

Corporate Governance

Hirco's Board of Directors and management are committed to a high standard of corporate governance. They believe that good governance requires the Company to have the correct processes and structures in place to ensure sound stewardship and accountability, as well as to enhance shareholder value.

The Board of Directors is responsible for the overall stewardship of Hirco. The Directors continue to take steps towards adopting the recommendations on corporate governance made by the Quoted Companies Alliance (QCA). The QCA's Corporate Governance Guidelines, which set out a code of best practice for companies listed on the AIM, state that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The Board holds at least four meetings annually and has established audit, nomination, investment and remuneration committees. In addition to these meetings, periodic and regular discussions have taken place between Directors and key shareholders and also among board members in order to monitor and review trading progress, strategy, and governance matters.

AUDIT COMMITTEE

The Audit Committee is responsible for ensuring that the financial performance of the Company is properly monitored, controlled and reported on. It reviews reports from the auditors relating to accounts and internal control systems.

MEMBERS

David Burton (Chair)
Sir Rob Young
Douglas Gardner

NOMINATION COMMITTEE

The Nomination Committee considers appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition.

MEMBERS

Kersi Gherda (Chair)
Sir Rob Young

INVESTMENT COMMITTEE

The Investment Committee's role is to review and approve all investment decisions, certain key decisions relating to Hirco's investments and related party matters. The Committee is comprised of three of the Company's four independent non-executive directors.

MEMBERS

Douglas Gardner
Sir Rob Young
David Burton

REMUNERATION COMMITTEE

On 1 December 2008, the Board established a remuneration committee to determine, agree and review the remuneration of the executive Directors and such other members of the executive management as it is designated to consider. The Committee is comprised of two of the Company's four independent non-executive Directors.

MEMBERS

David Burton
Douglas Gardner

Board of Directors

NIRANJAN HIRANANDANI

CHAIRMAN OF THE BOARD

Niranjan Hiranandani is a founder of Hirco and co-founder of the Hiranandani Group. Mr. Hiranandani holds key positions in various Indian government bodies, private and social institutions, schools, and colleges. Current leadership roles include President of the Maharashtra Chambers of Housing Industry (MCHI); Chairman of Mumbai City, Development & Environment Committee of the Indian Merchants Chambers (I.M.C.) Mumbai; Member of the Task Force of the Government of India for reforms in Housing and Urban Development; and Member of the Study Group on Slum Rehabilitation Scheme, Government of Maharashtra. Mr. Hiranandani is a chartered accountant.

PRIYA HIRANANDANI-VANDREVALA

EXECUTIVE DIRECTOR AND CEO

Priya Hiranandani is a founder of Hirco. Prior to becoming Chief Executive Officer of Hirco, Ms. Hiranandani was a founder and CEO of the Zenta Group, a family-owned business process outsourcing company. Ms. Hiranandani oversaw the growth of Zenta from a start-up to its subsequent sale in 2005. Previously, she managed sales and marketing activities for the Hiranandani Group. Ms. Hiranandani is a chartered accountant.

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- 1 Niranjan Hiranandani
- 2 Priya Hiranandani-Vandrevala
- 3 David Burton
- 4 Kersi Gherda
- 5 Nigel McGowan
- 6 Douglas Gardner
- 7 Sir Rob Young

DAVID BURTON**INDEPENDENT NON-EXECUTIVE DIRECTOR**

David Burton is a chartered accountant and was a partner for many years in Deloitte LLP. Mr. Burton is currently Chairman of the Aon Alexander & Alexander and AON UK Pension Schemes, as well as Chairman of the Combined Britons Pension Scheme and is a partner with Lancea Partners Limited, a corporate finance advisory boutique.

KERSI GHERDA, OBE**NON-EXECUTIVE CHAIRMAN**

Kersi Gherda is a chartered accountant both from the Indian Institute and from the Institute of Chartered Accountants in England and Wales. He retired as the Managing Director of the Tata Power Group of Companies and has recently retired from the Chairmanship of Kotak Mahindra Bank Ltd. He is currently the Chairman of Deutsche Asset Management (India) Pvt. Ltd, Emerson Network Power India Pvt. Ltd, Nelito Systems Ltd and Vakksh Capital Company Ltd. and a director of several public and private companies. He is also Chairman of the Indian Red Cross Society, Maharashtra; and is connected with various non-governmental organisations and trusts.

NIGEL MCGOWAN**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Nigel McGowan qualified as a chartered accountant in 1991 with Deloitte LLP. He holds executive and non-executive directorships with a number of companies, including private property companies with investments in residential and commercial property in the Isle of Man.

