IRSA INVESTMENTS & REPRESENTATIONS INC
Form 20-F
December 28, 2006
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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, 2006

OR

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

For the transition period from ______ to ______

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

Date of event requiring this shell company report

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***

* **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

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The number of outstanding shares of the issuer s common stock as of June 30, 2006 was 435,448,510

Indicate by check mark if the registrant is a well known **seasoned issuer**, as defined in Rule 405 of the Securities Act: ¨ Yes **x** No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. x Yes ¨ No

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. x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

Indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 x Item 18

If this is an annual report, indicate by check mark whether the registrant is a **shell company** (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward looking statements.

This annual report includes forward-looking statements, principally under the captions Summary Risk Factors, Operating and Financial Review and Prospects and Business Overview. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- changes in general economic, business, political, legal, social or other conditions in Argentina or Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;
- inflation;
- government regulation;
- adverse legal or regulatory disputes or proceedings;
- fluctuations and declines in the value of Argentine public debt;
- competition in the real estate, shopping centers, hotel and related industries;
- deterioration in regional and national business and economic conditions in Argentina;
- fluctuations and declines in the exchange rate of the Argentine Peso; and
- the risk factors discussed under Risk Factors .

The words believe, may, will, aim, estimate, continue, anticipate, intend, expect, forecast and similar words are intended to id forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

CERTAIN MEASUREMENTS AND TERMS

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

In Argentina the standard measure of area in the real estate market is the square meter (m^2), while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq. ft.). All units

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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.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward looking statements.

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

This annual report contains our audited consolidated financial statements as of June 30, 2006 and 2005 and for the years ended June 30, 2006, 2005 and 2004 (the Consolidated Financial Statements). Our Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, member firm of PricewaterhouseCoopersindependent a registered public accounting firm whose report is included herein.

Except as discussed in the following paragraph, we prepare our Consolidated Financial Statements in thousands of Pesos and in accordance with generally accepted accounting principles in Argentina (Argentine GAAP) and the regulations of the Comisión Nacional de Valores, The National Securities and Exchange Commission in Argentina, (*CNV*), which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements, as well as additional disclosures required by generally accepted accounting principles in the United States of America (U.S. GAAP) and regulations of the SEC. See Note 27 to our Consolidated Financial Statements contained elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income and shareholders equity.

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

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

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

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

- we adjusted non-monetary items and consolidated statements of income amounts to reflect the then current general purchasing power;
- we did not adjust monetary items as such items were, by their nature, stated in terms of current general purchasing power in our Consolidated Financial Statements;
- we recognized monetary gains or losses in our consolidated statements of income, reflecting the effect of holding monetary items, and
- we included the gain or loss on exposure to inflation (monetary gain or loss) in our consolidated statements of income within financing results.

Also contained in this annual report are the s Consolidated Financial Statements of Banco Hipotecario S.A. (Banco Hipotecario) as of June 30, 2006 and 2005 and for the years ended June 30, 2006, 2005 and 2004, which also have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. As a result of the purchase of additional shares and the exercise of warrants of Banco Hipotecario, effective June 30, 2004 we changed the method of accounting for our investment in Banco Hipotecario from market value to the equity method of accounting. We recognized the cumulative effect of the change in earnings during the year ended June 30, 2004. The accountants report on Banco Hipotecario´s Consolidated Financial Statements includes an explanatory paragraph describing that Banco Hipotecario s financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina and to the Argentine Government s ability to perform on its obligations to Banco Hipotecario in connection with Federal secured loans, federal government.

The CNV issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively which adopted, with certain modifications, the new accounting standards previously issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aries through its Resolution CD 93/2005. These standards are to be mandatorily applied for fiscal years or interim periods corresponding to fiscal years beginning as from January 1, 2006. The standards will be effective for the Company for the year ended June 30, 2007.

The most significant change included in the accounting standards adopted by the CNV relates to the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting mandates companies to treat these differences as temporary differences. However, the standard allows a one-time accommodation to continue treating the differences between the tax basis and indexed book basis of non-monetary items as permanent if this policy had been applied by the Company prior to the adoption of the standard. As such, the Company is allowed to continue treating differences as permanent. As of June 30, 2006, the estimated effect of treating differences as temporary will be a decrease in shareholders equity of Ps. 188,442 against retained earnings.

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 2002, 2003, 2004, 2005 and 2006 are to the fiscal years ended June 30 of each such year.

