



News Release

February 14, 2011

Hirco PLC ("Hirco" or the "Company")

ANNUAL GENERAL MEETING STATEMENT

LONDON – Hirco PLC (AIM:HRCO), the AIM-quoted real estate investment company, will provide the following update for shareholders at its Annual General Meeting to be held at 11.30am today in Zurich:

Indian real estate market and presales update

Hirco relies on the owners of the project companies and the project developer for update information on local market conditions, sales and other relevant data. Despite the Company's repeated requests for timely provision of information, the most recent information for the period through to 31 December 2010 was delayed. Since the announcement on 15 December 2010, the Board has only received the full figures for the period ending 31 December 2010 in the last week.

The Board have also commissioned updated feasibility studies from Jones Lang LaSalle which were received by the Board in draft form, also only, in the last few days and will require some time to fully review and analyse.

Accordingly, the Board is disappointed that it is not in a position to provide a full update to shareholders today; but will report to shareholders as soon as possible.

There was relatively little movement in the month of December 2010. In Chennai sales were modest and there was a reduction of buildable areas sold of 40,000 square feet reducing marginally the average price per square foot achieved to date from INR 4168 to INR 4154. Total cash collections to 31 December 2010 were approximately £51 million being approximately 48% of total sales consideration.

In Panvel, net of a small number of cancellations, a further 57,000 square feet were sold which increased the overall average price to date achieved from INR 4755 to INR 4792. Total cash collections at 31 December 2010 were approximately £22 million being approximately 13% of total sales consideration.

Strategic review and merger discussions

At the last AGM in March 2010, we stated that further discussions had been held between Hirco and various members of the Hiranandani family (the "Family") about merging the respective interests in the underlying real estate developments. At the time we stated that it was thought unlikely that the two parties would reach agreement "on terms that would be acceptable to both parties".

Since that time, the Company's preference share interest in the special purpose vehicles (Burke companies 1, 2, 3 and 4, owners of the project companies, or the "Burkes") has continued to grow, with the 12% accruing compounding preference share dividend currently standing at approximately £173 million at 31 December 2010 in addition to the preferred capital return of £350.8 million. Given this, a longer than expected construction schedule and lower than expected sales, the value of the residual interest of the Family has declined, such that any merger of interests in the Burkes would be likely to give the Family only small minority of voting rights in an enlarged group.

The Family have to date continued to insist on a majority position in an enlarged group, which would require a substantial contribution by the Family of other assets in addition to those of the Burke companies.

Previously, the Board had been informed that there were legal disputes between constituent elements of the Family and that the Family had agreed to enter into arbitration. Consequently, the Board sought assurances from the Family that the legal disputes did not concern the business, assets or investments of the Company. Such assurances were given by the Family together with undertakings to keep the Board updated. The Board has recently been led to understand by the Family that these disputes will need to be addressed before the Family is in a position to agree to contract the assets required to effect an acceptable merger.

Whilst there has been a recent, brief discussion on the merger between advisers, the Board has not been informed that there has been a material change in the above position. As a consequence the Board remains of the view that there is a limited prospect of a merger proposal being put forward that would be acceptable to shareholders. The Board remains open to a proposal which addresses the material issues that the Board has focused on in prior merger discussions, particularly shareholders' concerns in relation to the trading price to net asset value discount, an appropriate recognition of the value accrued and to accrue to the Company's preference share interests, and governance.

Given the likely inability of the Company to be able to consummate a merger of its and the Family interests on terms which would be acceptable to it, by necessity for the foreseeable future the Company will maintain its original aims of being an investor in the current four high-quality real estate developments in Chennai and Mumbai. As there are now no Family members on the Board, the Company's ability to monitor and/or influence the development of the projects is restricted to its defined legal rights, as set out in the investment agreements for each Burke development. The Board is aware that, in the absence of co-operation from the Burkes, enforcing those rights may have practical difficulties.

For information a summary of those rights will shortly be posted on the Company's website.

The Board is frustrated by the position it finds itself in, and appreciates that this frustration is shared by Hirco investors. It will continue to explore options to enhance shareholder value; however, the Board recognises that any solution will necessarily involve, and need the engagement of, the owners of the projects in which the Company has invested.

The Board has been continuing to press the Burkes to examine ways of releasing cash earlier, in particular seeking covenant consents from the lending banks to the developments to permit such cash releases and to clarify the basis on which cash may become free for distribution. After repeated requests from the Board, the Burkes have not provided any comfort that they are seeking to address the Board's concerns or clarify the provisions. The Family have, however, indicated to the Board that any such lender consents are unlikely to be forthcoming. These indications from the Family taken together with the continued delays in the projects, has resulted in the visibility of dividend flows becoming increasingly uncertain, such that the

Board feels it imprudent to set fresh timelines. An announcement to update shareholders will be made in due course.

Working capital

As at 31 December 2010 the Company has approximately £4 million of cash. Since the letter to shareholders dated 27 September 2010, the Board has continued actively to seek ways to reduce the Company's expenditure and has identified and eliminated a number of running costs. Assuming such reduced levels of running costs, the Board believes that the Company has sufficient cash to fund operations for approximately 18 to 24 months.

The Board is fully aware of the Company's working capital needs and the need to secure funding to enable the Company to function over the longer term in order to preserve value for shareholders. The Board has kept these issues under review in consultation with certain key shareholders. These shareholders have expressed their continued support for the Board's efforts to preserve and extract value. Following the AGM the Board intends to enter into substantive discussions with shareholders regarding the form, substance and timing of a capital raising exercise. A further announcement regarding this will be made in due course.

Corporate governance and board composition

Following the resignation of Niranjan Hiranandani on 23 December 2010 and that of Priya Hiranandani, Nigel McGowan and Sir Rob Young on 22 September 2010, the board now comprises four directors, David Burton, Doug Gardner, Peter Barge and Kersi Gherda, all of whom are non-executive. Given that the Company's focus is now on monitoring and reporting on its investments, this (and the resultant non-compliance with normal corporate governance standards) is not considered immediately deleterious to the day-to-day operations of the Company; however, it is recognised that in the long-term the size and composition of the Board is not necessarily correct, and active consideration is being given to its most appropriate constitution for the future. However, we are unlikely to be able to conclude any appointment before appropriate funding has been secured.

The Board is holding discussions with certain key shareholders and advisers in relation to the composition of the Board and the executive management in conjunction with its discussions about further funding for the Company.

In the letter to shareholders dated 27 September 2010 it was stated that Priya Hiranandani would act as a consultant to the Company; however, as yet no agreement has been reached and consequently Priya Hiranandani has no formal role with the Company.

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