



## News Release

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

September 27, 2010

### **Hirco Letter to Shareholders**

Dear Hirco PLC Shareholder:

Hirco PLC (the "Company") recently conducted a rigorous review of the status and direction of the Company and its investments. During this process, on August 25, 2010, Hirco PLC felt it prudent to make a short announcement regarding dividends, stating that based on current projections the payment of dividends to its shareholders is not anticipated at least before 2013. Additionally, we announced on September 23, 2010 changes to Hirco PLC's Board composition and management team, which we feel are in the Company's best interests. Although the long-term strategic direction for the Company remains under continual consideration, that review has been completed and consequently we now feel able to provide shareholders with more context to these announcements.

Accordingly, the purpose of this letter is to:

- set out new actions the Board is taking, and the rationale for those actions, in its effort to improve corporate governance and disclosures; and
- provide you with a comprehensive progress update on the Company's investment projects, including, to the extent available to Hirco PLC, details of the cash and debt positions that impact upon its investments

### **BACKGROUND**

We launched Hirco PLC in December 2006 with the intention of building an ongoing company to initially invest in four high-potential real estate development projects in India and with aspirations of growing beyond those initial projects in due course.

By October 2007, and in alignment with our stated goal, we had invested in four large-scale, mixed-use township development projects in Chennai in southeast India and in Panvel in the Mumbai Metropolitan Region.

Although much has changed since then in the world economy as a result of the global financial crisis and in the markets where we made our investments, the Indian economy is now continuing to improve and FY2011 GDP is estimated by its government to grow 8.5%. As a result, we are seeing better market conditions and rising real estate values.

Despite the tangible progress made in developing and constructing the projects in India, and a significant rise in Hirco PLC's Net Asset Value (NAV), Hirco PLC's share price has remained at a significant discount to NAV almost ever since the Company's inception. The Board has long believed that the market capitalization materially undervalues the Company and its prospects, and it has been keeping this situation under constant review with the objective of redressing this imbalance.

At the same time, the Company's preference share interest in the special purpose vehicles (Burke companies 1, 2, 3 and 4, owners of the project companies) continues to grow, with a preferred capital return of £350.8 million and the 12% per annum accruing preference share dividend currently standing at £143.7 million at June 30, 2010.

With all of the above factors as backdrop, the Board today announces certain amendments to the Board structure and remuneration, and a comprehensive update on the financial and operating expectations of the Company.

## **NEW ACTIONS**

### ***1. Streamlining of the Board***

#### **Change in Board Composition**

Given that the Company's focus has shifted since the IPO from investing proceeds and commencing development to primarily monitoring and reporting on its investments, the Board recognized the sense in reducing the size of the Board. Additionally, the Board is aware of the Company's current cash balance and annual running costs and deemed it appropriate to reduce the Board's size. It became clear while considering different Board configurations that, in order to maintain the Company's current tax jurisdiction (which is of particular importance), it would be beneficial if Priya Hiranandani ceased to be a Board member. Accordingly, as announced on September 23, 2010, Sir Rob Young, Priya Hiranandani, and Nigel McGowan have ceased to be directors of Hirco PLC.

Although Priya Hiranandani has ceased to be Chief Executive, the Board of Hirco PLC, as restructured, will remain able to draw upon her insight and advice as a Consultant going forward. At present the Board intends to operate the Company without a new Chief Executive.

I would like to express my thanks to Sir Rob and Nigel for the guidance and insight they have brought to the Hirco PLC Board since its inception. Their experience and judgement has been much valued and will be missed.

The newly-configured Board will be as follows:

**Newly Configured Hirco PLC Board of Directors**

Director	Role
Niranjan Hiranandani	Non-Executive Chairman
Peter Barge	Senior Independent Non-Executive Director
David Burton	Independent Non-Executive Director
Douglas Gardner	Independent Non-Executive Director
Kersi Gherda	Non-Executive Director

**Change in Board Remuneration**

Effective October 1, 2010 the total annual fees paid to Directors will be reduced from £670,000 to £455,000, a reduction of £215,000 or 32%. This reduction is additive to the £100,000 reduction previously made by the Board on July 1, 2010.

