

## News Release

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

May 14, 2009

#### **HIRCO REPORTS INTERIM RESULTS**

*Continued steady progress in sales and construction at Chennai and Panvel projects;  
value of underlying projects decline due to general market conditions*

LONDON – Hirco PLC (AIM:HRCO), an investment vehicle for Hiranandani, India's largest developer of prestigious mixed-use townships, today announced its interim results for the first six months of fiscal 2009 ended 31 March 2009.

#### **First-half Fiscal 2009 Highlights**

- As of 31 March 2009, Hirco's Net Asset Value (NAV) was £6.72 per share, down 5.7% from a NAV of £7.12 per share as of 30 September 2008. Hirco's NAV as of 31 March 2009 represents a cumulative increase of 42% from a NAV of £4.74 per share at the time of the IPO on the London Stock Exchange's Alternative Investment Market (AIM) on 13 December 2006.
- Hirco reported a loss of £30.884 million, representing a loss per share of 40.36 pence based on 76,526,984 shares outstanding. This loss is primarily attributable to a decline in the value of the underlying projects in which Hirco PLC has invested, caused mainly by difficult conditions in India's real estate market, and by one-time charges relating to professional fee expenses.
- As of 31 March 2009, sales consideration for the Chennai residential township had been accepted on approximately 2,050,960 square feet at a cumulative average price since launching sales of Rs 4,199 per square foot. This represents an increase over figures reported in December 2008 of 2,044,618 square feet at a cumulative average price of Rs 4,192. While the Company is pleased with the increase achieved in average per-square-foot pricing at the Chennai township, volume growth has slowed considerably, reflecting in part the broader market environment.
- As of 31 March 2009, sales consideration for the Panvel residential township had been accepted on approximately 1,683,874 square feet at a cumulative average price since launching sales of Rs 4,314 per square foot. This represents an increase over figures reported in December 2008 of 1,631,047 square feet at a cumulative average price of Rs 4,278. As with Chennai, the Company is pleased with the increase achieved in average per-square-foot pricing, though volume growth has declined slightly, again reflecting the broader market environment.

Development of both the Chennai and Panvel townships continued to advance during the period. At Chennai, there was continued progress on completing the first six residential buildings, as well as roads, water, and sewage treatment plants. At the Panvel site, there was continued progress with the clearance and development of initial roads, installation of power and water supplies, and development of the infrastructure required to support the mobilisation of the substantial labour force required to complete the project.

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

“In spite of the numerous adversities we faced in this period, including a troubled global economy, a challenging real estate market in India and the uncertainty caused by the actions of the Laxey Partners hedge fund, we continued to make progress in the achievement of our objectives to create long-term shareholder value.

“Continuing this progress in light of difficult market conditions clearly presents a challenge. However, I am confident that Hiranandani’s track record of operating successfully during all phases of the real estate business cycle uniquely positions the Company to meet this challenge.

“I am also confident in the long-term economic outlook for India. Strong fundamentals and consumption-driven growth will help India sustain its economic progress, and, despite the recent contraction, the real estate sector remains a solid long-term driver of India’s growth. This long-term strength is a direct reflection of the acute shortage of housing, and the continuing shortage of modern, efficient, low maintenance, and easily accessible commercial space and the unfulfilled demand for high-quality, affordable residential and commercial space that our townships offer.”

Commenting on the Company’s Dividend policy, Mr. Hiranandani said:

“The Hiranandani family has always sought to align as closely as possible its interests with those of Hirco and Hirco’s shareholders. We believe that it is in all our interests to ensure that positive cash flow is generated in the operating companies and passed up to Hirco as swiftly as practical. Assuming market conditions improve rather than deteriorate further, the Hiranandani family and the Hirco board see no reason why cash flow from the project companies should not permit Hirco plc to pay a first dividend in 2010.”

For more information, please see the Chairman’s full statement, which accompanies this news release.

### **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 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 additional information about Hirco, please visit [www.hirco.com](http://www.hirco.com).