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MARKET DATA

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

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PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

This item is not applicable.

ITEM 2. Offer Statistics and Expected Timetable

This item is not applicable.

ITEM 3. Key Information

A. Selected Financial Data

The following selected consolidated financial data has been derived from our Consolidated Financial Statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our Consolidated Financial Statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this annual report. The selected consolidated statement of income data for the years ended June 30, 2006, 2005 and 2004 and the selected consolidated balance sheet data as of June 30, 2006 and 2005 have been derived from our Consolidated Financial Statements included in this annual report which have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, member firm of PriceWaterhouse Coopers, an independent registered public accounting firm.

The selected consolidated statement of income data for the years ended June 30, 2003 and 2002 and the selected consolidated balance sheet data as of June 30, 2004 and 2003 have been derived from our audited consolidated financial statements as of June 30, 2004 and 2003 and for each of the three years in the period ended June 30, 2004 which are not included herein.

The selected consolidated balance sheet data as of June 30, 2002 has been derived from our audited consolidated financial statements as of June 30, 2003 and 2002 and for each of the three years in the period ended June 30, 2003 which are not included herein

Adoption by CNV of accounting standards

The CNV issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively which adopted, with certain modifications, the new accounting standards previously issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aries through its Resolution CD 93/2005. These standards are to be mandatorily applied for fiscal years or interim periods corresponding to fiscal years beginning as from January 1, 2006. The standards will be effective for the Company for the year ended June 30, 2007.

The most significant change included in the accounting standards adopted by the CNV relates to the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting allows companies to treat these differences as either temporary or permanent differences. Accordingly, the Company will continue treating the differences between the tax basis and indexed book basis of non-monetary items as permanent for the year ended June 30, 2007. As of June 30, 2006, the estimated effect of treating differences as temporary will be a decrease in shareholders equity of Ps. 188,442 against retained earnings.

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Our Consolidated Financial Statements are presented in thousands of Pesos. Except as discussed in the following paragraph, our Consolidated Financial Statements are prepared in accordance with Argentine GAAP and the regulations of the *CNV* which differ in certain significant respects from U.S. GAAP. See Note 27 to our Consolidated Financial Statements contained elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income and shareholders equity. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and regulations of the SEC.

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

Additionally, as discussed in Note 2.c.of our 2006 audited 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 a prior decree relating to 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. We complied with this resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date. Since Argentine GAAP required companies to discontinue inflation accounting only as of October 1, 2003, the application of the *CNV* resolution represents a departure from generally accepted accounting principles in Argentina. However, due to the low level of inflation rates during the period from March to September 2003, such a departure has not had a material effect on our Consolidated Financial Statements.

As a result of the foregoing, we prepared our Consolidated Financial Statements on the basis of general price-level accounting which reflected changes in the purchasing power of the Peso until February 28, 2003 in our historical financial statements using changes in the Argentine wholesale price index, as published by the INDEC, as follows:

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

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

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

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

Also contained elsewhere in this annual report are the Consolidated Financial Statements of Banco Hipotecario as of June 30, 2006 and 2005 and for the years ended June 30, 2006, 2005 and 2004, which also have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm whose report is included herein. As a result of the purchase of additional shares and the exercise of warrants of Banco Hipotecario, effective June 30, 2004 we changed the method of accounting for our investment in Banco Hipotecario from market value to the equity method of accounting. We recognized the cumulative effect of the change in earnings during the year ended June 30, 2004. The accountants report on Banco Hipotecario´s Consolidated Financial Statements

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includes an explanatory paragraph describing that Banco Hipotecario s financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina and to the Argentine Government s ability to perform on its obligations to Banco Hipotecario in connection with Federal secured loans, federal government securities.

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 2002, 2003, 2004, 2005 and 2006 are to the fiscal years ended June 30 of each such year.

