

## Preliminary results for the year ended 30 September 2008

December 9, 2008

### **HIRCO REPORTS SOLID RESULTS IN FIRST FULL YEAR**

***Net Asset Value rises to £7.12 per share as of 30 September 2008; valuation of Hirco's four development projects increases 34.7% to £472.7 million***

LONDON – Hirco PLC (AIM:HRCO), the investment vehicle for Hiranandani, India's largest developer of mixed-use townships and the country's largest residential builder, today announced its audited fiscal 2008 year-end financial results for the full year ended 30 September 2008.

#### **Fiscal 2008 Highlights**

- Profit after tax was £75.1 million, representing earnings per share of 98 pence based on 76,526,984 shares outstanding.
- As of 30 September 2008, Hirco's Net Asset Value (NAV) on a per share basis had risen 98 pence to £7.12, compared with £6.14 per share at 30 September 2007. The increase in NAV is mainly driven by an increase in the value of Hirco's investment in the Chennai Residential, Chennai Commercial, Panvel Residential and Panvel Commercial projects. As of 30 September 2008, the value of Hirco's investments in these projects was £472.7 million.
- The new valuation represents a 34.7% increase from the total acquisition cost of approximately £350.8 million.

#### **Recent Developments**

- In September, Hirco announced that sales of residential units in Phase 1 of its Hiranandani Palace Gardens township developments in both Chennai and Panvel were significantly ahead of planned performance both in terms of volume of units sold and the level of pricing achieved.
- **Chennai:** As of 31 August 2008, sales consideration for the Chennai residential township had been accepted on approximately 1.8 million square feet of buildable area at an average price of INR 4,073 (£47.69) per square foot. The value of sales contracts in the Chennai township was £93.6 million.
- **Panvel:** As of 31 August 2008, sales consideration for the Panvel residential township had been accepted on approximately 1.6 million square feet of buildable area at an average price of INR 4,214 (£49.95) per square foot. The value of sales contracts in the Panvel township was £81.9 million.

**Niranjan Hiranandani, Chairman of Hirco PLC, said:**

“We continue to make substantial progress in the development of our Hiranandani Palace Gardens mixed-use townships in Chennai and Panvel. At both developments, we are seeing consistently strong pre-sales of residential apartments, which confirms our view that housing affordability in India is still improving and demand continues to grow.

“We are achieving this solid progress against a recent background of difficult global market conditions and slower economic growth in India. Our success, even in weaker markets, is due to our high-quality township developments, all of which are strategically located in well-connected suburbs near India’s largest cities and remain highly desirable even when the economy weakens.

“The supply of quality product in the Indian market is limited, so demand for the type of high-quality product we offer continues to grow at a faster pace than our ability to release product onto the market. Today, Hirco’s developments in Chennai and Panvel are benefiting by exploiting this “flight to quality” phenomenon. Even as signs of economic strain appeared in India during the second half of our fiscal year, we pre-sold 1,234,052 square feet<sup>1</sup> of residential space, while continuing to command steadily increasing prices. We believe affordability and the level of demand will remain high in the sub-\$200/per-square-foot quality residential market in which we primarily operate.

“Hirco has a strong balance sheet, no debt, access to the funds needed for further development and construction, and a strong development pipeline. As a result, we are very well positioned to execute our growth plans for the future.”

The Board remains mindful that the Company’s share price represents a significant discount to net asset value. The Directors strongly believe that the market capitalisation materially undervalues the Company and its prospects; they keep this situation under constant review and are actively considering options to address the imbalance.

This preliminary announcement was approved by the board on 8 December 2008.

### **About Hirco**

Hirco PLC is the investment vehicle for Hiranandani, India’s largest developer of prestigious mixed-use townships for the country’s increasingly affluent middle class. Our modern, large-scale developments – combining high-quality residential, commercial and retail components with green space and social and recreational facilities – are strategically located in suburban areas outside major city centres. Hirco’s four current projects – in Chennai in southeast India and Panvel, in the Mumbai Metropolitan Region – feature a combined total of 66.4 million square feet of buildable mixed-use space.