**2. Improved Governance**

The Board recently engaged Deloitte to perform a review of the Board's functions. Deloitte identified the following key areas of weakness:

- Performance and development
- Information and support

Deloitte also identified the following key areas for added improvement:

- Structure and process
- Board balance and size
- Board skills and capabilities
- Cost-effective and value added
- Vision and strategy
- Risk management and internal control
- Shareholders' needs and objectives
- Investor relations and communications

The Hirco PLC Board, as restructured, is committed to promptly addressing these issues and moving the Board aggressively toward the best practices outlined in the Deloitte report.

### 3. *Additional Disclosures*

Twice annually, the Company engages a major property consultancy to perform a valuation analysis of Hirco PLC’s underlying investment projects, the results of which are used to ultimately determine the accounting fair value of the Company’s investments.

Also, from time to time, Hirco PLC engages a major property consultancy to perform a feasibility analysis of Hirco PLC’s underlying investment projects, the assumptions of which are used in the Company’s financial projections model for internal planning purposes.

Historically, Jones Lang LaSalle (“JLL”) has performed both the valuation and feasibility analyses, the results of which have been for internal Hirco PLC purposes only.

Hirco PLC will in the future disclose certain feasibility and valuation report results to shareholders to enable the public to better understand the historical performance of the projects and to have an informed third-party opinion on the likely future performance and current market status.

In the appendix to this letter we present various relevant data both directly from JLL’s most recent feasibility analysis dated August, 2010 and as prepared by the Company.

## SALES AND CONSTRUCTION PROGRESS UPDATE

As of August 31, 2010, the Chennai and Panvel projects had the following cumulative sales activity:

Sales Activity Summary - Cumulative, Inception through August 31, 2010

	Available to be Sold (Buildable Sq. Ft.)	Not Yet Released for Sale (Buildable Sq. Ft.)	Released For Sale (Buildable Sq. Ft.)	Sold (Buildable Sq. Ft.)	Sales Consideration (Rs millions)	Amount Collected (Rs millions)
Chennai	2,982,464	395,387	2,587,077	2,163,075	9,156	3,234
Panvel	3,312,671	19,692	3,292,979	2,381,903	10,956	1,155

In Chennai, steady progress is being made toward completion of the first six low-rise residential buildings that contain a mixture of two-, three- and four-bedroom apartments. Three low-rise buildings – Buckingham, Osborne, and Rockingham – have been completed, and residents have begun the moving-in process. The remaining low-rise buildings are expected to be completed over the course of 2011 and 2012.

The high-rise residential buildings on the north side of Phase 1 of the township also continue to rise rapidly. They are at various stages of construction. Belchamp and Belvoir have reached the

26<sup>th</sup> floor slab, Wilton is at the 21<sup>st</sup> floor, Windsor is at the 22<sup>nd</sup> floor, and Hampton and Devon are at the Terrace floor. These high-rise buildings are expected to be completed over the course of 2011 and 2012.

To-date, approximately 35% of the sales consideration of Chennai buildings has been collected, and the balance is expected to be collected over the course of the next 27 months as the buildings are completed. Unsold units in the buildings currently available for sale are expected to be sold over the next 27 months.

In Panvel, sales consideration to date is approximately Rs10.9 billion. Approximately 11% of this sales consideration has been collected to date and it is expected that the balance will be collected over the course of the next 21 months as the high-rise buildings are completed. The first buildings in Panvel are expected to be completed in Q1 2012.

Unsold units in the buildings currently available for sale are expected to be sold through the remainder of this year, 2011, and 2012.

## **CURRENT TRADING**

The impact and duration of the global recession has caused a lengthening of the projects' overall development timeline, and has delayed the commencement of commercial and retail asset construction. The current development plans call for construction of these assets to begin in 2011, fully recognizing, however, that this will be subject to the developer's continuing assessment of the feasibility and timing of such based on local market conditions.

The lengthening of the development timelines has also had the obvious effect of delaying expected cash flows from the projects. We have also referenced before the restrictions on the project companies making cash distributions - set out in the Appendix to this letter is the most recent information we have been given on the debt and cash levels in the development projects.