**ENDS**

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## Directors and Professional Advisers

### Directors

Niranjan Hiranandani  
Priya Hiranandani-Vandrevala  
David Burton\*  
Douglas Gardner\*  
Sir John Robertson Young\*  
Kersi Gherda  
Nigel McGowan\*

\* Independent Non-Executive Director

### Registered office

PO Box 312, 4th Floor  
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Isle of Man IM99 2BJ  
Registered in the Isle of Man No. 118221C

### CREST Service Provider

Capita Registrars (Jersey) Limited

### Administrator and Registrar to Company

Barclays Wealth Trustees (Isle of Man) Limited

### Nominated Adviser

HSBC Bank PLC

### Auditors

KPMG Audit LLC

## Chairman's Statement

Dear Fellow Shareholders,

It is my privilege to report Hirco PLC's interim results for the period ending 31 March 2009.

The Company experienced a unique convergence of events during this period, including a troubled global economy, a challenging real estate market in India, and a set of shareholder proposals that threatened to destabilize the Company.

I am pleased to report that even in the face of all these challenges, we continued to make significant progress in achieving our core objective of creating long-term value for our shareholders.

### RESULTS TO 31 MARCH 2009

For the period ending 31 March 2009, we reported a loss of £30.884 million, representing a loss per share of 40.36 pence based on 76,526,984 shares outstanding. This loss is primarily attributable to a decline in the value of the underlying projects in which Hirco PLC has invested, caused mainly by difficult conditions in India's real estate market, and by one-time charges relating to professional fee expenses.

As of 31 March 2009, Hirco's Net Asset Value (NAV) was £6.72 per share, down 5.7% from a NAV of £7.12 per share as of 30 September 2008. Hirco's NAV as of 31 March 2009 represents a cumulative increase of 42% from a NAV of £4.74 per share at the time of the IPO on the London Stock Exchange's Alternative Investment Market (AIM) on 13 December 2006.

Consistent with the approach adopted in previous reporting periods, Hirco's Board of Directors instructed Jones Lang LaSalle Meghraj (JLLM) to carry out a valuation as of 31 March 2009 of the four projects in which Hirco has invested. As with their previous valuations, JLLM used the valuation standards prescribed by the Royal Institute of Chartered Surveyors (RICS).

Hirco's initial investment in its four properties – Chennai Residential, Chennai Commercial, Panvel Commercial, and Panvel Residential – was approximately £350.8 million.

Based on JLLM's new valuation of the properties, the value of Hirco's investment in these four properties as of 31 March 2009 was £424.6 million, representing a 21% increase from the initial acquisition cost.

When compared with the value of Hirco's investment as at 30 September 2008, the new value represents a decline of £48.077 million or 10.17%, equating to £0.63 per share. The Company did benefit from a favourable foreign exchange rate as of 31 March 2009, which mitigated approximately £26.424 million, or £0.35 per share of the decline in value when compared to the prevailing rate as at 30 September 2008.

During the half year ending 31 March 2009, the general economic slowdown in India has impacted real estate markets. Commenting on the market conditions in India as part of their valuation exercise, JLLM stated, "The effects of the general real estate market slowdown across India were most clearly evident during the first quarter of this year, affecting all asset classes. In our opinion, this slowdown is not indicative of the long-term growth potential of India's real estate market, which, in our opinion, continues to remain strong." Following the economic slowdown, the market has seen a reduction in the value of comparable land transactions. With respect to the valuations of our Chennai and Panvel projects, based on current market conditions JLLM has reduced lease rates and sales values except where JLLM can refer to our actual sales performance and has moved out the relevant capitalization yields.

Just as JLLM is confident in the long-term potential of India's real estate market, we are also confident in the long-term outlook for our projects, based on the considerable progress that we have achieved to date and our belief in the current and future strength of the core fundamentals of India's real estate markets. We are pleased that the performance in critical execution areas, such as our ability to achieve continued sales growth and manage construction costs in a volatile environment, continues to be strong despite market-driven challenges.

Additionally, during the period ending 31 March 2009, the Company incurred one-time charges relating to professional fee expenses totalling approximately £3.739 million, equating to approximately £0.05 per share.

## **PROJECT PROGRESS**

As evidenced by the slowdown in the velocity of sales during the first three months of this year, the challenging market environment has had an effect on our presales activity during this quarter at our major residential projects at Chennai in southeast India and at Panvel, a suburb of Mumbai.

Moreover, the Company is concerned that the uncertainty caused by the actions of Laxey Partners, the London-based hedge fund, may have also affected presales in this period.