Hirco PLC shares are traded on the London Stock Exchange’s Alternative Investment Market (AIM) under the symbol HRCO. At the time of its admission to trading on AIM in December 2006, Hirco PLC was the largest-ever real estate investment company IPO on the AIM and that year’s largest IPO on the AIM.

For further information about the Company, please visit [www.hircopl.com](http://www.hircopl.com).

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<sup>1</sup> For the five-month period 1 April to 31 August 2008

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# Hirco Plc

## Consolidated Income Statement

for the year ended 30 September 2008

Amount in £000's

CONTINUING OPERATIONS	Notes	01 Oct 2007 to 30 Sep 2008	02 Nov 2006 to 30 Sep 2007
Investment income	5	44,200	22,269
Foreign exchange gain / (loss)		1	(14)
<b>Net investment income</b>		<b>44,201</b>	<b>22,255</b>
<b>Fair value gain on investments</b>	<b>12</b>	<b>34,660</b>	<b>87,220</b>
Administrative expenses	6	3,790	2,345
<b>Net income before finance costs</b>		<b>75,071</b>	<b>107,130</b>
Finance costs		-	-
<b>Profit before taxes</b>		<b>75,071</b>	<b>107,130</b>
Income tax expense	7	12	19
<b>Profit for the year / period</b>		<b>75,059</b>	<b>107,111</b>

### Earnings per share (consolidated):

Basic, for the period attributable to ordinary equity holders (Pence)	9	98	140
Diluted, for the period attributable to ordinary equity holders (Pence)	9	98	140

The Directors consider that all results derive from continuing activities.

The notes on pages 5 to 21 forms part of these financial statements.

# Hirco Plc

## Balance Sheets

as at 30 September 2008

Amount in £000's

ASSETS	Notes	Group		Company	
		2008	2007	2008	2007
NON-CURRENT ASSETS					
Property, plant and equipment	11	33	42	-	-
Investments	12	472,690	341,392	-	-
Due from subsidiaries	18	-	-	353,866	256,110
Accrued income	13	45,958	-	44,785	-
		<b>518,681</b>	<b>341,434</b>	<b>398,651</b>	<b>256,110</b>
CURRENT ASSETS					
Accrued income	13	9,000	12,086	9,000	12,219
Other debtors and prepaid expenses		2,031	158	1,990	149
Other current assets		95	47	73	38
Cash and cash equivalents	15	17,060	116,423	16,579	115,584
		<b>28,186</b>	<b>128,714</b>	<b>27,642</b>	<b>127,990</b>
<b>Total assets</b>		<b>546,867</b>	<b>470,148</b>	<b>426,293</b>	<b>384,100</b>
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables		883	69	837	8
Accrued expenses		1,169	332	1,063	257
<b>Total liabilities</b>		<b>2,052</b>	<b>401</b>	<b>1,900</b>	<b>265</b>
<b>Net assets</b>		<b>544,815</b>	<b>469,747</b>	<b>424,393</b>	<b>383,835</b>
EQUITY					
Share capital	17	765	765	765	765
Share premium		361,871	361,871	361,871	361,871
Foreign currency translation reserve		9	-	-	-
Retained earnings		182,170	107,111	61,757	21,199
<b>Total equity</b>		<b>544,815</b>	<b>469,747</b>	<b>424,393</b>	<b>383,835</b>

Number of ordinary shares	10	76,526,984	76,526,984	76,526,984	76,526,984
Net Assets Value per share (Pence)	10	712	614	555	502

The notes on pages 5 to 21 forms part of these financial statements.

# Hirco Plc

## Consolidated Statement of Changes in Equity

for the year ended 30 September 2008

Amount in £000's

GROUP	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
Issue of share capital	765	381,869	-	-	382,634
Profit for the period	-	-	-	107,111	107,111
Share issue costs	-	(19,998)	-	-	(19,998)
<b>As at 30 September 2007</b>	<b>765</b>	<b>361,871</b>		<b>107,111</b>	<b>469,747</b>
Translation of foreign operations	-	-	9	-	9
Profit for the year	-	-	-	75,059	75,059
<b>As at 30 September 2008</b>	<b>765</b>	<b>361,871</b>	<b>9</b>	<b>182,170</b>	<b>544,815</b>

The notes on pages 5 to 21 forms part of these financial statements.

