financial Officer of the company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

By: David A. Perednik

Interim Chief Financial Officer

December 22, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except as to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.

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Index to Consolidated Financial Statements

Report of Independent Auditors

To the Board of Directors and the Shareholders of

IRSA Inversiones y Representaciones Sociedad Anónima:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders equity and of cash flows present fairly, in all material respects, the financial position of IRSA Inversiones y Representaciones Sociedad Anónima and its subsidiaries at June 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2003 in conformity with accounting principles generally accepted in Argentina. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3.d to the consolidated financial statements, effective July 1, 2002 the Company adopted new accounting pronouncements related to valuation and disclosure criteria. As required by accounting principles generally accepted in Argentina, the Company has restated its prior period financial statements presented for comparative purposes to reflect the adopted changes in accounting principles, except for certain valuation and disclosure criteria that in accordance with the transition provisions have been applied prospectively.

Accounting principles generally accepted in Argentina vary in certain significant respects from accounting principles generally accepted in the United States of America and as allowed by Item 18 to Form 20- F. Information relating to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

PRICE WATERHOUSE & Co.

By (Partner)
Carlos Martín Barbafina

Buenos Aires, Argentina

September 8, 2003

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Balance Sheets

as of June 30, 2003 and 2002

(In thousands of Argentine Pesos, except share data as otherwise indicated)

	2003	2002 (As restated)
ASSETS		
Current Assets		
Cash and banks (Notes 5.a. and 22.e.)	Ps. 87,182	Ps. 27,903
Investments (Notes 5.b. and 22.e.)	139,105	41,348
Mortgages and leases receivable, net (Notes 5.c. and 22.e.)	35,594	13,489
Other receivables and prepaid expenses (Notes 5.d. and 22.e.)	12,147	43,315
Inventories (Note 5.e.)	14,575	27,115
Total current assets	288,603	153,170
Non-Current Assets		
Mortgages and leases receivable, net (Notes 5.c. and 22.e.)	2,777	3,523
Other receivables and prepaid expenses (Notes 5.d. and 22.e.)	123,926	104,792
Inventories (Note 5.e.)	8,767	52,317
Investments (Notes 5.b. and 22.e.)	433,760	593,759
Fixed assets, net (Notes 22.a. y 22.e.)	1,197,521	380,703
Intangible assets, net (Note 22.b.)	3,239	4,440
Subtotal	1,769,990	1,139,534
Goodwill, net	(5,629)	
Total non-current assets	1,764,361	1,139,534
Total Assets	Ps. 2,052,964	Ps. 1,292,704
LIABILITIES		
Current Liabilities		
Trade accounts payable (Notes 5.f. and 22.e.)	Ps. 25,805	Ps. 13,736
Mortgages payable (Note 22.e.)	2,100	
Customer advances (Notes 5.g. and 22.e.)	13,212	2,170
Salaries and social security payables (Note 5.h.)	5,393	1,151
Short-term debt (Notes 5.i. and 22.e.)	87,434	634,597
Taxes payable (Notes 5.j. and 22.e.)	9,778	14,156
Other liabilities (Notes 5.k. and 22.e.)	28,736	15,219
Total current liabilities	172,458	681,029
Non-Current Liabilities		
Trade accounts payable (Notes 5.f. and 22.e.)	3,609	
Customer advances (Note 5.g.)	25,260	
Long-term debt (Notes 5.i. and 22.e.)	592,104	160

Taxes payable (Note 5.j.)	1,684	664
Other liabilities (Note 5.k.)	7,331	3,237
Total non-current liabilities	629,988	4,061
Total Liabilities	802,446	685,090
Minority interest	441,332	84,894
SHAREHOLDERS EQUITY	809,186	522,720
Total Liabilities and Shareholders Equity	Ps. 2,052,964	Ps. 1,292,704

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

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Income

for the years ended June 30, 2003, 2002 and 2001

(In thousands of Argentine Pesos, except share data as otherwise indicated)

	2003	2002 (As restated)	2001 (As restated)
Sales	Ps. 212,935	Ps. 137,640	Ps. 224,665
Costs	(142,950)	(84,093)	(125,155)
Gross profit	69,985	53,547	99,510
Selling expenses	(25,583)	(11,281)	(22,279)
Administrative expenses	(41,725)	(32,057)	(39,996)
Subtotal	(67,308)	(43,338)	(62,275)
Gain on purchasers rescissions of sales contracts	9		
Loss in credit card trust	(4,077)		
Gain (loss) from operations and holdings of real estate assets, net (Note 8)	21,507	(46,840)	(7,127)
Operating income (loss)	20,116	(36,631)	30,108
Amortization of goodwill	(6,631)		
Equity (loss) gain from related parties	(12,877)	102	847
Financial results, net (Note 9)	315,445	(505,757)	(99,408)
Other income (expenses), net (Note 10)	2,875	(4,857)	(5,917)
Income (loss) before taxes and minority interest	318,928	(547,143)	(74,370)
Income tax benefit (expense)	1,406	(2,230)	37,783
Minority interest	(33,889)	5,650	(5,243)
Net income (loss)	Ps. 286,445	Ps. (543,723)	Ps. (41,830)
Earnings per share (Note 19):			
Basic EPS	Ps. 1.37	Ps. (2.62)	Ps. (0.20)
Diluted EPS	Ps. 0.57	Ps. (2.62)	Ps. (0.20)

For details of income statement line items, see Note 7 to the consolidated financial statements.

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

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Changes in Shareholders Equity

for the years ended June 30, 2003, 2002 and 2001

(In thousands of Argentine Pesos, except share data as otherwise indicated)

	Shareholders contributions								
	Common stock (Note 6.a.)	**Treasury stock**	**Inflation adjustment of common stock (Note 6.c.)**	**Inflation adjustment of treasury stock (Note 6.c.)**	**Additional paid-in-capital (Note 6.a.)**	**Total**	**Legal reserve (Note 6.d.)**	**Retained earnings/ Accumulated deficit**	**Shareholders Equity**
Balances as of June 30, 2000 (As restated)	Ps. 205,762	Ps. 6,238	Ps. 266,392	Ps. 7,995	Ps. 569,481	Ps. 1,055,868	Ps. 18,799	Ps. 123,991	Ps. 1,198,658
Approved by shareholders meeting held on October 31, 2000:									
- Increase in legal reserve							648	(648)	
- Distribution of treasury stock	20,730	(20,730)	26,829	(26,829)					
Purchase of treasury stock	(19,080)	19,080	(24,697)	24,697				(90,385)	(90,385)
Net loss for the year								(41,830)	(41,830)
Balances as of June 30, 2001 (As restated)	Ps. 207,412	Ps. 4,588	Ps. 268,524	Ps. 5,863	Ps. 569,481	Ps. 1,055,868	Ps. 19,447	Ps. (8,872)	Ps. 1,066,443
Net loss for the year								(543,723)	(543,723)
Balances as of June 30, 2002 (As restated)	Ps. 207,412	Ps. 4,588	Ps. 268,524	Ps. 5,863	Ps. 569,481	Ps. 1,055,868	Ps. 19,447	Ps. (552,595)	Ps. 522,720
Conversion of debt into common shares	13				8	21			21
Approved by shareholders meeting held on November 5, 2002:									
- Distribution of treasury stock	4,588	(4,588)	5,863	(5,863)					