### **Hiranandani Palace Gardens Chennai**

At Hiranandani Palace Gardens Chennai, there has been significant construction progress and, with regard to sales, we continue to demonstrate growth in respect of both pre-sale commitments and the prices being achieved.

As of 31 March 2009, sales consideration for the Chennai residential township had been accepted on approximately 2,050,960 square feet at a cumulative average price since launching sales of Rs 4,199 per square foot. This represents an increase over figures reported in December 2008 of 2,044,618 square feet at a cumulative average price of Rs 4,192. Whilst we are pleased with the increase achieved in average per-square-foot pricing, volume growth has slowed considerably, reflecting in part the broader market environment.

Development of our Chennai township's essential infrastructure, which differentiates our townships, continues to advance, including progress on roads, water, and sewage treatment plants. We are also making steady progress toward completion of our first six residential buildings that will contain a mixture of two-, three- and four-bedroom apartments.

### **Hiranandani Palace Gardens Panvel**

At Hiranandani Palace Gardens Panvel, located in the Mumbai Metropolitan Region, we are pleased by the continued strength of our pre-completion sales. As of 31 March 2009, sales consideration had been accepted on approximately 1,683,874 square feet at a cumulative average price since launching sales of Rs 4,314 per square foot. This represents an increase over figures reported in December 2008 of 1,631,047 square feet at a cumulative average price of Rs 4,278. As with Chennai, the Company is pleased with the increase achieved in average per-square-foot pricing, though volume growth has declined slightly, again reflecting the broader market environment.

We continue to advance development progress at the Panvel site, with the clearance and development of initial roads, installation of power and water supplies, and development of the infrastructure required to support the mobilization of the substantial labour force required to complete the project.

### **DIVIDEND**

As the shareholders of the investment companies developing the projects in which Hirco has invested, the Hiranandani family has always sought to align as closely as possible its interests with those of Hirco and Hirco's shareholders. We believe that it is in all our interests to ensure that positive cash flow is generated in the operating companies and passed up to Hirco as swiftly as practical. This will ensure both the smooth operation of the business and the payment of dividends to Hirco shareholders, constrained only, as it should be, by Hirco's own capital needs.

This is as much a priority for the Hiranandani family as it is for Hirco shareholders; accordingly, assuming market conditions improve rather than deteriorate further, the Hiranandani family and the Hirco board see no reason why cash flow from the project companies should not permit Hirco plc to pay a first dividend in 2010.

### **OUTLOOK**

In spite of the numerous adversities we faced in this period, some of which were part of the cyclical nature of our core business, and others which were temporary distractions, we continued to make progress in the achievement of our objectives to create long-term shareholder value.

Continuing this progress in light of difficult market conditions clearly presents a challenge. However, I am confident that Hiranandani's track record of operating successfully during all phases of the real estate business cycle uniquely positions the Company to meet this challenge.

I am also confident in the long-term economic outlook for India. Strong fundamentals and consumption-driven growth will help India sustain its economic progress, and, despite the recent contraction, the real estate sector remains a solid long-term driver of India's growth. This long-term strength is a direct reflection of the acute shortage of housing, and the continuing shortage of modern, efficient, low maintenance, and easily accessible commercial space and the unfulfilled demand for high-quality, affordable residential and commercial space that our townships offer.

The Board will remain mindful that the Company's share price continues to represent a significant discount to net asset value. The Directors strongly believe that the market capitalization materially undervalues the Company and its prospects. They keep this situation under constant review with the objective of ameliorating the current imbalance.

In keeping with the Company's original objective of an eventual move to the Official List of the London Stock Exchange, and further to discussions with our key shareholders, the Board is currently seeking an additional experienced director to act as a Non-executive Director. This addition to the Board would be an advance adoption of the Combined Code on Corporate Governance provision for companies listed on the Official List and would be consistent with Hirco's robust approach to maintaining strong corporate governance. The appointment of the Non-executive Director will be made in consultation with our key shareholders.

In closing, I am pleased with the progress that the Company continues to make. With our strong and experienced Board of Directors and management team, we are in an excellent position to navigate through these turbulent economic times and manage our core business successfully during all stages of the business cycle. We are focused on our goal of delivering long-term value to shareholders, and I have tremendous confidence that we will deliver on this objective.