# Hirco Plc

## Consolidated Cash Flow Statement

for the year ended 30 September 2008

Amount in £000's

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2008</b>	<b>2007</b>
Profit before taxation :	75,071	107,130
Adjustment for:		
Fair value gains on investments	(34,660)	(87,220)
Depreciation	37	13
Foreign exchange gain	(1)	-
<b>Operating profit before working capital changes</b>	<b>40,447</b>	<b>19,923</b>
Change in debtors and prepayments	(43,001)	(12,291)
Change in creditors and other accruals	(43)	347
Tax paid	(12)	-
<b>Net cash (used in) / generated from operating activities</b>	<b>(2,609)</b>	<b>7,979</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(28)	(20)
Purchase of investments	(96,638)	(254,172)
Project costs paid	(98)	-
<b>Net cash used in investing activities</b>	<b>(96,764)</b>	<b>(254,192)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital (net of issue costs)	-	362,636
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>362,636</b>
(Decrease) / Increase in cash during the year / period	(99,373)	116,423
Effect of exchange rate fluctuations on cash balances	10	-
Cash and cash equivalents at the beginning of the period	116,423	-
<b>Cash and cash equivalents at the end of the period</b>	<b>17,060</b>	<b>116,423</b>

The notes on pages 5 to 21 forms part of these financial statements.

# Hirco Plc

## Notes to the Consolidated Financial Statements

### 1. GENERAL INFORMATION

Hirco PLC (the "Company") is a public limited company incorporated in the Isle of Man on 02 November 2006. It was admitted to AIM on 13 December 2006.

The consolidated financial statements of Hirco PLC comprise the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statement presents information about the Company as a separate entity and not about its Group. The consolidated financial statements have been prepared for the period from 01 October 2007 to 30 September 2008 and are presented in GBP.

The principal activities of the Group includes investment in FDI compliant Indian real estate projects for developments of large-scale, mixed-use township communities which could include co-located special economic zones ("SEZs") in India.

As at 30 September 2008, the Group had seven (7) employees.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (A) BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis with the exception of equity interests in unquoted companies, which are stated at fair value.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and also to comply with the Isle of Man Companies Acts 1931 to 2004.

The prior period from 02 November 2006 (date of incorporation) to 30 September 2007 was the first period of the Group's operation and as such the comparative figures are presented for this period as published in 2007 Annual Report and Financial Statements.

In preparing these consolidated financial statements, the Group has adopted IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements – Capital Disclosures. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

#### (B) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September 2008. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same period as the Company, using consistent accounting policies.

The results of subsidiaries acquired during the period are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

### (C) FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in British Pounds, which is the Company's functional and presentation currency. The functional currency for all of the subsidiaries within the Group are as mentioned below;

- Hirco Holdings Limited GBP
- Hirco Inc USD
- Hirco Real Estate Services Private Limited INR

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Differences arising therefrom are taken to Income Statement.

Income and expenses of subsidiaries are translated at the average rate of exchange for the period. Year end balances are taken at the year end exchange rate. Differences arising therefrom are transferred to Currency Translation Reserve in Equity.

### (D) REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In particular:

#### **Preference Dividend income**

Preference Dividend income is recognized on the effective interest rate basis. That is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset

#### **Interest income**

Interest income is recognized as interest accrues (using the effective interest method).

#### **Fair value gain on investments**

The Directors determine unrealized fair value gain/(loss) on investments bi-annually based on the fair market value assessment of the projects carried out by Jones Lang LaSalle, an independent valuer, using the valuation standards prescribed by the Royal Institute of Chartered Surveyors. This gain is translated at the exchange rate as on the date of valuation for the recognition of revenue. On the realization of the said gain on a future date, the difference between the total realized gain less the previously recognized unrealized gain will be recognized as revenue converted at the realized exchange rate.

### (E) INCOME TAX

#### **Current income tax**

Current income tax assets and liabilities are measured at the balance sheet date at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

#### **Deferred income tax**

Deferred income tax is recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the related asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### **Sales tax/VAT**

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### (F) INVESTMENTS

The Group's interest in Participating Preference Shares issued by Burke 1 Limited, Burke 2 Limited, Burke 3 Limited and Burke 4 Limited (note 12) is a compound financial instrument, comprising a debt component in relation to the preference dividend and preferred capital return and an equity component equivalent to the share in residual profits.