Net income for the year								286,445	286,445
Balances as of June 30, 2003	Ps. 212,013	Ps.	Ps. 274,387	Ps.	Ps. 569,489	Ps. 1,055,889	Ps. 19,447	Ps. (266,150)	Ps. 809,186

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

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Cash Flows

for the years ended June 30, 2003, 2002 and 2001

(In thousands of Argentine Pesos, except share data as otherwise indicated)

	2003	2002 (As restated)	2001 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) for the year	Ps. 286,445	Ps. (543,723)	Ps. (41,830)
(Less) plus income tax accrued for the year	(1,406)	2,230	(37,783)
Adjustments to reconcile net income (loss) to net cash flow from operating activities:			
Depreciation and amortization	78,784	23,635	25,961
Minority interest	33,889	(5,650)	5,243
Allowances and provisions	13,008	1,477	1,117
Gain from the sale of intangible assets	(2,132)		
Gain from the sale of intangible assets			(33)
Equity loss (gain) from related parties	12,877	(102)	(847)
Gain (loss) from operations and holdings of real estate assets, net	11,386	46,781	6,414
Gain on early repurchase of debt	(25,192)		
Financial results	(396,015)	338,606	50,594
Changes in certain assets and liabilities, net of non-cash transactions and the effects of acquisitions:			
Increase in current investments	(4,604)	(18,095)	(39,037)
(Increase) decrease in non-current investments	(2,362)	1,103	
(Increase) decrease in mortgages and leases receivables	(8,992)	42,662	17,601
Decrease (increase) in other receivables	13,099	(15,032)	(6,573)
Decrease in inventories	35,448	59,284	58,644
(Increase) decrease in intangible assets	(580)		666
(Decrease) increase in trade accounts payable	(2,938)	9,314	2,897
(Decrease) increase in customer advances, salaries and social security payable and taxes payable	(8,707)	1,106	(14,341)
Cash dividends received	608	2,805	21,623
(Decrease) increase in other liabilities	(2,073)	25,620	(4,315)
Increase in accrued interest and exchange (loss) gain	56,515	81,157	61,755
Net cash provided by operating activities	87,058	53,178	107,756
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from the sale of interests in joint controlled companies		134,769	150,659
Payment for acquisition of subsidiary companies and equity investees, net of cash acquired	(31,744)	(21,712)	(58,759)
Loans granted to related parties		(105,714)	
Net proceeds from the sale of fixed assets			71
Payment for acquisition of undeveloped parcels of land	(208)	(3,317)	(2,488)
Purchase and improvements of fixed assets	(7,659)	(23,663)	(7,727)
Net proceeds from the sale of intangible assets	2,132		

Net cash (used in) provided by investing activities	(37,479)	(19,637)	81,756
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of treasury stock			(90,380)
Increase in intangible assets	(6,265)	(3,408)	(5,396)
Contributions from minority shareholders	89	3,437	
Proceeds from short-term and long-term debt	397,310	170,045	364,650
Payment of short-term and long-term debt	(270,962)	(210,641)	(433,287)
Payment of seller financing	(1,182)	(1,984)	(20,600)
Decrease in mortgages payable	(9,604)		
Net cash provided by (used in) financing activities	109,386	(42,551)	(185,013)
Net increase (decrease) in cash and cash equivalents	158,965	(9,010)	4,499
Cash and cash equivalents as of beginning of year	28,377	37,387	32,888
Cash and cash equivalents as of end of year	Ps. 187,342	Ps. 28,377	Ps. 37,387

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

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IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated Statements of Cash Flows

for the years ended June 30, 2003, 2002 and 2001 (continued)

(In thousands of Argentine Pesos, except share data as otherwise indicated)

	2003	2002 (As restated)	2001 (As restated)
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	Ps. 31,249	Ps. 29,391	Ps. 62,255
Income tax	1,044	394	
Non-cash activities:			
Increase in inventory through a decrease in fixed assets	Ps. 19,851	Ps. 41,420	Ps. 26,754
Increase in deferred gain through a decrease in current investments			2,616
Increase in other receivables through a decrease in mortgages receivable		2,809	
Decrease in mortgages receivables through an increase in investments		23,368	
Increase in inventory through a decrease in mortgages receivable	2,757		
Increase in non-current investments through a decrease in other receivables	117		
Increase in fixed assets through a decrease in inventory	1,212		2,706
Increase in undeveloped parcels of land through a decrease in inventory	39,529		
Decrease in short and long term-debt through a decrease in investments		6,315	
Decrease in short and long term-debt through a decrease in other liabilities	35,341		
Decrease in short and long term-debt through a decrease in intangible assets	966		
Decrease in non-current investments through a decrease in other liabilities		38,115	
Increase in inventory through an increase in mortgages payable	2,078		
Increase in fixed asset through an increase in mortgages payable	928		
Decrease in investments through an increase in mortgages and leases receivable	1,966		
Increase in non-current investments through a decrease in mortgages and leases receivable	760	22,699	
Increase in customer advances through a decrease in other liabilities	2,856		
Increase in minority interest through a decrease in long-term debt			329
Increase in intangible assets through a decrease in inventory			669

	2003	2002	2001
Acquisition of equity investees:			
Investments, net of cash acquired, when applicable	Ps. 31,744	Ps. 21,712	Ps. 58,759

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

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements

for the years ended June 30, 2003, 2002 and 2001

(In thousands of Argentine Pesos, except share data as otherwise indicated)

1. Organization and description of business

IRSA Inversiones y Representaciones Sociedad Anónima (IRSA), is an Argentine real estate company incorporated under the laws of Argentina which, through its investments in subsidiaries, joint ventures and international alliances (IRSA and subsidiaries is collectively referred hereinafter as IRSA or the Company), is primarily involved in (i) the acquisition and development of residential properties primarily for sale, (ii) the acquisition, development and operation of office and other non-retail buildings primarily for rental purposes, (iii) the development and operation of shopping center properties, (iv) the acquisition and operation of luxury hotels, (v) the acquisition of undeveloped land reserves either for future development or sale, (vi) e-commerce activities and, (vii) other non-core activities. The Company seeks to identify desirable properties for acquisitions which it acquires in the normal course of business, and, regularly reviews its portfolio and from time to time considers and effects the sale of certain properties. The Company is the only Argentine real estate company whose shares are listed and traded on both the Buenos Aires Stock Exchange (BASE) and the New York Stock Exchange (NYSE).