The combination of the lengthening of timelines and the project company debt restrictions, has delayed the likely date of payment of Hirco PLC paying cash dividends to shareholders. Any estimation of project performance over their development lifetime, when coupled with the difficulties of assessing future economic conditions, necessarily renders any medium term projection of cash flows uncertain. Nevertheless, in conducting its latest review of project status in conjunction with updated input from JLL, the Board felt it prudent to conclude that - based on current projections - the payment of dividends to shareholders should not be anticipated to be before at least 2013. Given the significance of this conclusion, and therefore the need to update shareholders promptly, the brief announcement on August 25 was duly made, pending the review being completed. This was not a conclusion we wished to reach, and Hirco PLC continues to urge the project companies to work with their lenders so that, when sufficient cash becomes available, they will be allowed to make distributions earlier than projected. However, Hirco PLC does not have certainty as to if and when these negotiations will occur, or their likely outcome.

As of June 30, 2010 Hirco PLC had £5.76 million of cash. The Board is aware of its working capital position and is keeping under review the options and actions needed to ensure the company has sufficient working capital. The Board is examining Hirco PLC's running costs and

is targeting to reduce costs by 25%, resulting in expected future annual running costs of approximately £2.89 million.

## **OUTLOOK**

Hirco PLC continues to be encouraged by the macroeconomic and real estate trends in India, and the ability of the developer of its investment projects to maintain pricing and execute on the ground in Chennai and Panvel. The decision to restrict construction and maintain pricing in the heart of the global economic crisis has largely proven to be the correct one, as other developers have abandoned their previous switch to “affordable housing” after realizing that they were effectively selling at marginal cost. The pricing strategy has allowed the Hirco PLC investment projects to maintain brand premium, which is reflected in the significant value of sales contracts to-date. It also positions the projects to take advantage of the inevitable upswing in property markets and capture more value.

Hirco PLC is pleased that the developer continues to be highly motivated and focused on building and selling an attractive, quality product in growing markets. We are confident that the true underlying value of the Company is intact and will continue to be enhanced for all shareholders’ benefit in the future.

Sincerely,



Niranjani Hiranandani

Chairman

## APPENDIX

Below are select data and assumptions from JLL's most recent feasibility analysis dated August, 2010 and select disclosures and analyses developed by Hirco PLC using certain JLL assumptions as input.

### Chennai

#### JLL Projected Absorption Assessment - Chennai - (Saleable Sq. Ft.)

	Inception to 6/30/2010	Remainder of 2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Residential	2,709,292	357,210	2,384,802	2,682,477	3,017,574	3,395,196	3,818,745	4,296,726	4,450,412	998,371	28,110,805
Office	-	-	63,000	548,856	654,053	774,802	913,160	1,071,440	1,252,246	1,122,130	6,399,687
Support Retail	-	-	25,200	61,950	74,025	74,025	74,025	74,025	74,025	36,225	493,500
Retail Mall	-	-	-	144,899	217,347	217,347	217,348	217,348	217,348	217,348	1,448,985
Social*	-	-	123,799	185,699	185,699	185,699	185,699	185,699	185,699	185,699	1,237,993

\* Note - Sq. Ft. Sold is limited to 70% of space available in Burke 1 (1,237,993 Sq. Ft. (Saleable)) according to JLL report  
 Source: Jones Lang LaSalle

#### Chennai - Projected Sales By Year - (Saleable Sq. Ft.)

	Inception to 6/30/2010	Remainder of 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Residential	2,709,292	150,345	920,029	1,706,513	2,333,766	2,872,465	3,363,444	3,783,780	4,217,679	3,724,319	1,996,383	332,790	28,110,805
Office	-	-	-	63,000	548,856	654,053	774,802	913,160	1,071,440	1,252,246	1,122,130	-	6,399,686
Support Retail	-	-	-	25,200	61,950	74,025	74,025	74,025	74,025	74,025	36,224	-	493,498
Retail Mall	-	-	-	-	144,899	217,347	217,347	217,348	217,348	217,348	217,348	-	1,448,985
Social*	-	-	-	-	86,659	129,989	129,989	129,989	129,989	129,989	129,989	-	866,595

\* Note - Sq. Ft. Sold is limited to 70% of space available in Burke 1 (1,237,993 Sq. Ft. (Saleable)) according to JLL report  
 Source: Hirco PLC