Niranjan Hiranandani  
Chairman

# Hirco Plc

## Consolidated Income Statement

for the six months ended 31 March 2009

Amount in £000

Continuing Operations	Notes	Unaudited	Unaudited
		6 Months to 31 March 2009	6 Months to 31 March 2008
Investment income	4	23,845	21,385
Foreign exchange gain/(loss)		42	(9)
<b>Net investment income</b>		<b>23,887</b>	<b>21,376</b>
<b>Fair value (loss)/gain on investments</b>	<b>9</b>	<b>(48,077)</b>	<b>33,105</b>
Administrative expenses	5	(6,693)	(1,991)
<b>(Loss)/profit before taxes</b>		<b>(30,883)</b>	<b>52,490</b>
Income tax expense		(1)	(10)
<b>(Loss)/profit for the period</b>		<b>(30,884)</b>	<b>52,480</b>

Number of ordinary shares

76,526,984

76,526,984

(Loss)/earnings per share (pence), basic and fully diluted

7

(40.36)

68.58

# Hirco Plc

## Balance Sheets

as at 31 March 2009

Amount in £000

Assets	Notes	Unaudited	Audited
		31 Mar 2009	30 Sep 2008
NON-CURRENT ASSETS			
Property, plant and equipment		29	33
Investments	9	424,613	472,690
Accrued income	6	78,559	45,958
		<b>503,201</b>	<b>518,681</b>
CURRENT ASSETS			
Accrued income	6	38	9,000
Other debtors and prepaid expenses		146	2,031
Other current assets		182	95
Cash and cash equivalents		12,959	17,060
		<b>13,325</b>	<b>28,186</b>
<b>Total assets</b>		<b>516,526</b>	<b>546,867</b>

Liabilities			
CURRENT LIABILITIES			
Trade and other payables		372	883
Accrued expenses		2,182	1,169
<b>Total liabilities</b>		<b>2,554</b>	<b>2,052</b>

<b>Net assets</b>		<b>513,972</b>	<b>544,815</b>
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Equity			
Share capital		765	765
Share premium		361,871	361,871
Foreign currency translation reserve		50	9
Retained earnings		151,286	182,170
<b>Total equity</b>		<b>513,972</b>	<b>544,815</b>

Number of ordinary shares		76,526,984	76,526,984
Net asset value per share (£)	8	6.72	7.12

# Hirco Plc

## Consolidated Statement of Changes in Equity

for the six months ended 31 March 2009

Amount in £000

	Share Capital	Share Premium	Foreign Exchange Reserve	Retained Earnings	Total
<b>As at 30 September 2008 (Audited)</b>	<b>765</b>	<b>361,871</b>	<b>9</b>	<b>182,170</b>	<b>544,815</b>
Translation of foreign operations	-	-	41	-	41
Loss for the period	-	-	-	(30,884)	(30,884)
<b>As at 31 March 2009 (Unaudited)</b>	<b>765</b>	<b>361,871</b>	<b>50</b>	<b>151,286</b>	<b>513,972</b>

	Share Capital	Share Premium	Foreign Exchange Reserve	Retained Earnings	Total
<b>As at 30 September 2007 (Audited)</b>	<b>765</b>	<b>361,871</b>	<b>-</b>	<b>107,111</b>	<b>469,747</b>
Translation of foreign operations	-	-	2	-	2
Profit for the period	-	-	-	52,480	52,480
<b>As at 31 March 2008 (Unaudited)</b>	<b>765</b>	<b>361,871</b>	<b>2</b>	<b>159,591</b>	<b>522,229</b>