The debt component is stated at amortized cost, with interest recognized in the income statement on the effective interest rate basis.

The Directors consider that the Group is a venture capital organization and have elected under IAS 31 to designate the equity component of its investment in jointly controlled entities, Burke 1 Limited, Burke 2 Limited, Burke 3 Limited and Burke 4 Limited (investee companies through which investments in the property development projects are made), as at fair value through profit or loss. Accordingly, under IAS 39, changes in fair value on the equity component are recognized in profit or loss.

The fair values of the Group's investments are determined by the Directors based on an independent valuation of the underlying projects carried out by Jones Lang LaSalle, an independent valuer, using the valuation standard prescribed by the Royal Institute of Chartered Surveyors.

# Hirco Plc

## Notes to the Consolidated Financial Statements

### **(G) PROPERTY, PLANT AND EQUIPMENT**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold improvements are amortized over the shorter of the lease term and their useful lives.

The estimated useful lives for the current periods are as follows:

- Equipment 3-5 years
- Computers 2-3 years
- Furniture 5-7 years
- Leasehold 1-2 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### **(H) TRADE RECEIVABLES**

Trade receivables are stated at cost, which approximates their market value, less an allowance for impairment. An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### **(I) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank and on hand, bank demand and time deposits with maturities of three months or less.

### **(J) TRADE AND OTHER PAYABLES**

Trade and other payables are stated at cost, which approximates their market value.

### **(K) EQUITY INSTRUMENTS**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## Notes to the Consolidated Financial Statements

### **(L) PROVISIONS**

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Director's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### **(M) DIVIDENDS**

Dividend distributions to the Company's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are paid or are approved by the Company's shareholders.

Subject to the provisions of the Articles, the Company's Board of Directors, may by ordinary resolution declare that out of profits available for distribution in accordance with Isle of Man law dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board. There is no fixed date on which an entitlement to dividend arises.

### **(N) IMPAIRMENT OF FINANCIAL ASSETS**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

## Notes to the Consolidated Financial Statements

### (O) FUTURE CHANGES IN ACCOUNTING STANDARDS

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

#### *International Accounting Standards (IAS/IFRS)*

		<b>Effective Date</b>
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
IAS 23	Borrowing costs (Revised)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (Amended)	1 January 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IFRS 8	Operating Segments	1 January 2009

Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

IFRS 8 introduces the "management approach" to segment reporting, with information based on internal reports. Management are currently assessing the impact of this on the disclosures to be presented regarding segmental reporting.

The Directors do not anticipate that the adoption of the other standards and interpretations will have a material impact on the Group's financial statements in the period of initial application

## Notes to the Consolidated Financial Statements

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Valuation of investments

The fair value of the Group's investments was determined by the Directors based on the valuation of the underlying projects carried out by Jones Lang LaSalle Property Consultants, Pvt. Ltd. ("Jones Lang LaSalle"), an independent valuer, using the valuation standard prescribed by the Royal Institute of Chartered Surveyors.

### 4. SEGMENTAL REPORTING

The Group has only one business and geographic segment, being the investment in real estate in India and hence no separate segment report has been presented.

### 5. INVESTMENT INCOME

	1 October 2007 to 30 September 2008	2 November 2006 to 30 September 2007
	£ 000	£ 000
Preference dividends (see note 12)	42,878	12,034
Bank interest	1,322	10,235
	<b>44,200</b>	<b>22,269</b>

### 6. ADMINISTRATIVE EXPENSES

	1 October 2007 to 30 September 2008	2 November 2006 to 30 September 2007
	£ 000	£ 000
Employee costs	985	660
Occupancy cost	187	33
Professional fees	1,157	593
Directors' fees	694	449
Other administration costs	730	597
Depreciation	37	13
	<b>3,790</b>	<b>2,345</b>

# Hirco Plc

## Notes to the Consolidated Financial Statements

### 7. INCOME TAX

The major components of income tax expense for the year ended 30 September 2008 are:

	1 October 2007 to 30 September 2008 £ 000	2 November 2006 to 30 September 2007 £ 000
<b>Current income tax</b>		
Current income tax charge	12	19
<b>Total</b>	<b>12</b>	<b>19</b>

The Company is incorporated in the Isle of Man under the Isle of Man Companies Act 1931, as amended.