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	As of and for the year ended June 30,					
	2006 (US$ 000) (1)	2006 (Ps.000) (2)	2005 (Ps.000) (2)	2004 (Ps.000) (2)	2003 (Ps.000) (2)	2002 (Ps.000) (2)
INCOME STATEMENT DATA						
Argentine GAAP						
Revenues	187,194	577,680	369,889	260,805	236,495	156,244
Costs	(79,012)	(243,831)	(168,074)	(147,416)	(154,667)	(96,962)
Gross profit	108,182	333,849	201,815	113,389	81,828	59,282
Gain from valuation of inventories at fair market value	2,937	9,063	17,317			
Selling expenses	(19,477)	(60,105)	(36,826)	(21,988)	(28,555)	(14,246)
Administrative expenses	(30,986)	(95,624)	(69,556)	(50,240)	(45,194)	(36,258)
Gain on purchasers rescissions of sales contracts					9	
Gain (loss) in credit card trust	851	2,625	423	261	(4,077)	
Gain (loss) from operations and holdings of real estate assets, net (3)	4,088	12,616	27,938	63,066	21,507	(46,840)
Operating income (loss)	65,595	202,424	141,111	104,488	25,518	(38,062)
Amortization of goodwill	(350)	(1,080)	(1,663)	(2,904)	(6,631)	
Equity gain (loss) from relatedcompanies	13,499	41,657	67,207	26,653	(14,701)	(4,571)
Financial results, net	(13,409)	(41,381)	(12,217)	11,823	315,301	(496,498)
Other expenses, net	(6,178)	(19,066)	(14,834)	(13,636)	(859)	(4,483)
Income (loss) before taxes and minority interest	59,157	182,554	179,604	126,424	318,628	(543,614)
Income and asset tax (expense) benefit	(19,051)	(58,791)	(53,207)	(25,720)	3,529	(1,086)
Minority interest	(8,811)	(27,190)	(23,152)	(12,842)	(35,712)	977
Ordinary net income (loss)	31,295	96,573	103,245	87,862	286,445	(543,723)
Extraordinary loss						
Net income (loss)	31,295	96,573	103,245	87,862	286,445	(543,723)
Basic net income (loss) per share (4)	0.08	0.25	0.37	0.39	1.37	(2.62)
Basic net income (loss) per ADS (4)	0.82	2.54	3.68	3.90	13.65	(26.21)
Diluted net income (loss) per share (5)	0.07	0.23	0.23	0.23	0.57	(2.62)
Diluted net income (loss) per ADS (5)	0.74	2.28	2.31	2.26	5.65	(26.21)
Weighted - average number of shares outstanding	379,506	379,506	280,282	225,005	209,840	207,412
Adjusted weighted - average number of shares (5)	522,636	522,636	501,380	554,271	439,064	207,412
Capital Stock	435,448	435,448	357,267	248,803	212,013	207,412
Dividends declared per share						
U.S. GAAP						
Revenues	201,030	620,378	426,844	319,328	280,690	234,086
Operating income (loss)	40,102	123,756	84,745	32,060	(35,206)	(45,957)
Net income (loss) (4)	29,146	89,946	129,398	2,825	235,126	(901,515)
Net income (loss) before extraordinary items and accounting changes	29,146	89,946	129,398	2,825	235,126	(901,515)
Basic net income (loss) per share (4)	0.08	0.24	0.46	0.01	1.12	(4.36)
Basic net income (loss) per ADS (4)	0.77	2.37	4.62	0.13	11.20	(43.46)
Basic net income (loss) before extraordinary items and accounting changes per share (5)	0.08	0.24	0.46	0.01	1.12	(4.35)
Diluted net income (loss) per share (4)	0.07	0.23	0.31	0.01	0.60	(4.35)
Diluted net income (loss) per ADS (5)	0.75	2.30	3.10	0.13	6.02	(43.46)
Diluted net (loss) income before extraordinary items and accounting changes per share (5)	0.07	0.23	0.31	0.01	0.60	(4.35)
Weighted - average common shares outstanding	379,506	379,506	280,282	225,005	209,840	207,412

Adjusted weighted - average number of shares (5)	518,606	518,606	475,489	225,005	338,416	207,412

