

CHAIRMAN'S
LETTERNIRANJANI
HIRANANDANI

HIRCO IS BUILDING ON THE HIRANANDANI GROUP'S STRONG, 25-YEAR TRACK RECORD AS THE LEADING DEVELOPER OF HIGH-QUALITY TOWNSHIPS IN SUBURBAN AREAS OUTSIDE INDIA'S LARGEST CITIES.

Dear Fellow Shareholders,

By every measure, 2007 has been a year of considerable activity and achievement for your company.

Hirco's flotation on the London Stock Exchange's Alternative Investment Market (AIM) in December 2006 was highly successful and the largest AIM offering that year. By October 2007, and in alignment with our stated goal, we had invested in four large-scale, mixed-use township development projects in India. We have achieved this by building on the Hiranandani Group's strong, 25-year track record as the leading developer of high-quality townships in suburban areas outside India's largest cities.

Hirco is building integrated townships that are aesthetically pleasing and provide high-quality amenities and reliable infrastructure, both for India's growing middle-class domestic consumer and corporate customers. With this as background, I am pleased to report Hirco PLC's results for the period to 30 September 2007, the Company's first year-end results since its admission to the AIM.

RESULTS TO 30 SEPTEMBER 2007

During the period from 2 November 2006 (the date of Hirco's incorporation) to 30 September 2007, the Company had net investment income of £22.3 million. The fair value gain on investment was £87.2 million, administrative expenses were £2.3 million and profit before tax was £107.1 million, representing earnings per share of 140 pence.

As of 30 September 2007, Hirco had invested approximately £254.2 million, which represents 70.1% of the net proceeds of the IPO, and had a net asset value (NAV) of £469.7 million, representing 614 pence per share.

Through the placement on the AIM of approximately 76.5 million shares at 500 pence per share, in what was then AIM's largest-ever real estate investment company IPO, Hirco raised approximately £363 million after offering expenses. Your Board was very pleased to see a number of high-quality institutional investors constituting Hirco's shareholder register.

Hirco proceeded to invest in three projects in India: a 251-acre, mixed-use

development and a 118-acre commercial township in Chennai, the country's fourth-largest city; and a 303-acre commercial township in Panvel in the Mumbai Metropolitan Region, which is the largest metropolis in India. The Panvel project was granted Special Economic Zone (SEZ) approval in August 2007. All three investments were among the projects identified for potential investment at the time of Hirco's AIM admission.

The two Chennai projects, together known as Hiranandani Palace Gardens, with total buildable area of over 30 million square feet, will be a self-sustaining community with residential, commercial, retail and social space including schools, health-care facilities, recreational facilities and parks. As of 30 September 2007, sales activity for Palace Gardens remained several months ahead of schedule, and is well ahead of our expectations both in terms of volume and price. These results are very encouraging, as they demonstrate strong demand for the quality product that Hirco is developing.

The commercial component of the Panvel SEZ has a total buildable area of 18 million square feet, including high-quality retail and social space and Grade A commercial space targeting the IT, IT enabled services, biotech and general commercial sectors. The new township is within close proximity to the recently announced Navi Mumbai International Airport.

POST BALANCE SHEET EVENT – INVESTMENT IN PANVEL MIXED-USE TOWNSHIP

On 25 October 2007, Hirco announced it has invested £96.6 million in a residential township development project located in Panvel, immediately adjacent to Hirco's previously announced investment in the Panvel commercial township. The investment, which comprises 18.3 million square feet of buildable space in a mixed-use development on 280 acres, will include residential, retail and social space.

The combined Panvel site also was recently designated a Special Economic Zone, which will provide tax advantages. Following the Panvel residential investment, I am

pleased to report that Hirco has invested approximately 97% of its initial net funds.

INVESTMENT PIPELINE

While Hirco makes progress on these new projects, we will continue also to seek out attractive opportunities to invest in multi-purpose townships in the suburbs of India's major metropolitan cities. Hirco's investment pipeline remains strong and further investments representing significant value can be expected in the coming months.

NET ASSET VALUE PER SHARE

The Board instructed Jones Lang LaSalle Property Consultants, Pvt. Ltd. to carry out a valuation as of 30 September 2007 of the projects in which Hirco had invested up to that date – the two Chennai projects and the Panvel commercial project. I am very happy to report that the updated valuation of these three investments, prepared on the same basis as that for the IPO, shows an increase to £341.4 million, up approximately £87.2 million or 34.3% from the total acquisition cost of approximately £254.2 million. Taking all properties at fair value, the increase in value of the investments on a per share basis at 30 September 2007 was 114 pence per share. This increase reflects successful operations over a very short period of time. We intend to provide you revised NAVs twice annually at the time of our interim and full-year results announcements.

DIVIDEND

The Board has decided not to declare a dividend this year. This is in accordance with the dividend policy set out in Hirco's AIM admission document, which stated that it was not anticipated that dividends would be paid in the foreseeable future because initially the projects are and will be highly capital intensive. The Board will consider the payment of dividends when it becomes commercially prudent to do so.

OUTLOOK

With the four investments we have made so far, Hirco has taken significant strides toward its goal of capitalizing on the diverse and growing Indian real estate market. With the

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most recent investment in the Panvel Township, Hirco has completed its investment of IPO proceeds. The Company continues to investigate strategic funding options that will further enhance project and shareholder returns and provide additional capital to invest in new projects.

I believe the Indian real estate market is strong and will remain so. There is robust and escalating demand for quality commercial, residential, and retail space. This is driven by India's continuing economic growth, rising purchasing power and affluence, and constrained supply of quality housing. This reality provides strong support for our strategy of developing world-class, multi-purpose townships in the suburbs of major cities in India that deliver a quality environment where people can live, work and play, and improve their lives and living standards.

I am particularly proud of our efforts to employ environmentally friendly processes on our projects and to ensure that our communities are lush, verdant, and desirable. I encourage you to read about this work in the Corporate Social Responsibility section of this report.

The outstanding results we have achieved in our first nine and a half months of operations reflect the strength of our brand, our strategy, our investments, and our team.

I wish to thank my fellow Board members for the significant expertise and guidance they are bringing to your company. I also wish to thank Hirco's superior management team for their hard work and achievements. Together, the Board and management team combine an in-depth knowledge of the Indian real estate market and a unique network of contacts that is serving your company well.

With our timely investments in Chennai and Panvel, solid pre-sales activity in Chennai, and the support of a seasoned team to deliver these and future projects, I believe Hirco has established a strong base, with excellent momentum, from which to deliver on its strategy and produce continued success. Working together, we are building quality communities for India's increasingly affluent middle class in strategic growth locations. Together, we are building a quality company for our shareholders.

NIRANJAN HIRANANDANI
CHAIRMAN
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