



News Release

10 November, 2011

Announcement of New Valuation and Projects Update

LONDON – Hirco PLC (AIM: HRCO), ("**Hirco**" or the "**Company**"), announces that CBRE has valued Hirco's Indian property investments as at 30 September 2011 at £343m.

The £343m figure comprises the Panvel development, which CBRE has valued at £217m, and the Chennai development, which CBRE has valued at £126m. As at the last valuation date of 30 September 2010, Jones Lang LaSalle (JLL) had valued Panvel at £404m and Chennai at £420m for a total of £824m at current exchange rates. As previously announced, because JLL had valued Hirco's property assets since Hirco's initial public offering in 2006, the Board has considered it timely to periodically rotate valuers. Accordingly JLL was replaced by CBRE this past summer. The CBRE valuation report is available on the Company's website and can be accessed by contacting the Company Secretary, Mr. Nigel McGowan (details below).

Because of the magnitude of the difference between the CBRE and JLL valuation figures, Hirco's board has offered the projects' developer, Hirco Developments Private Ltd. ("HDPL"), the opportunity to provide a comprehensive analysis of the CBRE report. To date, however, this analysis has not been forthcoming. Hirco's Board expects to take the CBRE valuation (and any response from HDPL) into consideration in preparing its Directors' valuation to be included in Hirco's annual report and accounts for the year ended 30 September 2011. This may result in a substantial write down to Hirco's assets. Hirco currently anticipates that its year end accounts will be released no later than 31 December 2011.

The principal reasons for the difference between the CBRE and JLL valuation figures are substantial differences in assumptions, in particular: (i) CBRE has used a weighted average cost of capital of 24.4% for Panvel and 29.6% for Chennai while JLL used a cost of capital of 13% for both projects; (ii) CBRE has estimated completion of Panvel in 2024 and Chennai in 2027 while JLL had estimated completion for both projects in 2020; and (iii) CBRE estimated higher build costs and lower sale prices than JLL, especially in connection with the projected sale prices of Chennai residential space and Panvel office space. CBRE has also raised questions about the optimal product mix in connection with the Panvel and Chennai projects and is of the view that changing the product mix would substantially increase their value. As Panvel and Chennai have zoning approval for close to 100 million square feet of development, which may take in excess of twenty-five years to complete, relatively small changes in assumptions can result in large differences in present value.

Projects Update

The Panvel and Chennai projects have been divided into phases, with Phase One comprising the construction of 4.226m square feet (2,666 units) of residential space outside of Chennai and 4.152m square feet (2,792 units) of residential space and approximately 1.9 million



square feet of office space at Panvel, outside of Mumbai. Phase One encompasses approximately ten per cent of the total buildable area for the two projects.

Hirco lacks clear visibility over the developments because Hirco has never received a comprehensive development plan for the projects and other information it is contractually entitled to. Hirco receives monthly reports prepared by HDPL that contain unaudited development and sales figures. According to these reports, of the 2,666 Phase One residential units at Chennai, 1,570 have been sold and 1,096 remain available for sale. Of the 2,792 Phase One residential units at Panvel, 2,414 have been sold and 378 remain available for sale. In analysing these figures, shareholders should bear in mind that Hirco does not have clear visibility into the terms of these residential sales or the cash flows that they may generate.

The construction of the two Phase One Panvel office buildings is being carried out on a speculative basis with no tenants yet in place. Their leasing success is in CBRE's view highly dependent on the Indian government's construction of appropriate infrastructure, including a second international airport in Mumbai, a major new bridge link to the south of Mumbai, and improvements to the local rail network. Without these improvements, it takes approximately two hours to commute from Panvel to downtown Mumbai, which may affect demand for this space. These office buildings, when completed, represent approximately 25% of the typical annual take up of office space in the Mumbai market. It is CBRE's view that given current and projected demand, the lease up of these buildings could take up to four years post their completion in 2013. Consequently, clarity is currently being sought from HDPL as to the projected costs and values of these two office buildings.

The Hirco board's current focus is on obtaining better information in accordance with Hirco's contractual rights so it can better evaluate the likely success of these projects. This would include appropriate audited financial information and a comprehensive development plan. The Hirco board has hired a third party advisor to assist in estimating the projects' likely level of profitability through to the completion of Phase One in December 2014 and the surplus available for distribution. The Hirco board is also analyzing the merits of other strategies including altering the product mix and selling a portion of the projects. Further information into possible strategies will be provided within Hirco's 30 September 2011 year-end results.

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