The Isle of Man introduced a general zero per cent tax rate for Companies with effect from 6 April 2006. The rate of withholding tax on dividend payments to non-residents for Companies within the zero per cent corporate income tax regime is also reduced to zero per cent with effect from 6 April 2006.

Accordingly, the Company will have no liability to Isle of Man income tax on its income or gains and there will be no requirement to deduct withholding tax from payments of dividends to shareholders.

There are no incorporation, capital gains or inheritance taxes payable in the Isle of Man.

Certain subsidiaries may be subject to foreign taxes in respect of foreign sources of income, for which adequate accruals are made in the accounts.

The income tax rate applicable to the Company in the Isle of Man is nil. The current income tax charge of £11,987 represents tax charges on profit arising in US and India, which is subject to corporate income tax of 25.00% and 30.90% respectively.

### 8. AUDITORS' REMUNERATION

The following are the details of fees paid to the auditors, KPMG, in various capacities for the year / period:

	1 October 2007 to 30 September 2008 £ 000	2 November 2006 to 30 September 2007 £ 000
<b>FEES PAID AS</b>		
Statutory auditors (*)	70	67
IPO transaction fees (**)	-	496
<b>Total</b>	<b>70</b>	<b>563</b>

(\*) charged to the income statement

(\*\*) charged to the share premium account

## Notes to the Consolidated Financial Statements

### 9. EARNINGS PER SHARE

#### BASIC EARNINGS PER SHARE

Basic earnings per share for the period ended 30 September 2008 is based on the profit attributable to equity holders of the Company of £75,059,294 (period ended 30 September 2007: £107,111,265) and the weighted average number of ordinary shares outstanding during the period ended 30 September 2008 of 76,526,984 (period ended 30 September 2007: 76,526,984).

	1 October 2007 to 30 September 2008	2 November 2006 to 30 September 2007
Profit attributable to equity holders of the parent	£75,059,294	£107,111,265
Weighted average number of ordinary shares	76,526,984	76,526,984

#### EARNINGS PER SHARE

	PENCE	PENCE
Basic earnings per share	98	140
Diluted earnings per share	98	140

There are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

### 10. NET ASSET VALUE PER SHARE

Net asset value per share is calculated by dividing the net assets attributable to the equity holders of the Company of £544,814,072 (30 September 2007: £469,746,526) by the number of ordinary shares as at 30 September 2007 of 76,526,984 (30 September 2007: 76,526,984).

	30 September 2008	30 September 2007
Net assets attributable to equity holders of the parent	£544,814,072	£469,746,526
Number of ordinary shares	76,526,984	76,526,984
	Pence	Pence
Net asset value per share	712	614

# Hirco Plc

## Notes to the Consolidated Financial Statements

### 11. PROPERTY, PLANT AND EQUIPMENT

	Computers	Leasehold Improvements	Furniture and Office Equipments	Total
	£ 000	£ 000	£ 000	£ 000
As at 01 October 2007	4	16	35	55
Additions	3	3	22	28
Effect of movements in exchange rates	-	1	3	4
<b>Balance as at 30 September 2008</b>	<b>7</b>	<b>20</b>	<b>60</b>	<b>87</b>
<b>DEPRECIATION</b>				
As at 01 October 2007	1	2	10	13
Change for the year	2	12	23	37
Effect of movements in exchange rates	-	1	3	4
<b>Balance as at 30 September 2008</b>	<b>3</b>	<b>15</b>	<b>36</b>	<b>54</b>
<b>NET BOOK VALUE</b>				
As at 30 September 2008	4	5	24	33
As at 30 September 2007	3	14	25	42