2. Argentine economic situations and its impact on the Company s economic and financial position

Economic crisis

The Argentine economy has experienced significant difficulties including, a significant public debt burden, high interest rates, a financial system in crisis and a four-year economic recession. This situation has led to a significant decrease in products and services consumption in the country and an increase in the unemployment level, mainly through the end of 2002.

As from December 2001, the Argentine government issued measures, laws, decrees and regulations that involved significant changes to the prevailing economic model, including (i) the establishment of a floating exchange rate system, that led to a significant devaluation of the Argentine peso during the first months of 2002, and (ii) the mandatory conversion into Argentine pesos of certain foreign currency-denominated assets and liabilities held in Argentina (known as pesification). This situation generated a significant and uneven increase in economic indicators during 2002, such as exchange rates, inflation rates and specific indicators for the Company s goods and services. These circumstances affect comparability of the accompanying financial statements, which must be interpreted in the light of these circumstances.

Impact of current economic conditions on the Company

During fiscal year 2002, the Company was negatively impacted by the continued deterioration of the Argentine economy and the devaluation of the Argentine Peso. As a result, the Company was unable to pay its debt agreements as they became due. At the date of issuance of the 2002 financial statements the Company had initiated negotiations with its lenders to restructure its debts. As mentioned in Note 5.i., in November 2002, the Company successfully completed the restructuring of its financial debt agreements.

3. Preparation of financial statements

a. Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles used in Argentina (Argentine GAAP), and the regulations of the *Comisión Nacional de Valores (CNV*), the National Securities Commission in Argentina, which differ in certain respects from generally accepted accounting principles in the United States of America (US GAAP). Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission (SEC). A description of the significant differences between Argentine GAAP and US GAAP as they relate to the Company are set forth in Note 21 to these consolidated financial statements.

As discussed in Notes 3.c. and 4.o., in order to comply with regulations of the CNV, the Company discontinued inflation accounting as from March 1, 2003 as well as recognized deferred income tax assets and liabilities on a non-discounted basis. The application of these CNV regulations represent a departure from generally accepted accounting principles in Argentina. However, such departures have not had a material effect on the accompanying consolidated financial statements.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements

for the years ended June 30, 2003, 2002 and 2001

(In thousands of Argentine Pesos, except share data as otherwise indicated)

3. Preparation of financial statements (continued)

a. Basis of presentation (continued)

Certain reclassifications and accommodations have been made to conform more closely to the form and content required by the SEC.

Amounts included in the notes to the consolidated financial statements are expressed in thousands of Argentine Pesos, except as otherwise indicated.

b. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries over which the Company has effective control. Investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method.

In accordance with Argentine GAAP, the presentation of the parent company s individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these financial statements, individual financial statements have been omitted since they are not required for SEC reporting purposes.

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

A description of the subsidiaries over which the Company has or had effective control, with their respective percentage of capital stock owned, is presented as follows:

	Percentage of capital stock owned as of June 30, (i)		
	2003	**2002**	**2001**

Controlled companies			
Ritelco S.A. (Ritelco)	100.00%	100.00%	
Palermo Invest S.A. (Palermo Invest)	66.67%	66.67%	66.67%
Abril S.A. (Abril)	83.34%	83.34%	83.34%
Pereiraola S.A.I.C.I.F. y A. (Pereiraola)	83.34%	83.34%	83.34%
Baldovinos S.A. (Baldovinos)	83.34%	83.34%	83.34%
Hoteles Argentinos S.A. (Hoteles Argentinos)	80.00%	80.00%	80.00%
Buenos Aires Trade & Finance Center S.A. (BAT&FCSA)(ii)	100.00%		
Alto Palermo S.A. (APSA) (iii)	54,79%		
IRSA International Limited (IRSA Int l) (iv)			100.00%
Home Financing S.A. (HOFISA) (v)			100.00%

(i) Percentage of equity interest owned has been rounded.

(ii) As a result of a share exchange, the Company s ownership interest in BAT&FCSA increased from 50% to 100% in August 2002. See footnote (iii) of jointly controlled companies for details.

(iii) During the year ended June 30, 2003 the Company obtained a controlling interest in APSA, through the acquisition of 5.8 million additional shares and convertible notes issued by APSA. The amount paid by the Company for the acquisition of such additional shares totaled US$ 2.5 million. The consolidated statements of income for the year ended June 30, 2003 includes the results of operations of APSA on a consolidated basis as from July 1, 2002.

(iv) As of June 30, 2002 the Company decided the liquidation of IRSA International Ltd.

(v) Effective July 1, 2001, Home Financing S.A. was merged into IRSA.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to the Consolidated Financial Statements

for the years ended June 30, 2003, 2002 and 2001

(In thousands of Argentine Pesos, except share data as otherwise indicated)

3. Preparation of financial statements (continued)

b. Principles of consolidation (continued)

A description of the jointly-controlled investments accounted for under the equity method is presented as follows:

	Percentage of capital stock owned as of June 30, (i)		
Jointly controlled companies	**2003**	**2002**	**2001**
Llao Llao Resort S.A. (LLR)	50.00%	50.00%	50.00%
Puerto Retiro S.A. (Puerto Retiro)	33.33%	33.33%	33.33%
Alto Palermo S.A. (APSA) (ii)		49.69%	47.42%
Argentine Realty S.A. (ARSA) (iii)		50.00%	50.00%
Buenos Aires Realty S.A. (BARSA) (iii)		50.00%	50.00%
Buenos Aires Trade & Finance Center S.A. (BAT&FCSA) (iii)		50.00%	50.00%
Brazil Realty S.A.Empreendimentos e Participaçoes (Brazil Realty) (iv)			49.27%

(i) Percentage of equity interest owned has been rounded.
(ii) See footnote (iii) of controlled companies.
(iii) During the year ended June 30, 2000, the Company, together with RAGHSA Sociedad Anónima (RAGHSA), formed BARSA to acquire 20,947 square meters of undeveloped land in Puerto Madero, Buenos Aires, for a total consideration of Ps. 61 million. Subsequent to this acquisition, the Company and RAGHSA formed two additional companies, BAT&FCSA and ARSA, for the sole purpose of holding an interest in a portion of the undeveloped land. In this connection, the land was subdivided into three separate lots, and each lot transferred to a separate company. In August 2002, the Company and RAGHSA agreed the redistribution of the interest in the land and certain assumed commitments between those companies and also exchanged the ownership interests in ARSA, BARSA and BAT&FCSA. As a result of the share exchange, the Company holds a 100% ownership interest in BAT&FCSA, while RAGHSA holds the 100% ownership interest in ARSA and BARSA. The Company s interest in the land and related commitments remained unchanged as a result of the whole transaction
(iv) During February 2002, the Company sold its equity interest in Brazil Realty. See Note 3.g..