#### Chennai - Projected Construction By Year (Buildable Sq. Ft.)

	Inception to 6/30/2010	Remainder of 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Residential	915,597	565,353	983,791	1,336,075	1,697,137	2,161,201	2,566,157	2,886,686	3,247,521	3,573,938	2,037,125	339,582	22,310,162
Office	-	-	46,154	278,962	488,331	579,615	684,274	804,068	940,979	928,625	328,108	-	5,079,116
Support Retail	-	-	8,750	32,761	53,359	58,750	58,750	58,750	58,750	45,625	16,172	-	391,665
Retail Mall	-	-	-	50,312	140,155	172,498	172,498	172,498	172,498	172,498	97,030	-	1,149,988
Social	-	-	-	49,847	138,859	170,903	170,903	170,903	170,903	170,903	96,133	-	1,139,352

Source: Hirco PLC

#### Chennai - Projected Sales Prices By Year - (Rs / Saleable Sq. Ft.)

	2010	2011	Annual Growth Rate
Residential	3,480	3,758	8%
Office	--	3,290	8%
Support Retail	--	3,780	8%
Retail Mall	--	3,402	8%
Social	--	3,780	8%

Source: Jones Lang LaSalle; Hirco PLC

#### Chennai - Projected Construction Costs By Year - (Rs / Buildable Sq. Ft.)

	2010	2011	Annual Growth Rate
Residential	1,500	1,575	5%
Office	--	1,365	5%
Support Retail	--	2,153	5%
Retail Mall	--	1,785	5%
Social	--	1,785	5%

Source: Jones Lang LaSalle; Hirco PLC

## Panvel

### JLL Projected Absorption Assessment - Panvel - (Saleable Sq. Ft.)

	Inception to 6/30/2010	Remainder of 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Residential	2,956,233	762,048	853,902	955,962	1,069,929	1,199,205	1,343,790	1,503,684	1,683,990	1,614,997		13,943,740
Office	-	-	1,354,815	1,649,687	2,002,536	2,424,123	2,927,129	3,526,493	4,331,976	5,299,757	5,473,993	28,990,509
Support Retail	-	-	22,446	22,446	22,446	22,446	22,446	22,446	22,446	33,670	33,670	224,462
Retail Mall	-	-	-	117,565	117,565	117,565	117,565	176,348	176,348	176,348	176,348	1,175,652
Social*	-	-	-	92,232	162,506	162,506	232,781	232,781	232,781	243,759	243,759	1,603,105

\* Note - Sq. Ft. Sold is limited to 97% of space available in Burke 3/4 (1,603,105 Sq. Ft. (Saleable)) according to JLL report  
Source: Jones Lang LaSalle

### Panvel - Projected Sales By Year - (Saleable Sq. Ft.)

	Inception to 6/30/2010	Remainder of 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Residential	2,900,261	704,321	396,180	591,756	947,264	1,060,936	1,188,248	1,330,838	1,490,539	1,588,277	1,237,875	507,245	13,943,741
Office	-	-	-	1,354,815	1,649,687	2,002,536	2,424,123	2,927,129	3,526,493	4,331,976	5,299,757	5,473,993	28,990,506
Support Retail	-	-	-	22,446	22,446	22,446	22,446	22,446	22,446	22,446	33,670	33,670	224,462
Retail Mall	-	-	-	-	117,565	117,565	117,565	117,565	176,348	176,348	176,348	176,348	1,175,653
Social*	-	-	-	21,078	88,543	156,006	156,006	223,470	223,470	223,470	234,009	234,009	1,560,061

\* Note - Sq. Ft. Sold is limited to 97% of space available in Burke 3/4 (1,603,105 Sq. Ft. (Saleable)) according to JLL report  
Source: Hirco PLC

### Panvel - Projected Construction By Year (Buildable Sq. Ft.)

	Inception to 6/30/2010	Remainder of 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Residential	30,945	417,136	1,770,045	1,243,902	723,986	810,386	907,779	1,017,321	1,139,014	1,275,171	1,313,790	416,986	11,066,461
Office	-	-	679,105	1,223,056	1,486,142	1,800,636	2,176,040	2,623,551	3,202,554	3,923,179	4,293,492	1,600,583	23,008,338
Support Retail	-	-	7,794	17,814	17,814	17,814	17,814	17,814	17,814	21,711	26,722	15,031	178,145
Retail Mall	-	-	-	40,821	93,306	93,306	93,306	113,717	139,959	139,959	139,959	78,727	933,058
Social	-	-	7,624	41,827	97,601	128,973	153,374	184,747	184,747	188,559	193,460	108,821	1,289,733