DOUGLAS GARDNER**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Douglas Gardner is the former Executive Chairman and Chief Executive of Brixton Estate plc [1983-2000]; the former Chairman and Governor of Nuffield Health, the UK's largest trading charity [1995-2009]; the former Executive Chairman and a founding partner Halverton REIM; former Chairman of the European Management Board of GPT Halverton; and former Chairman of LaSalle Investment Management Development Fund [General Partner] Ltd and Industrial Development Partnership II. He was also a member of the Investment Committee of AXA's European Industrial Partnership Fund. He is currently an Independent non-executive director of Invista Real Estate Investment Management Holdings plc and Invesco Property Income Trust Ltd, both of which are quoted on the London Stock Exchange. He is also Chairman of Industrial Realisation plc, a non-executive director of City & Provincial Securities and a member of the Estates Committee of the Royal College of Music.

SIR ROB YOUNG**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Sir Rob Young had a distinguished career in the diplomatic service at the United Kingdom's Foreign and Commonwealth Office. He became the UK's High Commissioner to India (based in Delhi) in January 1999 where he served until his retirement from the diplomatic service in October 2003. Since 2003 Sir Rob has acted as Chairman of the Calcutta Tercentenary Trust and is a Commissioner on the Commonwealth War Graves Commission. He is also Chairman of the Advisory Board of iC2 Capital, and Director of Aguas de Barcelona.

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Report of the Directors

The Directors hereby submit their annual report together with the audited consolidated financial statements of Hirco PLC (the "Company") and its subsidiaries (together "the Group") for the financial year ended 30 September 2009.

THE COMPANY

The Company was incorporated in the Isle of Man and has been established to invest in certain FDI-compliant Indian real estate development projects. Its investment policy is summarized below.

RESULTS AND DIVIDENDS

The results of the Company and the Group for the fiscal year are set out on pages 33 to 48. The Directors do not intend to declare a dividend at this time.

THE COMPANY'S BOARD OF DIRECTORS

The Company's Board of Directors makes decisions that involve policies related to the investment by, and the strategic direction of, the Company. Matters relating to the implementation of such investments and operations of the Company are delegated to management of the Company. Specific investments of the Company are subject to the approval by the Company's independent Investment Committee.

INDEPENDENT DIRECTORS

The following non-executive directors are considered independent by the Board of Directors:
David Burton, Douglas Gardner, Nigel McGowan, Sir Rob Young

DIRECTORS' INTEREST IN SHARES OF THE COMPANY

The interests of the Directors in the share capital of the Company as at 30 September 2009 are set out below:

Liberty Hedge Ventures ¹	2,526,984
David Burton	25,000
Adele Gardner ²	15,000
Sir Rob Young	15,000
Nigel McGowan	5,000

¹ An offshore company controlled by a discretionary trust of which certain members of the Hiranandani family may be beneficiaries.

² Wife of Douglas Gardner.

MATERIAL CONTRACTS

Following is a summary of Hirco's material contracts. Full details about these contracts appear on pages 80 to 86 of the Hirco PLC Admission Document, which is available at www.hircoplac.com/downloads_&_presentations.html

THE INVESTMENT AGREEMENT

Hirco Mauritius's investment in each project group is made through subscriptions for Participating Preference Shares in the investment company which is the holding company for that group. The investment is based on a template investment agreement between Hirco, Hirco Mauritius, the investment company, the project company, and an entity affiliated with Niranjani Hiranandani. All of the voting ordinary shares of the investment company is owned by such affiliated entity of Niranjani Hiranandani.

NAMES AND POSITIONS OF DIRECTORS

The names of, and positions held by, the Directors during the period and up to the date of this report appear in the table below:

NAME	POSITION(S)		DATE APPOINTED
Niranjani Hiranandani	Chairman		21 November 2006
David Burton	Chairman	Audit Committee	26 November 2006
	Member	Investment Committee	26 November 2006
	Member	Remuneration Committee	1 December 2008
Douglas Gardner	Chairman	Investment Committee	26 November 2006
	Member	Audit Committee	26 November 2006
	Member	Remuneration Committee	1 December 2008
Kersi Gherda	Chairman	Nomination Committee	26 November 2006
Priya Hiranandani	Chief Executive Officer		21 November 2006
Nigel McGowan	Secretary		21 November 2006
Sir Rob Young	Member	Audit Committee	26 November 2006
	Member	Investment Committee	26 November 2006
	Member	Nomination Committee	26 November 2006

THE DEVELOPMENT MANAGEMENT AND GENERAL SERVICES AGREEMENT

A template Development Management and General Services (DMGS) Agreement has been agreed to govern the relationship between each project company and the DMGS manager, including the responsibilities of and compensation payable to the DMGS manager. A DMGS Agreement is entered into each time Hirco invests in the relevant project group. The DMGS manager is an entity affiliated with Niranjan Hiranandani, and, as further described in the Hirco PLC Offer Document, is entitled to receive fees pursuant to the DMGS Agreement in return for services provided by it as DMGS manager.

