

**THE OTTOMAN FUND LIMITED**

**Annual Report and Consolidated Financial Statements**

**For the year ended 31 August 2014**

**THE OTTOMAN FUND LIMITED**  
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014

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**Chairman's Statement**

Dear Shareholders,

Over the last financial year, we have sold the remainder of our Riva asset and our Bodrum asset, both for approximately book value, as well as nineteen Alanya units. Net of broker commissions our Turkish subsidiaries received a total of \$94.33m for Riva (approximately £58.44m), \$27.93m for Bodrum (approximately £17.31m), and €1.95m for the Alanya units (approximately £1.54m). Of the approximately £58.44m received for Riva, £8.58m was distributed on 7 February 2014, £27m was distributed on 27 May 2014, £12.84m was distributed on 26 September 2014 and £18.92m was distributed on 16 January, 2015. The January distribution comprised proceeds from both the Riva and Bodrum sales.

As of mid-December, 2014, one of our Turkish subsidiaries continued to hold eleven Alanya holiday units with an appraised value of approximately £950k. We are exploring various ways of monetizing the remaining Alanya units so we can close the Turkish subsidiary that owns those units. Given various constraints affecting the sale of those units, shareholders should consider that the Company may not receive the appraised value of those units. In calculating the amounts ultimately distributable, shareholder should also take into consideration that the Company will likely incur costs, that may include legal and accounting fees, taxes and legal claims, which are not now quantifiable.

In addition to the Alanya assets, the Company and its Turkish subsidiaries hold cash currently worth approximately £8.4m. In calculating the amounts ultimately distributable, shareholders should take into consideration that the Company will incur costs and that shareholders may only receive a portion of the Company's net asset value. These costs will include legal and accounting fees, and taxes. The costs may also include currency translation losses and payments for legal claims. The net amount that shareholders may receive is not now quantifiable.

The process of up streaming sale proceeds from our Turkish subsidiaries to their corporate parent also involves legal and accounting complexities and pursuant to Turkish law takes time. We are conscious that our shareholders look forward to receiving sale proceeds expeditiously in accordance with the Company's stated policy of returning excess capital to shareholders. I can assure you we will continue to return excess cash to our shareholders as quickly as practicable in accordance with governing law.

Very truly yours,

John D. Chapman  
Chairman  
The Ottoman Fund Limited  
27 February 2015

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**Directors' Report**

The Directors submit their Report and the audited consolidated financial statements (the "Financial Statements") of The Ottoman Fund Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 August 2014. The Company was formed on 9 December 2005 and commenced trading on its admission to the AIM market on 28 December 2005. The Company is quoted on the AIM market of the London Stock Exchange.

*Principal Activity*

The Company is a closed-ended, Jersey registered, investment company formed to access the Turkish property market and in particular new build residential developments in major cities and coastal destinations.

*Investment Policy*

Upon Admission, the Company's strategy was to develop new-build residential developments in major cities and coastal locations in Turkey, aimed at both the local and tourist markets with an emphasis on off-plan sales. The Company now intends to make no new investments, to make additional investments in existing assets only if those investments are accretive to shareholder value, and to opportunistically dispose of assets at appropriate times as and when market conditions permit.

*Results and Dividends*

It is not intended in normal circumstances that the Company will pay dividends on the shares. The Directors do not recommend the payment of a dividend for the year ended 31 August 2014 (2013: nil). The consolidated statement of comprehensive income is set out on page 8 of this Annual Report and consolidated Financial Statements.

During the period a lawsuit was lodged against the Group in relation to a claim for commission payable relating to the sale of the Riva land. The Directors have made an appropriate assessment of this claim and believe that the Group will be successful in defending this litigation and therefore no provision has been made in these consolidated Financial Statements. Please refer to note 23 for further details.

Subsequent to the year end the Directors became aware that funds had been removed from the Group's Turkish entities (and entities affiliated with the Group) without authorisation. The Directors have provided information to the market in relation to this matter via various RNS announcements since 24 December 2014. The Directors, in consultation with their legal advisors, are still in the process of assessing this matter from a legal perspective and the next steps that may or may not be taken in respect of any legal proceedings. The Directors have assessed this matter and its implications for the financial statements and the Directors are content that the financial statements can be approved for release to shareholders. As a result of this financial assessment, no adjustments have been made to these consolidated Financial Statements as it would not be appropriate to book any contingent asset or associated liabilities when no final decisions have as yet been taken on any course of legal proceedings. The Directors will continue to update the shareholders once a decision has been taken in consultation with their lawyers and advisors. Please refer to note 24 for further details.

*Life*

The Company has a life of 10 years from the date of its admission to trading on the AIM market on 28 December 2005, plus up to 2 further years for the planned realisation of the portfolio. The life may be extended by special resolution of shareholders (requiring a two-thirds majority of those voting). The Directors intend to recommend to shareholders to extend the life of the Company to enable the conclusion of the ongoing matters discussed in note 24.

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**Directors' Report (continued)**

*Manager & Custodian*

Subsequent to the removal of Development Capital Management (Jersey) Limited as manager of the Company in 2010, management has been internalised at the Board level and the Board relies on Civitas Property Partners S.A. to manage and sell the Company's Turkish assets.

Subsequent to the termination of the custody agreement with BNP Paribas (Jersey branch) in 2010, the Company has not appointed a replacement.

*Board of Directors*

The Directors of the Company are listed on page 29. John D Chapman (Executive Chairman), Antony Gardner-Hillman, Andrew Wignall and Eitan Milgram all served as Directors throughout the year.

*Shareholders' Interests (as at 31 August 2014)*

**Size of shareholding (in shares) No. of shareholders**

1 – 9,999	<b>33</b>
10,000 – 99,999	<b>14</b>
100,000 – 999,999	<b>5</b>
1,000,000 – 9,999,999	<b>9</b>
10m+	<b>4</b>

At 31 August 2014 the Company was aware of the following interests of 3% or more in the ordinary share capital of the Company:

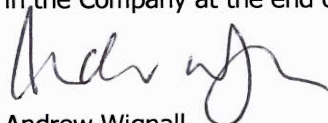
	<b>Number</b>	<b>% held</b>
QVT Financial LP	43,335,000	32.16%
Weiss Asset Management LLC	40,132,000	29.78%
Toscafund Asset Management LLP	22,551,098	16.73%
Lars Bader	7,940,000	5.89%
JPMorgan GT Corporation	7,140,675	5.30%

The Directors are not aware of interests of 3% or more in the Company's issued share capital.

*Directors' Interests*

The maximum aggregate amount of ordinary remuneration payable to the Directors permitted under the Articles is £150,000 per annum. The Directors received in aggregate £150,000 for the year ended 31 August 2014 (2013:£150,000). Commencing 13 March 2009 John D. Chapman has been employed under an executive service contract that provides for an annual fee of £75,000 and a discretionary performance fee.

None of the directors have any interests in the Company's share capital. Eitan Milgram is an Executive Vice President of Weiss Asset Management LLC, which owns a shareholding of 29.78% in the Company at the end of this financial period.



Andrew Wignall  
Director  
The Ottoman Fund Limited  
27 February 2015