As a result of the increase in the ownership interest and the consolidation of APSA in 2003, the Company discontinued the application of the proportional consolidation method that was used for reporting the results of the Company s jointly controlled subsidiaries in prior years. Therefore, the Company has restated its prior years financial statements to reflect such investments under the equity method of accounting.

c. Presentation of financial statements in constant Argentine pesos

On August 22, 1995, the Argentine government issued Decree No. 316/95 discontinuing the requirement that financial information be restated for inflation for any date or period after August 31, 1995. Effective September 1, 1995 in accordance with CNV resolutions and Argentine GAAP, the Company began accounting for its financial transactions on a historical cost basis, without considering the effects of inflation. Prior to September 1, 1995, the financial statements were prepared on the basis of general price level accounting, which reflected changes in purchasing power of the Argentine Peso in the historical financial statements. The financial statement information of periods prior to August 31, 1995 was restated to pesos of general purchasing power as of August 31, 1995. The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting.

However, as a result of the inflationary environment in Argentina in 2002, the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA), approved on March 6, 2002, a resolution reinstating the application of inflation accounting in financial statements as from January 1, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be considered stated in currency as of December 31, 2001.

On July 16, 2002, the Argentine government issued a decree, instructing the CNV to issue the necessary regulations for the acceptance of financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency.

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3. Preparation of financial statements (continued)

c. Presentation of financial statements in constant Argentine pesos (continued)

However, 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 also restated until that date, using a conversion factor of 1.1237.

Since Argentine GAAP still required companies to prepare price-level restated financial statements, the application of the CNV resolution represents a departure from generally accepted accounting principles. However, such a departure does not have a material effect on the accompanying financial statements.

d. Impact of recently issued accounting standards

On January 14, 2003, the 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. These new accounting standards relate to the harmonization of Argentine GAAP with International Financial Reporting Standards. The Company adopted such standards on July 1, 2002, except for Technical Resolution No. 20, which is effective for fiscal years beginning on or after January 1, 2003. Following is a summary of the most significant provisions of the new accounting pronouncements, which affect the Company:

RT 16 Framework for the Preparation and Presentation of Financial Statements

In December, 2000, the FACPCE issued Technical Resolution No. 16 (RT 16), Framework for the Preparation and Presentation of Financial Statements which sets out the concepts that underlie the preparation and presentation of financial statements for external reporting. The purpose of the framework is to assist the Board of the FACPCE, preparers and auditors of financial statements, and other interested parties in achieving their aims. The framework does not define standards for any particular measurement or disclosure issue. Nothing in the framework overrides any specific Technical Resolution. Among other things, the framework deals with (a) the objective of financial statements; (b) the qualitative characteristics that determine the usefulness of information in financial statements; (c) the definition, recognition and measurement of the elements from which financial statements are constructed; and (d) the concepts of capital and capital maintenance.

RT 17 Overall Considerations for the Preparation of Financial Statements

In December, 2000, the FACPCE issued Technical Resolution No. 17 (RT 17), Overall Considerations for the Preparation of Financial Statements which sets out overall considerations for the preparation of financial statements, guidelines for the recognition, measurement and disclosure of assets and liabilities and the introduction of benchmark and alternative accounting treatments. The recognition, measurement and disclosure of specific transactions and other events are dealt with in other Technical Resolutions.

Among other things, RT 17 sets out guidelines for the recognition and measurement of certain assets and liabilities at their fair value. RT 17 establishes that certain monetary assets and liabilities are to be measured based on the calculation of their discounted value using the internal rate of return of such assets or liabilities at the time of measurement, unless the company has the intent and ability to dispose of those assets or advance settlement of liabilities.

RT 17 requires research and development costs, trademarks, advertising costs and reorganization costs be expensed as incurred. Only organization and pre-operating costs that meet certain conditions can be capitalized. RT 17 also requires the recognition of deferred income taxes using the liability method.

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(In thousands of Argentine Pesos, except share data as otherwise indicated)

3. Preparation of financial statements (continued)

d. Impact of recently issued accounting standards (continued)

RT 17 also establishes that an exchange of debt instruments with substantially different terms is a debt extinguishment and that the old debt instrument should be derecognized. RT 17 clarifies that from a debtor s perspective, an exchange of debt instruments between or a modification of a debt instrument by a debtor and a creditor is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value and that amount should be used to determine the debt extinguishment gain or loss to be recognized. Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money.

RT 18 Specific Considerations for the Preparation of Financial Statements

In December, 2000, the FACPCE issued Technical Resolution No. 18 (RT 18), Specific Considerations for the Preparation of Financial Statements which sets out the recognition, measurement and disclosure criteria for specific transactions and other events. Among other things, RT 18 prescribes the method used to translate financial statements of foreign subsidiaries and the accounting for business combinations and leasing transactions. RT 18 also prescribes the accounting, measurement and disclosure of derivative instruments and hedge operations. RT 18 also requires the disclosure of earnings per share and segment information.

RT 19 Amendments to Technical Resolutions No. 4,5,6,8,9, 11 and 14

In December, 2000, the FACPCE issued Technical Resolution No. 19 (RT 19), Amendments to Technical Resolutions No. 4,5,6,8,9,11 and 14. In particular, RT 19 provides for certain specific disclosure provisions related to balance sheet and income statement items in the financial statements. Among others, RT 19 provides that only returns and other allowances should be deducted from net sales, while direct taxes and other costs directly associated with sales should now be presented as operating costs, i.e. gross revenue taxes. Also, RT 19 prescribes that goodwill should be disclosed as a separate line item in the balance sheet.

RT 19 also amends Technical Resolution No. 8 (RT 8), and establishes that interim balance sheet amounts should be compared to the prior year-end while interim income statement, changes in shareholders´ equity and cash flows amounts should be compared to the corresponding prior year-end period.

RT 20 Accounting for Derivative Instruments and Hedging Activities

In April, 2002, the FACPCE issued Technical Resolution No. 20 (RT 20), Accounting for Derivative Instruments and Hedging Activities , which establishes accounting and reporting standards for derivative instruments and for hedging activities. RT 20 requires that an entity recognizes all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and how it is designated. RT 20 prescribes that changes in the fair value of effective cash flow hedges are deferred as a separate component of the balance sheet and subsequently reclassified into earnings when the hedged items affect earnings. Gains and losses from fair value hedges are recognized in earnings in the period of any changes in the fair value of the related recognized asset or liability. Gains and losses on derivative instruments that are not designated as a hedging instrument are recognized in earnings in the period of change. Any hedge ineffectiveness and changes in the fair value of instruments that do not qualify as hedges are reported in current period earnings.