MARKETING SERVICES AGREEMENT

A template marketing, sales and leasing agreement has been agreed to govern the relationship between the project company and the marketing manager, including the responsibilities of and the compensation payable to the marketing manager. The Marketing Services Agreement (based on the template) is entered into when Hirco invests in the relevant project.

The marketing manager is an entity affiliated with Niranjan Hiranandani, and, as further described in the Hirco PLC Offering Document, is entitled to receive fees pursuant to the Marketing Services Agreement in return for services provided by it as marketing manager.

INVESTMENT POLICY

The Hirco Investment policy is unchanged since its admission to trading on AIM in December 2006 and has been substantially implemented through the application of over 90% of the IPO proceeds.

Hirco invests in pipeline projects sourced by Hiranandani which are developments of large scale, mixed use township communities and co-located SEZs in India. The Company may also identify and opportunistically invest in other projects provided they meet disclosed criteria. Once fully aggregated and suitable for development, the pipeline projects are presented to Hirco's wholly owned subsidiary, Hirco Mauritius, for approval by the investment committee after completion of a full due diligence investigation. Hirco's investments are made in the expectation of a typical duration of between five and eight years and a targeted total return IRR to Hirco Mauritius of at least 25 per cent.

Net proceeds from a given project are either reinvested into the project or held for distribution, depending on the relevant project's expected investment needs.

Although Hiranandani owns the voting shares in respect of each project, Hirco Mauritius acquires a preferred interest in each investment equal to 70 per cent. of the initial capital value of the pipeline project (being the valuation of land owned plus additional working capital requirements) in the form of Participating Preference Shares. The Participating Preference Shares have an accumulating, compounding preference dividend of 12 per cent. per annum. Hirco will receive additional Participating Preference Shares for any subsequent investment in a project for construction costs and working capital. Whilst the Board intends to fund Hirco's investments primarily through equity finance, it will consider employing forms of debt finance, if available and required. Construction loans are taken out within each project to finance on-going development costs. Aggregate gearing on the projects in which Hirco invests is expected to be less than 50 per cent. of the total project costs for development projects and less than 75% per cent. loan to value for completed, stabilised projects.

Investment proceeds and distributions received by Hirco Mauritius in respect of projects will (subject to working capital requirements, taxes and applicable laws) be distributed to Hirco and, in turn, to Hirco's shareholders..

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices as well as biographical information about the Company's Board of Directors are set out in the Corporate Governance section on pages 27 to 29.

INDEPENDENT AUDITORS

KPMG Audit LLC have expressed their willingness to continue in office in accordance with Section 12(2) of the Companies Act, 1982.

INTERNAL CONTROL

There are inherent limitations in any system of internal control and such a system can provide only reasonable, but not absolute, assurances against material misstatement or loss. The Company does not have its own internal audit function but places reliance on compliance and other control functions of its service providers.

Where necessary the Board obtains specialist advice from either its auditors or other advisers.

MEETINGS OF DIRECTORS

In the fiscal year ended 30 September 2009, the following meetings were held.

	BOARD OF DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS		INVESTMENT COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	ATTENDED		ATTENDED		ATTENDED		ATTENDED		ATTENDED	
Niranjan Hiranandani	4	4	-	-	-	-	-	-	-	-
David Burton	4	4	2	2	-	-	-	-	1	1
Douglas Gardner	4	4	2	2	-	-	-	-	1	1
Kersi Gherda	4	4	-	-	-	-	1	1	-	-
Priya Hiranandani	4	4	-	-	-	-	-	-	-	-
Nigel McGowan	4	4	-	-	-	-	-	-	-	-
Sir Rob Young	4	4	2	2	-	-	1	1	-	-

RECENT EVENTS**STRATEGY**

As noted in the Chairman's Report on page 4, the Directors are well aware of the current share price and the significant discount to net asset value which it represents. The Directors, together with the Company's advisers, continue to consider options to best position the Company strategically whilst taking into account a wide range of shareholder views and interests. As yet there is no consensus as to the most appropriate solution.

APPOINTMENT OF ADDITIONAL NON-EXECUTIVE DIRECTOR:

This process is underway. The uncertainty surrounding the merger proposal announced in December 2008 has obviously impacted on the ability of the Board to engage an appropriate additional board member – the Board is nevertheless actively committed to seeking an additional board representative that meets the approval of the Board and the Company's key shareholders alike. A process is underway to select an appropriate candidate.

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the Company and Group financial statements in accordance with International Financial Reporting Standards.

The Company's and the Group's financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent fraud and irregularities.

By order of the Board

NIGEL MCGOWAN

SECRETARY

29 JANUARY 2010



Stylish living at Buckingham low rise apartment building, Chennai