Source: Hirco PLC

### Panvel - Projected Sales Prices By Year - (Rs / Saleable Sq. Ft.)

	2010	2011	Annual Growth Rate
Residential	4,230	4,568	8%
Office	--	3,944	8%
Support Retail	--	3,780	8%
Retail Mall	--	3,780	8%
Social	--	2,700	8%

Source: Jones Lang LaSalle; Hirco PLC

### Panvel - Projected Construction Costs By Year - (Rs / Buildable Sq. Ft.)

	2010	2011	Annual Growth Rate
Residential	1,500	1,575	5%
Office	--	1,365	5%
Support Retail	--	1,785	5%
Retail Mall	--	2,205	5%
Social	--	1,785	5%

Source: Jones Lang LaSalle; Hirco PLC

## Additional Information

A key output of JLL's feasibility study is their demand assessment of the markets, in which they provide annual absorption square footage by asset class. For purposes of internal projections and modeling, and consistent with experiences to-date, Hirco PLC assumes that sales of JLL's annual absorption square footage begins 7 months into the respective year and is sold over the ensuing 27 months, not 12 months. Hirco PLC also assumes construction of this square footage begins 6 months following the commencement of sales, and continues over the ensuing 21 months.

The project companies underlying Hirco PLC's investments have, or will in the future, make use of borrowings in India for construction purposes. As of June 30, 2010, Hirco PLC's understanding of the project companies' liquidity position is as follows:

**Cash and Borrowings by Project Companies Underlying Hirco PLC Investments (£)**

	at June 30, 2010	
	Cash	Borrowings
Chennai Residential (Burke 1)	£ 3,016,133	£ 47,366,087
Chennai Commercial (Burke 2)	£ 232,486	£ -
Panvel SEZ (Burke 3 & 4)	£ 4,793,389	£ 5,400,000
<i>Source: Hirco PLC</i>		

## DISCLAIMER

*This letter includes certain forward-looking statements. These statements are based on the current assumptions, assessments, and expectations of the management of Hirco PLC and are subject to risks, uncertainty, and changes in circumstances.*

*The forward-looking statements contained in this letter include any statements about the future plans and prospects of Hirco PLC and all other statements in this letter other than historical facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: changes in economic conditions; changes in the success of business and operating initiatives and objectives; changes in operating practices or strategy; changes in the regulatory environment; fluctuations in interest and exchange rates; the outcome of litigation; government actions; and natural phenomena such as floods, earthquakes, and hurricanes. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Undue reliance should not, therefore, be placed on the forward-looking statements. Hirco PLC does not undertake any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events, or otherwise, except to the extent legally required.*

*Where indicated, certain information (including forward-looking statements) in this letter is not the work product of Hirco PLC but is sourced from third party sources. Whilst such sources are considered to be duly qualified to produce the information and make qualitative assessments, Hirco PLC has not independently verified such information. Accordingly, no representation or warranty, express or implied, is made as to (and no liability is accepted in relation to) the fairness, accuracy, completeness or correctness of such information and opinions contained in this letter.*

*The above extracts from Jones Lang LaSalle's Feasibility Reports have not been updated for subsequent events and transactions or any other matters which might have a material effect on*

*the contents of the Feasibility Reports since the Feasibility Reports were provided to Hirco PLC. Jones Lang LaSalle has relied upon data from various sources which it assumes to be true and accurate.*

## **About Hirco**

Hirco PLC is an investment vehicle that invests in India with Hiranandani, India's largest developer of prestigious mixed-use townships for the country's increasingly affluent middle class. Its 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 shares are traded on the London Stock Exchange's AIM market under the symbol HRCO. At the time of its admission to trading on AIM in December 2006, Hirco was the largest-ever real estate investment company IPO on the AIM and that year's largest IPO on AIM.

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

To view construction progress at Hirco's Chennai project, please visit <http://www.youtube.com/watch?v=BcdImhI8fcc>

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