RT 21 Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions

In February 2003, the FACPCE issued Technical Resolution No. 21 (RT 21), Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions which amends Technical Resolutions No 4 and 5 and introduces certain amendments to other standards. This standard will be effective for the Company as from July 1, 2003. As of the date of these financial statements, the CNV has not adopted this resolution. The Company believes the adoption of this standard will not have a significant impact on the Company s financial statements.

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3. Preparation of financial statements (continued)

d. Impact of recently issued accounting standards (continued)

Restatement of previously issued financial statements

As required by Argentine GAAP, the Company has restated its prior year financial statements to give retroactive effect to the recently adopted accounting standard, except for certain valuation and disclosure criteria that in accordance with the transition provisions have been applied prospectively. The Company did not expense certain deferred advertising costs that no longer can be capitalized in accordance with RT 17. Such costs will be amortized in fiscal year 2004 as permitted by the above mentioned transition provisions. In addition, certain disclosures have not been presented on a comparative basis.

Presented below is a summary of the impact of the restatement on previously reported amounts of accumulated deficit and net loss as of and for the years ended June 30, 2002 and 2001:

	2002		2001	
	Accumulated deficit	Net loss	Accumulated deficit	Net loss
Amounts as previously reported (i)	(557,947)	(561,422)	3,475	(67,370)
Deferred income taxes	3,368	6,244	(2,876)	41,310
Derivatives and hedging activities	(1,106)	(8,197)	7,091	(5,739)
Equity Investees (ii)	3,772	20,490	(16,718)	(6,428)
Minority Interest (iii)	(682)	(838)	156	(3,603)
Amounts as restated	(552,595)	(543,723)	(8,872)	(41,830)

(i) Amounts adjusted for inflation for comparative purposes as described in Note 3.c.
(ii) Represents the equity interest on the restatement made by the Company s equity investments related to the adoption of the accounting for income taxes under liability method and derivatives and hedging activities under fair value.
(iii) Represent the minority interest on the restatement made by the Company s consolidated subsidiaries.

e. Reclassifications

Certain reclassifications of prior year information have been made to conform with the current year presentation.

f. Acquisition and formation of businesses

In the preparation of these consolidated financial statements, unless otherwise indicated, the operating results of all acquired businesses have been included in the Company s consolidated financial statements since the date of the respective acquisition.

Year ended June 30, 2003

Valle de Las Leñas S.A.

In September 2002, the Company acquired a 30.955% ownership interest in the capital stock and US$ 3.7 million convertible negotiable bonds issued by Valle de Las Leñas S.A. for approximately US$ 2.4 million. On March 4, 2003, the Company sold these ownership interests in Valle de las Leñas S.A. for US$ 6.5 million.

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3. Preparation of financial statements (continued)

f. Acquisition and formation of businesses (continued)

Year ended June 30, 2001

During the year ended June 30, 2001, the Company formed two holding companies for the purposes of conducting the Company s e-business operations, as follows:

(i) Latin American Econetworks N.V.

In July 2000, the Company, together with divine interVentures, Inc., Dolphin Fund Plc (formerly Quantum Dolphin Plc.) and Catanzaro Holding B.V., formed Latin American Econetworks N.V., a holding company organized in the Netherlands Antilles (LAE). LAE was conceived as a developer of software, technology and internet-related information network for the technology service suppliers. In connection with the formation, an 11.2% interest in the holding company was issued to the Company in exchange for US$ 5.3 million in cash. As mentioned in Note 3.g., the investment was sold in November 2001.

(ii) IRSA Telecomunicaciones N.V.

In the fourth quarter of the year ended June 30, 2000, the Company had invested US$ 3.0 million, in the form of irrevocable capital contributions-, into two unrelated companies, namely, Red Alternativa S.A., a provider of satellite capacity to internet service providers, and Alternativa Gratis S.A., an internet service provider (referred to herein as the Companies). At that date, the Companies were development stage companies with no significant operations.

Between July 2000 and August 2000, the Company, together with Dolphin Fund Plc, increased their respective investments in the abovementioned Companies, in exchange for shares of common stock. In a series of transactions, which occurred between August 2000 and December 2000, (i) the Company formed IRSA Telecomunicaciones N.V. (ITNV), a holding company organized under the laws of the Netherlands Antilles, for the purposes of completing a reorganization of the Companies (the Reorganization) and (ii) the Company, Dolphin Fund Plc and the previous majority shareholder of the Companies contributed their respective ownership interests in the Companies into ITNV in exchange for shares of common stock of ITNV. As a result of the Reorganization, the Companies are now wholly owned subsidiaries of ITNV. Following the Reorganization, the Company held a 49.36% interest in ITNV. All assets and liabilities were recorded at their historical carrying amounts.

During September and December 2000, the Company made additional capital contributions in ITNV for a total amount of US$ 3 million, increasing its ownership to 62%.

On December 27, 2000, the shareholders of ITNV entered into an agreement with Quantum Industrial Partners LDC (QIP) and SFM Domestic Investment LLC (SFM and together with QIP referred to herein as the Investors) (the Shareholders Agreement), under which the Investors contributed US$ 4.0 million in cash in exchange for 1,751,453 shares of Series A mandatorily redeemable convertible preferred stock and an option to purchase 2,627,179 additional shares of mandatorily redeemable convertible preferred stock. Pursuant to the terms of the Shareholders Agreement, options were granted for a period up to five years and at an exercise price equal to the quotient of US$ 6.0 million by 2,627,179 preferred shares. On or after December 27, 2005, ITNV might be required, at the written request of holders of the then outstanding Series A preferred stock to redeem such holders outstanding shares of series A preferred stock for cash at the greater of (i) 200% of the original issue price multiplied by the number of preferred stock to be redeemed, and (ii) the fair market value of the common shares each holder of Series A preferred stock would have been entitled to receive if such holder had converted the number of Series A preferred stock to be redeemed into common stock at the redemption date; plus in the case of (i) and (ii), any accrued or declared but unpaid dividends. As a result of this transaction the Company retains a 49% ownership in ITNV.

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3. Preparation of financial statements (continued)

g. Disposition of businesses

Year ended June 30, 2002

(i) Latin American Econetworks N.V.

On November 7, 2001, the Company sold its interest in Latin American Econetworks N.V. for a total consideration of US$ 5.2 million. The price was fully collected on that date.

(ii) Brazil Realty Empreendimentos e Participacoes (Brazil Realty)

On February 28, 2002 the Company sold its interests in Brazil Realty for a total consideration of US$ 44.2 million. The price has been fully collected at the date of issuance of these consolidated financial statements. Imputed interest in this transaction was 12%.

Net gain from the sale was Ps. 35.4 million, and was recorded as part of operating income under the line item Gain (loss) from operations and holdings of real estate assets .