# Hirco Plc

## Consolidated cash flow statement

for the six months ended 31 March 2009

Amount in £000

	Unaudited	Unaudited
	6 Months to 31 March 2009	6 Months to 31 March 2008
<b>Cash flows from operating activities</b>		
Operating activities		
(Loss)/profit before taxation:	(30,883)	52,490
Adjustment for:		
Fair value loss/(gain) on investments	48,077	(33,105)
Foreign exchange (gain)/loss	(42)	9
Bank interest income	(195)	(864)
Other income	(3)	-
Depreciation	16	17
<b>Operating cash flows before changes in working capital</b>	<b>16,970</b>	<b>18,547</b>
Change in debtors and prepayments	(21,845)	(20,694)
Change in creditors and other accruals	520	270
	(4,355)	(1,877)
Bank interest received	203	843
Tax paid	(21)	(10)
<b>Net cash used in operating activities</b>	<b>(4,173)</b>	<b>(1,044)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	3	-
Purchase of fixed assets	(4)	(12)
Purchase of investments	-	(96,637)
<b>Net cash used in investing activities</b>	<b>(1)</b>	<b>(96,649)</b>
Decrease in cash and cash equivalents	(4,174)	(97,693)
Cash and cash equivalents balance at the beginning of the period	17,060	116,423
Effect of foreign exchanges fluctuations on cash held	73	(6)
<b>Cash and cash equivalents balance at the end of the period</b>	<b>12,959</b>	<b>18,724</b>

# Hirco Plc

## Notes to the consolidated financial statements

for the six months ended 31 March 2009

### 1. GENERAL INFORMATION

Hirco PLC (the "Company") is a public limited company incorporated in the Isle of Man on 2 November 2006. It was admitted to AIM on 13 December 2006.

The interim consolidated financial statements of Hirco PLC comprise the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements have been prepared for the period from 1 October 2008 to 31 March 2009 and the comparatives are for the period 1 October 2007 to 31 March 2008 for the income statement and cash flow statement and 30 September 2008 for the balance sheet and are presented in GBP. They are unaudited.

The principal activities of the Group include 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.

### 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.

These financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") IAS 34 Interim Financial Reporting.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Company's accounting policies. Actual results may differ from these estimates.

#### (B) BASIS OF CONSOLIDATION

The interim consolidated financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2009. 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) 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 9) 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 amortised cost, with interest recognised in the income statement on the effective interest rate basis.

The Directors consider that the Group is a venture capital organisation 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 recognised in profit or loss.

Fair Value is determined by the Directors with appropriate regard to IFRS and the International Private Equity and Venture Capital Valuation Guidelines. The estimate of fair value by the Directors is based on the fair market value assessment of the property development projects by an independent professional valuer.

# Hirco Plc

## Notes to the consolidated financial statements

for the six months ended 31 March 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (D) REVENUE RECOGNITION

Revenue is recognised 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 recognised 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 recognised as interest accrues (using the effective interest method).

##### Fair value gain on investments

The Directors determine unrealised fair value gain/(loss) on investments bi-annually based on the fair market value assessment of the projects carried out by Jones Lang LaSalle Meghraj, 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 realisation of the said gain on a future date, the difference between the total realised gain less the previously recognised unrealised gain will be recognised as revenue converted at the realised exchange rate.

### 3. 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.

### 4. INVESTMENT INCOME

	Unaudited Six Months to 31 March 2009 £000	Unaudited Six Months to 31 March 2008 £000
Preference dividends	23,647	20,521
Bank interest	195	864
Other income	3	-
	<b>23,845</b>	<b>21,385</b>

### 5. ADMINISTRATIVE EXPENSES

	Unaudited Six Months to 31 March 2009 £000	Unaudited Six Months to 31 March 2008 £000
Employee costs*	945	419
Occupancy costs	120	96
Professional fees**	4,736	690
Directors' fees	324	276
Other administration costs	552	493
Depreciation	16	17
	<b>6,693</b>	<b>1,991</b>

\*includes severance cost amounting to £495,385.

\*\*includes professional fees amounting to £3,739,000 related to aborted merger and debt transactions.

# Hirco Plc

## Notes to the consolidated financial statements

for the six months ended 31 March 2009

### 6. ACCRUED INCOME

	Unaudited 31 March 2009 £000	Audited 30 September 2008 £000
<b>NON-CURRENT ASSETS</b>		
Preference dividends	78,559	45,958
	<b>78,559</b>	<b>45,958</b>
<b>CURRENT ASSETS</b>		
Preference dividends	-	8,955
Bank interest	38	45
	<b>38</b>	<b>9,000</b>

### 7. (LOSS)/EARNINGS PER SHARE

#### BASIC (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for six months ended 31 March 2009 is based on the loss attributable to equity holders of the Company of £30,883,832 (period ended 31 March 2008: profit of £52,480,710) and the weighted average number of ordinary shares outstanding during the six months ended 31 March 2009 of 76,526,984 (period ended 31 March 2008: 76,526,984).