### 12. GROUP INVESTMENTS

Company	Projects in India	Date of Investment	Fair Value As at 30 Sep 07 £ 000	Additions during the period £ 000	Fair Value gain for the period £ 000	Fair Value As at 30 Sep 08 £ 000	Cost of Acquisition £ 000
Investment in participating preference shares of:							
Burke 1 Limited	Chennai township projects	13-Feb-2007	115,513	-	8,082	123,595	77,847
Burke 2 Limited	Chennai commercial projects	23-Mar-2007	64,974	-	(62)	64,912	47,889
Burke 3 Limited & Burke 4 Limited	Panvel SEZ, commercial & residential projects	19-Jul-2007 & 25-Oct-2007	160,905	96,638	26,640	284,183	225,074
<b>Balance as at 30 September 2008</b>			<b>341,392</b>	<b>96,638</b>	<b>34,660</b>	<b>472,690</b>	<b>350,810</b>

The participating preference share interests in Burke 1 Limited, Burke 2 Limited, Burke 3 Limited and Burke 4 Limited entitle the Group to a preference dividend of 12% per annum compounded annually, a preferred capital return and a 40% share in residual profits. As detailed in the accounting policy, the debt component of this compound financial instrument, representing the preference dividend and the preferred capital return, is stated at amortized cost, with the preference dividend accrued under the effective interest method. The equity component representing the 40% residual profit share is stated at fair value. The full consideration payable has been attributed to the debt component; hence there is no cost attributed to the equity component.

## Notes to the Consolidated Financial Statements

The fair value of the Group's investments was determined by the Directors based on the valuation of the underlying projects carried out by Jones Lang LaSalle, an independent valuer, using the valuation standard prescribed by the Royal Institute of Chartered Surveyors. The valuation done by Jones Lang LaSalle is based on the details of pre-sales done, project progress, expected revenue and anticipated cost of construction as on the valuation date. The valuers have also made reference to market evidence of transaction prices for similar projects.

The fair value of each investment of the Group is calculated as detailed hereunder:

	<b>Burke 1 Limited</b> £ 000	<b>Burke 2 Limited</b> £ 000	<b>Burke 3 Limited &amp; Burke 4 Limited</b> £ 000	<b>Total</b> £ 000
Net worth post valuation as on 30 September 2008 before charging Preference dividend	244,198	121,502	510,947	876,647
<b>Distribution in the order of contractual preference:</b>				
Preference Dividend	15,947	9,149	29,816	54,912
Repayment of the Group's participating preference shares	77,847	47,889	225,074	350,810
Repayment of the ordinary Shares (which are subordinated to the participating preference shares)	36,032	21,909	108,286	166,227
Share of the Group (40%) of the residual net worth	45,749	17,023	59,108	121,880
Share of the ordinary shareholders (60%) of the residual net worth	68,623	25,532	88,663	182,818
<b>Total Distribution</b>	<b>244,198</b>	<b>121,502</b>	<b>510,947</b>	<b>876,647</b>
<b>Change in fair value</b>				
Fair value gain of the Group's investment	45,749	17,023	59,108	121,880
Less: Fair value gain recognized in September 2007	37,667	17,085	32,468	87,220
<b>Fair value gain for the period of the group's investment</b> (representing share of the Group (40%) of the residual net worth)	<b>8,082</b>	<b>(62)</b>	<b>26,640</b>	<b>34,660</b>

### 13. ACCRUED INCOME

	30 September 2008 £ 000	30 September 2007 £ 000
<b>Non-current assets</b>		
Participating preference shares dividends due	45,958	-
<b>Current assets</b>		
Participating preference shares dividends due	8,954	12,034
Interest income receivable	46	52
<b>Total</b>	<b>54,958</b>	<b>12,086</b>

The participating preference share interests in Burke 1 Limited, Burke 2 Limited, Burke 3 Limited and Burke 4 Limited are entitled to a cumulative preference dividend of 12% per annum compounded annually. The above amount included as current assets represents the accrued dividends expected to be received within one year based on projected cash flows.

### 14. INVESTMENT IN SUBSIDIARY

Balance at 30 September 2007	£ 51
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<b>Balance at 30 September 2008</b>	<b>51</b>
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The investment in subsidiary in the Company's financial statements relates to Hirco Holding Ltd, which is stated at cost (See Note 18).