Year ended June 30, 2001

(i) Fondo de Valores Inmobiliarios S.A.C.A. (FVI) and Venezuela Invest Ltd. (Venezuela Invest)

Pursuant to an agreement entered into by the Company and Asesoría Financiera Velutini & Asociados C.A. on August 1, 2000, the Company completed the sale of its respective equity interests in FVI and Venezuela Invest on December 18, 2000 for total consideration of US$ 67.0 million.

Loss from the sale was Ps. 1.1 million, and was recorded as part of operating income under the line item Gain (loss) from operations and holdings of real estate assets .

h. Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

4. Significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements.

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Notes to the Consolidated Financial Statements

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4. Significant accounting policies (continued)

a. Revenue recognition

The Company primarily derives its revenues from domestic office and shopping center leases and services operations, the development and sale of properties, hotel operations and to a lesser extent, from e-commerce activities. See note 7 for details on the Company´s business segments.

Development and sale of properties

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

(i) the sale has been consummated;

(ii) the Company has determined that the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay for the property;

(iii) the Company s receivable is not subject to future subordination; and

(iv) the Company has transferred to the buyer the risk of ownership, and does not have a continuing involvement in the property.

The Company uses the percentage-of-completion method of accounting with respect to sales of development properties under construction effected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. The Company does not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun.

The percentage-of-completion method of accounting requires management to prepare budgeted costs (i.e. the estimated costs of completion) in connection with sales of properties and/or units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Leases and services from office and other buildings

Leases with tenants are accounted for as operating leases. Tenants are charged a base rent on a monthly basis. Rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the accompanying consolidated balance sheets.

Leases and services from shopping center operations

Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross retail sales (the Percentage Rent) (which generally ranges between 4% and 8% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 4% and 7% each year during the term of the lease. Minimum rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the accompanying consolidated balance sheets.

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

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

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

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4. Significant accounting policies (continued)

a. Revenue recognition (continued)

In addition to rent, tenants are generally charged admission rights , a non-refundable admission fee that tenants may be required to pay upon entering into a lease and upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements. Furthermore, the lease agreements generally provide for the reimbursement of real estate taxes, insurance, advertising and certain common area maintenance costs. These additional rents and tenant reimbursements are accounted for on the accrual basis.

Credit card operations

Revenues derived from credit card transactions consist of commissions and financing income. Commissions are recognized at the time the merchants transactions are processed, while financing income is recognized when earned.

Hotel operations

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

International operations

As of June 30, 2001 the Company held a 49.27% ownership interest in Brazil Realty, a company operating in Brazil, which business primarily comprised the same type of operations related to real estate conducted by the Company in Argentina. See Note 3.g.

b. Cash and cash equivalents

The Company considers all highly liquid investments with original maturates of three months or less, consisting primarily of mutual funds, to be cash equivalents.

c. Investments

(i) Current

Current investments include time deposits which are valued at their cost plus accrued interest and mutual funds which are carried at market value. Time deposits have original maturities of three months or less. Unrealized gains and losses on time deposits and mutual funds are included in financial results, net, in the consolidated statements of income.

Current investments also include equity securities and government bonds. Unrealized gains and losses on government bonds and equity securities are also included in Financial results, net , in the consolidated statements of income. Generally, these investments represent securities traded on a National Securities Exchange, which are valued at fair value at year end.

(ii) Non-current

a) Equity investments

Equity investments in unconsolidated affiliated companies, representing between 20% and 50% of the capital stock in such companies, have been accounted for under the equity method.

As of June 30, 2003 the Company has recognized an impairment loss related to its indirect equity investment in Pérez Cuesta S.A.C.I. amounting to Ps. 7,474, which was included within Equity (loss) gain from related parties in the accompanying consolidated statements of income.

Equity investments in less than 20% of the capital stock in companies in which the Company does not exercise significant influence are generally carried at market value, recognizing realized and unrealized gains and losses in earnings.

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4. Significant accounting policies (continued)

c. Investments (continued)

(ii) Non-current (continued)

b) Retained interest in securitization programs:

Current and non-current investments also include the Company s retained interests in transferred credit card and mortgages receivables pursuant to the securitization programs entered into by the Company (see Notes 16 and 17 for details).

c) Parcels of undeveloped land:

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

Land held for development and sale and improvements are stated at cost adjusted for inflation (as described in Note 3.c) or estimated net realizable value, whichever is lower. Land and land improvements are transferred to inventories when construction commences.

During the year ended June 30, 2002, the Company recognized an impairment loss amounting to Ps. 9,328 in connection with certain parcels of undeveloped land (identified as Santa Maria del Plata and Torres Jardín IV). In addition, the Company recognized an equity loss amounting to Ps. 10,769 related to the impairment loss recognized by APSA totaling Ps. 21,671. As a result of an increase in their fair market values, during 2003 the Company partially reversed such impairment losses, recognizing a gain of Ps. 9,851 (Santa Maria del Plata, Caballito Project, Alcorta Plaza, Coto air space and Neuquén). During the year ended June 30, 2003 the Company also recognized an impairment loss totaling Ps. 9,628 in connection with other parcels of undeveloped land (mainly as Padilla 902, Pilar, Constitución 1111, Benavidez and Rosario Project). The impairment losses and gains associated with the reversion of previously recognized impairments have been included within Gain (loss) from operations and holdings of real estate assets, net in the consolidated statements of income.

d. Inventories

Inventories are comprised primarily of properties held for development and sale and to a lesser extent other minor inventories from hotel operations. A property is classified as available for sale 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.

Residential, office and other non-retail properties completed or under construction are stated at cost adjusted for inflation (as described in Note 3.c.) or estimated net realizable value, whichever is lower. Costs include land and land improvements, direct construction costs, construction overhead costs, interest on indebtedness and real estate taxes. Selling and advertising costs are deferred and charged to expense in the period in which the related revenue is earned, as determined under the percentage-of-completion method. Total contract costs are charged to expense in the period in which the related revenue is earned, as determined under the percentage-of-completion method. No interest costs were capitalized during the years ended June 30, 2003, 2002 and 2001.

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.

During the years ended June 30, 2003 and 2002, the Company recognized impairment losses amounting to Ps. 844 and Ps. 12,621, respectively, in connection with certain properties classified as inventories (identified as Av. Madero 1020, Rivadavia 2768, Minetti D, Torres Jardin, Sarmiento 517, parking lots in Dock 13, Constitución 1111, Terrenos de Caballito and Padilla 902). The impairment have been included within Gain (loss) from operations and holdings of real estate assets, net in the consolidated statements of income.

IRSA Inversiones y Representaciones Sociedad Anónima

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4. Significant accounting policies (continued)

e. Fixed assets, net

Fixed assets, net comprise primarily of rental properties (including shopping centers) and other property and equipment held for use by the Company.