	31 March 2009	31 March 2008
(Loss)/profit attributable to equity holders of the parent	£(30,883,832)	£52,480,710
Weighted average number of ordinary shares	76,526,984	76,526,984
<b>Earnings per share</b>		
	Pence	Pence
Basic (loss)/earnings per share	(40.36)	68.58
Diluted (loss)/earnings per share	(40.36)	68.58

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.

### 8. 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 £513,971,944 (30 September 2008: £544,814,072) by the number of ordinary shares as at 31 March 2009 of 76,526,984 (30 September 2008: 76,526,984).

	31 March 2009	30 September 2008
Net assets attributable to equity holders of the parent	£513,971,944	£544,814,072
Number of ordinary shares	76,526,984	76,526,984
	Pence	Pence
Net asset value per share	672	712

# Hirco Plc

## Notes to the consolidated financial statements

for the six months ended 31 March 2009

### 9. INVESTMENTS

Company	Projects in India	Date of Investment	Fair Value As at 30 Sep 08 £000	Fair Value loss for the period £000	Fair Value As at 31 Mar 09 £000	Cost of Acquisition £000
Investment in participating preference shares of;						
Burke 1 Limited	Chennai township projects	13-Feb-2007	123,595	(9,516)	114,079	77,847
Burke 2 Limited	Chennai commercial projects	23-Mar-2007	64,912	(5,301)	59,611	47,889
Burke 3 Limited and Burke 4 Limited	Panvel SEZ, commercial and residential projects	19-Jul-2007 and 25-Oct-2007	284,183	(33,260)	250,923	225,074
<b>Balance as at 31 March 2009</b>			<b>472,690</b>	<b>(48,077)</b>	<b>424,613</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 amortised 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.

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 Meghraj, an independent valuer, using the valuation standard prescribed by the Royal Institute of Chartered Surveyors. The valuation undertaken by Jones Lang LaSalle Meghraj is based on the details of pre-sales achieved, project progress, expected revenue and anticipated cost of construction as on the valuation date. The valuers have also made the reference to market evidence of transaction prices for the similar projects.

The fair value loss of £48,076,798 is net of a favourable foreign exchange fluctuation of £26,424,409.

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

	Burke 1 Limited £000	Burke 2 Limited £000	Burke 3 Limited and Burke 4 Limited £000	Total £000
Net worth post valuation as on 31 March 2009 before charging preference dividend	235,851	117,610	472,975	826,436
DISTRIBUTION IN THE ORDER OF CONTRACTUAL PREFERENCE:				
Preference dividend	21,348	12,403	44,808	78,559
Repayment of the Group's participating preference shares	77,847	47,889	225,074	350,810
Repayment of the ordinary Shares, denominated in USD (which are subordinated to the participating preference shares)	46,074	28,014	138,471	212,559
Share of the Group (40%) of the residual net worth	36,233	11,722	25,848	73,803
Share of the ordinary shareholders (60%) of the residual net worth	54,349	17,582	38,774	110,705
<b>Total distribution</b>	<b>235,851</b>	<b>117,610</b>	<b>472,975</b>	<b>826,436</b>
CHANGE IN FAIR VALUE				
Fair value gain of the Group's investment as of 31 March 2009	36,233	11,722	25,848	73,803
Less: Fair value gain recognised up to 30 September 2008	45,749	17,023	59,108	121,880
<b>Fair value loss for the period of the Group's investment (representing share of the Group (40%) of the residual net worth)</b>	<b>(9,516)</b>	<b>(5,301)</b>	<b>(33,260)</b>	<b>(48,077)</b>

# Hirco Plc

## Notes to the consolidated financial statements

for the six months ended 31 March 2009

### 10. RELATED PARTY DISCLOSURE

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 Limited. Burke Consolidated Limited owns all the ordinary shares in the Burke Companies, entitling it to 60% of any residual profits. Burke Consolidated Limited is owned by the Hiranandani family, ("Hiranandani").

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 six month period ended 31 March 2009 were £1,581,862 (six months to 31 March 2008: £504,500).
- A Marketing Services Agreement to provide Sales and Marketing assistance to the Project companies. The fees payable for the services for the six month ended 31 March 2009 were £702,021 (six months to 31 March 2008: £1,666,245).