### 15. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 September 2008 £ 000	30 September 2007 £ 000	30 September 2008 £ 000	30 September 2007 £ 000
Cash at bank and in hand	1,037	6,347	570	5,508
Short-term deposits	16,023	110,076	16,009	110,076
	<b>17,060</b>	<b>116,423</b>	<b>16,579</b>	<b>115,584</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate on short-term deposits was 5.58% per annum. The fair value of cash and short-term deposits is equivalent to cost.

As at 30 September 2008, there is no cash held in blocked accounts.

### 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by the Board of Directors.

#### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Indian Rupee. Foreign exchange risk arises from future commercial transactions, recognized monetary assets and liabilities and investments in foreign companies. The principal foreign exchange risk relates to the 40% interest in the participating preference share investments in Burke 1 Limited, Burke 2 Limited, Burke 3 Limited and Burke 4 Limited (holding companies of the Indian property companies) (see note 12) – which are revalued each reporting period and translated at the exchange rate on the date of the valuation.

# Hirco Plc

## Notes to the Consolidated Financial Statements

At the reporting date, the Group's currency exposure was as follows:

	2008 £ 000	2007 £ 000
British pounds	422,809	382,256
US Dollars	120	245
Indian rupees	121,886	87,246
<b>Net Assets</b>	<b>544,815</b>	<b>469,747</b>

If the Indian rupee appreciated/depreciated by 5% against the British pound the effect on net assets would be to increase/decrease net assets by £17,283,589 (2007: £11,805,911).

### (ii) Equity price risk

The Group is exposed to equity price risk with regards to its 40% equity interest in the Indian property companies. The Indian companies are unquoted and are valued by the Directors, based on underlying property valuation (see note 12).

If the value of the Group's equity interest increased by 5% the net assets would increase by £6,094,300 (2007: £4,362,300). A decrease in value of 5% would have an equal but opposite effect.

### (iii) Interest rate risk

The Group holds financial assets and liabilities that are interest bearing. As a result the Group is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

30 September 2008	Less than 1month £ 000	1-3 months £ 000	3 months to 1 year £ 000	1-5 years £ 000	Over 5 years £ 000	Non- interest bearing £ 000	Total £ 000
<b>Financial assets</b>							
Investments	-	-	-	-	350,810	121,880	472,690
Accrued income	-	-	8,954	45,958	-	46	54,958
Other debtors and prepaid expenses	-	-	-	-	-	2,031	2,031
Other current assets						95	95
Cash and cash equivalents	991	16,069	-	-	-	-	17,060
<b>Total financial assets</b>	<b>991</b>	<b>16,069</b>	<b>8,954</b>	<b>45,958</b>	<b>350,810</b>	<b>124,052</b>	<b>546,834</b>
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	-	-	883	883
Accrued expenses	-	-	-	-	-	1,169	1,169
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,052</b>	<b>2,052</b>
<b>Total interest rate sensitivity gap</b>	<b>991</b>	<b>16,069</b>	<b>8,954</b>	<b>45,958</b>	<b>350,810</b>		

# Hirco Plc

## Notes to the Consolidated Financial Statements

30 September 2007	Less than 1month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non- interest bearing	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Financial assets</b>							
Investments	-	-	-	-	254,172	87,220	341,392
Accrued income	-	-	-	12,034	-	52	12,086
Other debtors and prepaid expenses	-	-	-	-	-	158	158
Other current assets						47	47
Cash and cash equivalents	6,347	110,076	-	-	-	-	116,423
<b>Total financial assets</b>	<b>6,347</b>	<b>110,076</b>	<b>-</b>	<b>12,034</b>	<b>254,172</b>	<b>87,477</b>	<b>470,106</b>
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	-	-	69	69
Accrued expenses	-	-	-	-	-	332	332
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>401</b>	<b>401</b>
<b>Total interest rate sensitivity gap</b>	<b>6,347</b>	<b>110,076</b>	<b>-</b>	<b>12,034</b>	<b>254,172</b>		

Since the maturity date is not certain, the debt component of the investments is stated as due after five years.

### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Group's financial assets exposed to credit risk are as follows:

	30 September 2008 £ 000	30 September 2007 £ 000
Investments	350,810	254,172
Accrued income	54,958	12,086
Other debtors and prepaid expenses	2,031	158
Other current assets	95	47
Cash and cash equivalents	17,060	116,423
	<b>424,954</b>	<b>382,886</b>

Management does not expect any counterparty to fail to meet its obligations.