Rental properties (including Shopping Centers)

Rental properties are carried at cost adjusted for inflation (as described in Note 3.c.), less accumulated depreciation. Costs incurred for the acquisition of the properties are capitalized. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which generally are estimated to be 50 years for office buildings and related improvements and between 19 and 31 years for shopping centers. Expenditures for ordinary maintenance and repairs are charged to operations in the period incurred. 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 any profit or loss is recognized. The Company capitalizes interest on long-term construction projects. No interest costs were capitalized during the years ended June 30, 2003, 2002 and 2001.

During the year ended June 30, 2002, the Company recognized an impairment loss amounting to Ps. 55,896 in connection with certain properties (identified as Libertador 498, Maipú 1300, Avda. Madero 1020, Suipacha 652, Laminar Plaza, Reconquista 823, Constitución 1111, Dique 2 M10- Edificio C-. Libertador 602, Dock 2 M10 -Building A-, Avda. Madero 942, Avda. De Mayo 595, Costeros Dique IV and Sarmiento 517, Intercontinental Plaza, Alto Palermo Park, Alto Palermo Plaza, Thames and Hotel Intercontinental). In addition, the Company recognized an equity loss amounting to Ps. 20,422 related to the impairment loss recognized by APSA totaling Ps. 41,100 related to Alto Avellaneda, Alto Noa, Abasto and other properties. As a result of an increase in their fair market values, during 2003 APSA reversed the 2002 impairment loss, recognizing a gain of Ps. 15,532. During the year ended June 30, 2003 the Company also recognized an impairment loss totaling Ps. 1,892 in connection with certain properties (identified as Avda. Madero 1020, Reconquista 823, Avda. Madero 942 and Sarmiento 517). The impairment losses and gains associated with the reversion of previously recognized impairments have been included within Gain (loss) from operations and holdings of real estate assets, net in the consolidated statements of income.

Other property and equipment

Other property and equipment are carried at cost adjusted for inflation (as described in Note 3.c.), less accumulated depreciation. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

Asset	Estimated useful life (years)
Leasehold improvements	On contract basis
Facilities	Between 10 and 20
Machinery and equipment	10
Vehicles	Between 3 and 5
Software	Between 3 and 5
Computer equipment	Between 3 and 4
Furniture and fixtures	Between 5 and 10
Other	10

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements are added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of income.

f. Software obtained or developed for internal use

The Company capitalizes certain costs associated with the development of computer software for internal use. Costs capitalized during the years ended June 30, 2003, 2002 and 2001 were not significant. These costs are being amortized on a straight-line basis over a period of 3 years.

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4. Significant accounting policies (continued)

g. Web-site development costs

The Company capitalizes certain costs incurred in the development of the Company s websites. Such costs are amortized under the straight-line method over a period of 2 years.

h. Intangible assets, net

Intangible assets are carried at cost, adjusted for inflation (as described in Note 3.c.), less accumulated depreciation.

Preoperating and organization expenses

This item includes:

- Expenses incurred by APSA relating to pre-opening activities of certain shopping centers and other expenses incurred in connection with e-business project evaluations. These expenses are amortized on a straight-line basis over a three-year period commencing upon the opening of the shopping center or the launching of the project.

- Expenses incurred by IRSA relating to pre-opening activities and/or organization of subsidiaries, which are amortized on a straight-line basis over a 5-year period commencing upon the launching of the project.

Selling and advertising expenses

Expenses incurred relating to the marketing of developing properties, including advertising, commissions and other expenses, are charged to expense in the period in which the related revenue is earned, as determined under the percentage-of-completion method.

Other advertising expenses

Other advertising expenses relates to APSA and are amortized under the straight-line method over a term of 3 years.

As discussed in Note 3.d., the Company did not expense certain deferred advertising costs that no longer can be capitalized in accordance with RT 17. Such costs will be amortized in fiscal year 2004 as permitted by the above mentioned transition provisions.

Trademarks

- Fees and expenses related to the registration of trademarks are amortized on a straight-line basis over 10 years.

Expenses related to the securitization of receivables.

Expenses related to the securitization of receivables represent expenses related to the on-going securitization program of credit card receivables. These expenses are amortized on a straight-line basis over a two-year period.

Investment projects

- Investment projects represent expenses primarily related to marketing efforts incurred by APSA for the selling of merchadise through certain means of communication. These costs are capitalized and amortized to income under the straight-line method as from the start up date of the project. These expenses are written off upon abandonment or disposal of the project.

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4. Significant accounting policies (continued)

h. Intangible assets, net (continued)

Tenants list-Patio Bullrich

This item represents the acquired tenant list of the Patio Bullrich shopping mall and is amortized using the straight-line method over a five-year period.

i. Goodwill, net

Goodwill, net includes (a) the excess of cost over the fair value of net identifiable assets acquired related to the acquisitions of certain subsidiaries (Goodwill) and (b) the excess of the fair value of the assets acquired over the consideration paid for the acquisition of additional ownership interest in APSA (Negative goodwill). Goodwill and Negative goodwill are stated at cost adjusted for inflation (as described in Note 3.c) less accumulated amortization. Goodwill is being amortized under the straight-line method over its estimated economic life, not exceeding 10 years. Amortization of negative goodwill is calculated on a straight-line basis over the weighted-average remaining useful lives of the assets acquired, calculated as 18 years.

As required by new accounting standards, goodwill and negative goodwill are shown in a separate caption in the accompanying consolidated balance sheet.

j. Foreign currency assets and liabilities

Financial statements of foreign unconsolidated equity investees in which the Company exercised joint control were translated to Argentine pesos on the basis of the financial statements of such subsidiaries expressed in the local currency of the country of origin. The method of translation involved the translation of monetary assets and liabilities at the exchange rate prevailing at the end of each period, and non-monetary assets and liabilities and equity accounts on the basis of the inflation-adjusted amounts at the exchange rate prevailing at the end of each period. Average exchange rates were used for the translation of the accounts which made up the results of the periods. The net gain/loss on translation was included within financial results, net, foreign currency translation. As discussed in Note 3.g., the Company sold its ownership interests in FVI and Venezuela Invest in December 2000 and its ownership interest in Brasil Realty in February 2002.

Assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates as of year-end. Transactions denominated in foreign currencies are translated into pesos at the prevailing exchange rates on the date of transaction settlement. Foreign currency transaction gains and losses are recorded within financial results, net.

k. Other receivables and liabilities

Other receivables and liabilities (asset tax credit, related parties, guarantee deposits, trust accounts receivables and customer advances) have been measured based on the best estimate of the amount receivable and payable, respectively, discounted at the interest rate applicable to freely available savings accounts published by the Argentine Central Bank in effect at the time of incorporation to the balance sheet.

l. Financial receivables and payables

Financial receivables and payables have been valued at the amount deposited and collected, respectively, net of operating costs, plus accrued interests based on the interest rate estimated at the time of the transaction.