BALANCE SHEET DATA						
Argentine GAAP						
Cash and banks and current investments	75,644	233,438	211,934	163,900	232,001	71,150
Inventories	52,531	162,110	99,811	29,711	23,854	79,733
Mortgages and leases receivable, net	47,944	147,955	73,246	37,267	39,181	18,164
Non-current investments	209,974	647,981	542,863	519,499	412,789	583,344
Fixed assets, net	457,943	1,413,212	1,445,551	1,274,675	1,235,223	409,469
Total current assets	156,121	481,788	389,735	261,651	297,476	157,969
Total assets	887,920	2,740,121	2,524,426	2,208,326	2,081,956	1,316,050
Short-term debt (6)	46,060	142,140	130,728	143,126	96,159	635,533
Total current liabilities	135,848	419,228	310,977	256,022	188,738	693,543
Long-term debt (7)	95,684	295,282	422,412	468,807	592,104	975
Total non-current liabilities	124,802	385,138	515,381	522,213	629,988	4,061
Minority interest	145,816	449,989	445,839	470,237	454,044	95,726
Shareholders equity	481,454	1,485,766	1,252,229	959,854	809,186	522,720
U.S. GAAP						
Total assets	756,394	2,334,233	2,090,880	1,745,170	1,693,698	1,176,801
Minority interest	115,160	355,385	357,062	378,404	367,012	108,947
Total shareholders equity	375,361	1,158,364	921,716	587,740	502,801	370,250
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by operating activities	63,087	194,685	93,490	74,691	93,945	54,313
Net cash used in investing activities	(44,254)	(136,567)	(126,682)	(97,186)	(40,603)	(21,084)
Net cash (used in) provided by financing activities	(11,914)	(36,767)	52,868	(47,649)	109,439	(41,427)
U.S. GAAP						
Net cash provided by operating activities	62,407	192,589	105,655	92,378	55,135	11,871
Net cash used in investing activities	(41,700)	(128,687)	(141,746)	(105,061)	(52,260)	(21,049)
Net cash provided by (used in) financing activities	(11,914)	(36,767)	52,868	(47,649)	109,439	(41,427)
Effect of exchange rate changes on cash and cash equivalents	(1,874)	(5,784)	2,899	(8,081)	51,743	2,043
Effect of inflation accounting					(1,472)	39,113
OTHER FINANCIAL DATA						
Argentine GAAP						
Depreciation and amortization	26,349	81,313	74,961	68,519	80,547	26,297
Capital expenditures (8)	37,121	116,201	79,997	26,908	10,991	28,427
Ratio of current assets to current liabilities	1.149	1.149	1.253	1.022	1.576	0.228
Ratio of shareholders equity to total liabilities	1.847	1.847	1.515	1.233	0.988	0.749
Ratio of non-current assets to total assets	0.824	0.824	0.846	0.882	0.857	0.880
Profitability (9)	0.071	0.071	0.093	0.099	0.430	(0.684)

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(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 as of June 30, 2006 which was Ps. 3.086 per US$1.0. We make no representation that the Argentine Peso or U.S. Dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates . Sums may not total due to rounding.

(2) In thousands of constant Pesos of June 30, 2006, except for ratios and share data. Includes adjustment by inflation as of February 28, 2003. Sums may not total due to rounding.

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(3) Includes results from temporary investments in affiliated companies and gain (loss) from holding investment in real estate assets. See Note 7 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 Global Depositary Shares (ADS) represents ten common shares.
(5) Under both Argentine and U.S. GAAP we have considered the diluted effects of our outstanding convertible notes and warrants. However, under U.S. GAAP, we have used the treasury-stock method in calculating the diluted effect of the outstanding warrants. In addition, the computation of diluted net income per share / ADS under U.S. GAAP for the year ended June 30, 2004 excludes potential common shares because the effect of their inclusion would be anti-dilutive, or would increase the reported net income per share / ADS. Each ADS represents ten common shares.
(6) Includes short-term debt, the current mortgages payable and the current portion of the seller financing.
(7) Includes long-term debt, the non-current mortgages payable and the non-current portion of the seller financing.
(8) Includes the purchase of fixed assets and undeveloped parcels of lands..
(9) Ratio of net income (loss) to average Shareholders Equity (simple average between the fiscal year s shareholders equity and the shareholders equity for the preceding year).
(10) As part of the lease agreements, tenants are required to pay their proportionate share of common area maintenance expenses. The Company does not charge any mark up on reimbursable costs. These expenses are incurred and paid by the Company and then passed through to tenants as reimbursable costs. Under Argentine GAAP, pass-through expenses, such as these reimbursable costs, are accounted for on a net basis and, as such, excluded from revenues and expenses in the financial statements. Under US GAAP, the Company accounts for pass-through revenue and expenses in accordance with Emerging Issues Task Force, or EITF, Issue 01-14, "Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred," and include these costs incurred as a component of revenue and as a component of operating expenses in the statement of income. As these expenses are fully reimbursed, without mark-up, by the tenants, there is no impact on operating income, net income, EPS, cash flows or the balance sheet. Prior year amounts have been modified to reflect this disclosure difference.

Exchange Rates

The following table presents the high, low, average and period closing exchange rate for the purchase of dollars stated in nominal Pesos per dollar. The exchange rate between Peso and dollar prevailing on October 31, 2006, was Ps.3.089 = US$1.00.