# Hirco Plc

## Notes to the Consolidated Financial Statements

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Company's liquidity position is monitored by the Board of Directors.

Residual undiscounted contractual maturities of financial liabilities:

30 September 2008	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	-	883
Accrued expenses	-	-	-	-	-	1,169
	-	-	-	-	-	2,052

30 September 2007	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	-	69
Accrued expenses	-	-	-	-	-	332
	-	-	-	-	-	401

### FAIR VALUES

Set out below is a comparison by category of carrying amounts and fair values of the entire Group's and the Company's financial instruments that are carried in the financial statements.

Group	30 September 2008		30 September 2007	
	Carrying amount £ 000	Fair value £ 000	Carrying amount £ 000	Fair value £ 000
<b>Financial assets</b>				
Cash	17,060	17,060	116,423	116,423
Investment in preference shares	350,810	472,690	254,173	341,392

Company	30 September 2008		30 September 2007	
	Carrying amount £ 000	Fair value £ 000	Carrying amount £ 000	Fair value £ 000
<b>Financial assets</b>				
Cash	16,579	16,579	115,584	115,584
Investment in preference shares	-	-	-	-
<b>Investments</b>				
Investment in Subsidiary	0*	0*	0*	0*

\*Investment in subsidiary relates to Hirco Holdings Limited of GBP 51.

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## Notes to the Consolidated Financial Statements

### 17. ISSUED CAPITAL

Authorized	Number of shares	Share capital £
As at 30 September 2007 and 2008	100,000,000	1,000,000
Issued and fully paid		
As at 30 September 2007 and 2008	76,526,984	765,270

### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board manages the Company's affairs to achieve shareholder returns through capital growth rather than income, and monitors the achievement of this through growth in net asset value per share.

Company capital comprises share capital, share premium and reserves. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 18. GROUP ENTITIES

Name	Country of incorporation	Field of activity	Ownership interest	Type of share held
HELD BY THE COMPANY				
Hirco Holdings Limited	Mauritius	Holding Company	100%	Ordinary
HELD BY HIRCO HOLDINGS LIMITED				
Hirco Inc	United States of America	Holding Company	100%	Ordinary
Hirco Real Estate Services Pvt. Ltd.	India	Holding Company	100%	Ordinary
Development Holdings Co. Limited	Mauritius	Holding Company	100%	Ordinary

### 19. RELATED PARTIES

#### TERMS AND CONDITIONS OF TRANSACTIONS WITH SUBSIDIARIES

The amount due from subsidiaries of the Company comprises of an unsecured loan of £ 352,000,000 (2007: £255,000,000), which is repayable on demand and is interest-bearing at 12 percent per annum and loan amount of £1,866,071 (2007: £1,109,807), which is an interest free advance.

#### KEY MANAGEMENT PERSONNEL COMPENSATION

Fees paid to persons or entities considered to be key management personnel of the Group include:

	2008 £ 000	2007 £ 000
Directors' fees	694	449
Salaries	237	163

The Company has invested in participating preference shares issued by Burke 1 Limited, Burke 2 Limited, Burke 3 Limited and Burke 4 Limited ("the Burke Companies"), subject to a shareholders' agreement with Burke Consolidated Ltd. Burke Consolidated Limited owns all the ordinary shares in the Burke Companies, entitling it to 60% of any residual profits. Burke is owned by the Hiranandani family, ("Hiranandani").

## Notes to the Consolidated Financial Statements

In addition, the project companies have entered into the following Agreements with a company owned by Hiranandani to manage the projects:

- A Development Management and General Services Agreement to provide such assistance and advice to the project Companies in the development of the projects and completion of all design and / or construction works involved in the projects as may be reasonably requested by the project Companies. The fees payable for the services for the year ended 30 September, 2008 is £878,152 (2007: £337,803).
- A Marketing Services Agreement to provide Sales and Marketing assistance to the Project Companies. The fees payable for the services up to the period ended 30 September, 2008 is £3,131,919 (2007: £605,198).

### **20. CONTINGENT LIABILITIES AND COMMITMENTS**

The Company has no contingent liabilities as on 30 September, 2008.