As discussed in Note 5.i., in July 2003 the Company redeemed certain loans before their maturity. Therefore, such loans have been valued at their settlement cost.

m. Mortgages, leases and other receivables and trade accounts payable and other liabilities

Mortgages, leases and other receivables and trade accounts payable and other liabilities have been valued at the price applicable to spot operations at the time of the transaction plus accrued interest based on the internal rate of return.

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4. Significant accounting policies (continued)

n. Related parties balances and other transactions

Receivables and payables with related parties generated by financial transactions and other sundry transactions have been valued in accordance with the terms agreed by the parties.

o. Income tax provision

The subsidiaries of the Company calculate their income taxes on a separate basis. The Company did not either calculate or pay income taxes on a consolidated basis for any of the periods presented. The statutory income tax rate was 35% for all the periods presented.

As described in Note 3.d, the Company adopted new accounting standards effective July 1, 2002. Pursuant to this adoption, the Company records income taxes using the method required by RT 17. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. RT 17 requires companies to record a valuation allowance for that component of net deferred tax assets which is not recoverable.

The Company has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes in accordance with Resolution MD No.11/2003 issued by the CPCECABA.

In accordance with CNV regulations, deferred tax assets and liabilities have not been discounted. Since Argentine GAAP requires the accounting for deferred tax assets and liabilities on a discounted basis, the application of the CNV resolution represents a departure from generally accepted accounting principles. However, such a departure has not had a material effect on the accompanying consolidated financial statements.

p. Asset tax provision

The Company is subject to the asset tax. Pursuant to this tax regime, the Company is required to pay the greater of the income tax or the asset tax. Any excess of the asset tax over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. The asset tax provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of the year, as defined by Argentine law.

q. Customer advances

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

r. Provisions for allowances and contingencies

The Company provides for losses relating to mortgage, lease and other accounts receivable. The allowance for losses is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the terms of the agreements. The allowance is determined on a one-by-one basis considering the present value of expected future cash flow or the fair value of collateral if the loan is collateral dependent, when applicable. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and the consolidated financial statements reflect that consideration.

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4. Significant accounting policies (continued)

r. Provisions for allowances and contingencies (continued)

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company s estimates of the outcomes of these matters and the Company s lawyers experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a material effect on the Company s future results of operations and financial condition or liquidity.

At the date of issuance of these financial statements, the Company´s management understands that there are no elements to foresee potential contingencies having a negative impact on these financial statements.

s. Advertising expenses

The Company generally expenses advertising and promotion costs as incurred with the exception of advertising and promotion expenses incurred to market real estate projects. Advertising and promotion expenses were approximately Ps. 2.6 million, Ps. 2.5 million and Ps. 3.7 million for the years ended June 30, 2003, 2002 and 2001, respectively.

t. Pension information

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

u. Impairment of long-lived assets

The Company periodically evaluates the carrying value of its long-lived assets for impairment. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, undiscounted and without interest, from such asset is separately identifiable and less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved or based on independent appraisals.

RT 17 establishes that a previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the fair market value of the asset. In that event, the new carrying amount of the asset should be the lower of its fair market value or the net carrying amount the asset would have had if no impairment had been recognized.

See Notes 4.c., 4.d., and 4.e. for details of (i) the impairment losses recognized during the years ended June 30, 2003 and 2002, and (ii) the impairment losses reversed during 2003 as a result of changes in estimates.

v. Vacation expenses

Vacation expenses are fully accrued in the period the employee renders services to earn such vacation.

w. Derivative financial instruments

From time to time, the Company utilizes certain financial instruments as a supplement to reduce its overall financing costs. The Company also engages in trading of certain financial instruments. In the past, the Company also utilized foreign currency forward exchange contracts to manage its exposure associated with its net investment in foreign operations. For details on the Company s derivative instruments activity, see Note 15. As described in Note 3.d., during fiscal year 2003 the Company adopted new accounting standards. Presented below is a description of the new accounting policy followed by the Company in accounting for the different types of derivative instruments:

- Foreign currency forward-exchange contracts

Foreign currency forward-exchange contracts entered into by the Company generally mature within one year. Premiums on foreign currency forward-exchange contracts are amortized over the life of the respective contracts. The foreign currency forward-exchange contracts are recognized in the financial statements at their fair market value.

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4. Significant accounting policies (continued)

w. Derivative financial instruments (continued)

- Interest rate swaps

Interest rate swaps are used to minimize the Company s financing costs. Interest rate swap agreements are recognized in the balance sheet at their fair market values with changes reported in earnings.

- Option contracts

The Company also enters into put and call option contracts pursuant to which the Company acquires or grants the right to the other party to buy or sell certain underlying assets (e.g. shares, metals, etc.) at predetermined fixed prices. The premiums paid or received for these options are amortized over the life of the respective contracts. Options contracts are recognized in the balance sheet at their fair market value.

x. Monetary assets and liabilities

Monetary assets and liabilities are disclosed at their par value, adding or deducting the corresponding financial results.

y. Earnings per share

As described in Note 3.d, the Company adopted new accounting standards effective July 1, 2002. Pursuant to this adoption, the Company is required to disclose earnings per share information in accordance with RT 18 for all periods presented. Basic earnings per share (basic EPS) are computed by dividing the net income (loss) available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share (diluted EPS) are computed by dividing the adjusted net income (loss) for the period by the weighted-average number of common shares and potential common shares outstanding during the period.

In computing diluted EPS, income available to common shareholders used in the basic EPS calculation is adjusted to add back the after-tax amount of interest recognized in the period with respect to any debt convertible to common stock. Additional adjustments are made for any other income or loss items that would result from the assumed conversion of potential common shares. The weighted-average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Diluted EPS is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The Company has considered the dilutive effect of outstanding warrants and convertible debt in calculating diluted EPS.

5. Details of balance sheet accounts

a. Cash and banks:

	As of June 30,	
	2003	2002 (As restated)
Cash	Ps.4,734	Ps.8,945
Bank accounts	81,526	13,373
Checks to be deposited	922	5,585
	Ps.87,182	Ps.27,903

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5. Details of balance sheet accounts (continued)

b. Investments:

	As of June 30,	
	2003	**2002 (As restated)**
Current		
Time deposits	Ps. 27,505	Ps. 474
Banco Hipotecario S.A. (BHSA) (i) (Note 12)		12,946
Mutual funds	102,396	27,928
Government bonds	3,124	
Retained interest in transferred mortgages receivable (ii)	1,324	
Retained interest in transferred credit card receivable (ii)	4,719	
Other investments	37	