Nominal Exchange Rates

	Exchange Rate(4)			
	High (1)	**Low (2)**	**Average (3)**	**Period Closing**
Fiscal year ended June 30, 2002	3.7400	0.9990	1.8206	3.7900
Fiscal year ended June 30, 2003	3.7400	2.7120	3.2565	2.8000
Fiscal year ended June 30, 2004	2.9510	2.7100	2.8649	2.9580
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9230	2.8670
Fiscal year ended June 30, 2006	3.0880	2.8590	3.0006	3.0860
Month ended July 31, 2006	3.0860	3.0720	3.0813	3.0720
Month ended August 31, 2006	3.0970	3.0690	3.0799	3.0960
Month ended September 30, 2006	3.1070	3.0940	3.1002	3.1040
Month ended October 31, 2006	3.1070	3.0890	3.0982	3.0890

(1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.
(2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.
(3) Average month closing exchange rates.
(4) All prices are mid market prices

Source: Central Bank.

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

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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 associated with our business, taking into account the instability of 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. In general, investing in companies which operate in emerging markets such as Argentina is more risky than investing in companies which operate in more stable markets such as the United States.

Risks Related to Argentina

Argentina s current growth and stabilization may not be sustainable

During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis. Although the economy has recovered significantly over the past three years, uncertainty remains as to whether the current growth and relative stability are sustainable. The Argentine economy remains fragile for the following reasons:

- unemployment remains high;
- the availability of long-term fixed rate credit remains low;
- investment as a percentage of GDP remains low;
- the current fiscal surplus could become a fiscal deficit;
- the current trade surplus could reverse into a trade deficit;
- inflation has risen recently and threatens to accelerate;
- the regulatory framework continues to be uncertain;
- the country s public debt remains high and international financing is limited; and
- the recovery has been dependent to some extent on high commodity prices which are volatile and outside the control of the country, and excess capacity which has reduced considerably.

Substantially all of our operations, properties and customers are located in Argentina. As a result, our business is to a very large extent dependent upon the economic conditions prevailing in Argentina. Although the economic situation in Argentina has improved, instability is still prevalent and no assurance can be given that macroeconomic conditions in Argentina will note deteriorate again.

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Inflation may rise again, causing adverse effects on the Argentine real estate markets as well as the Argentine economy generally

After several years of price stability, the devaluation of the Peso in January 2002 imposed pressures on the domestic price system that generated high inflation throughout 2002, before substantially stabilizing in 2003. However, inflationary pressures have since reemerged with consumer prices increasing by 6.1% per annum during 2004 and increasing by 12.3% in 2005. As of October 31, 2006, inflation had an annual increase of 10.5%.

In the past, inflation has materially undermined the Argentine economy and the government s ability to create conditions conducive to growth. A return to a high inflation environment could slow the rebound in the real estate market and may also undermine Argentina s foreign competitiveness by diluting the effects of the Peso devaluation and negatively impacting the level of economic activity and employment.

Argentina s sovereign debt restructuring and the early prepayment to the International Monetary Fund (the IMF) may create certain additional uncertainties, and the Argentine government may face future litigation that could have an impact on Argentina s ability to obtain financing from international markets and economic growth.

After defaulting on over US$144.5 billion in external debt and as part of the debt restructuring process, the Argentine government consummated a debt exchange offer in the first quarter of 2005 with a rate of participation by bondholders of approximately 76% and an aggregate tendered amount of US$62.3 billion. The settlement of the debt exchange was completed on June 2, 2005 due to a delay resulting from legal action by certain bondholders who did not participate in the exchange offer that attempted to attach the tendered bonds. Despite the high levels of acceptance of the exchange offer, the amounts not tendered for exchange totaled approximately US$20 billion. Some bondholders in the United States, Italy and Germany filed legal actions against Argentina that are still pending resolution, and holdout creditors may initiate new suits in the future. Argentina s past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with holdout creditors may prevent the Argentine government from accessing the international capital markets for the foreseeable future. Moreover, after consummation of the exchange offer, Argentina s sovereign debt is still significant and may inhibit economic growth and result in lower fiscal surpluses that could further restrict the ability to repay outstanding debt. Under these circumstances, we cannot assure you that the economy will not suffer additional shocks.

Following settlement of Argentina s sovereign debt restructuring, the IMF agreed to a one-year extension of Argentina&