THE OTTOMAN FUND LIMITED

Interim Financial Statements for the period ending 28 February 2011

The Company is pleased to announce as follows its interim results for the 6 months ended 28 February 2011, a full copy of which is also available on the Company's website: **www.theottomanfund.com**.

Chairman's Statement

Dear Shareholders:

Our net asset value per share as at 28 February 2011 was 80.9 pence as compared with 81.6 pence as at 31 August, 2010. As I have explained previously, for each valuation period we retain two appraisers, Savills and TSKB, to each independently appraise the value of our properties. We use the Savills valuations for the disclosure in our financial statements and the TSKB valuation as a check on the Savills one. Historically both valuation companies have tended to reach similar conclusions. The average appraised value of our property portfolio is about five per cent higher than it was last August:

	Savills 28 February 2011 ($)	TSKB 28 February 2011 ($)	Average 28 February 2011 ($)	Average 31 August 2010 ($)
Riva	106,634,639	116,519,000	111,576,820	102,833,500
Bodrum	32,918,862	40,294,000	36,606,431	36,460,371
Kazikli	8,727,245	10,073,000	9,400,123	9,360,708
Alanya	10,223,255	9,711,772	9,967,514	10,523,464
TOTAL	**158,504,001**	**176,597,772**	**167,550,887**	**159,178,043**

The major development over the last six months has been the agreement in April to sell our interest in Kazikli for $9.5 million in cash to our partner. Twenty-five per cent of that amount has now been received with the remainder due upon our completion of corporate restructuring intended to eliminate VAT. It appears that this transaction should close by the end of June, though the buyer will have the right to rescind the transaction if we fail to complete the conditions precedent by 1 August 2011. In accordance with Company policy, any excess cash will be returned to shareholders.

We have received and rejected a substantial offer for our interest in Riva. Our objective is to aim for the appraised value of our assets and this offer, the Board decided, was at an unwarranted discount. We have also had serious expressions of interest regarding our Bodrum property. Given our disappointment with sales at Alanya, we have restructured the marketing arrangements and are now using a number of local brokers with connections in Russia. We are also endeavouring to cement brokerage relationships with brokers active in other European countries. These efforts are beginning to bear fruit and we have made six sales this year. We are hopeful that enlarging the broker network and boosting commissions will lead to increased sales as we now enter the prime holiday season.

I look forward to writing again when we release our annual report for the year ended 31 August 2011.

Respectfully yours,
John D. Chapman
Chairman
24 May 2011

INDEPENDENT REVIEW REPORT TO THE OTTOMAN FUND LIMITED

Introduction

We have been engaged by the company to review the condensed interim financial statements in the half-yearly financial report for the six months ended 28 February 2011, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the AIM Rules for Companies.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
24 May 2011

Consolidated Statement of Comprehensive Income

	notes	(unaudited) Six months ended 28 February 2011 £	(unaudited) Six months ended 28 February 2010 £	(audited) Year ended 31 August 2010 £
Revenue				
Bank Interest		59,375	68,329	152,141
Total income		59,375	68,329	152,141
Operating Expenses				
Management fee	3	(178,904)	(413,993)	(600,621)
Other operating expenses		(462,209)	(444,856)	(1,734,182)
Total operating expenses		(641,113)	(858,849)	(2,334,803)
Foreign exchange gains/(losses)		432,273	174,201	(682,998)
Loss before taxation		(149,465)	(616,319)	(2,865,660)
Taxation		-	-	-
Loss for the period		**(149,465)**	**(616,319)**	**(2,865,660)**
Other comprehensive income				
Foreign exchange on subsidiary translation		(722,605)	235,375	258,424
Other comprehensive income for the year		(722,605)	235,375	258,424
Total comprehensive loss for the year		**(872,070)**	**(380,944)**	**(2,607,236)**
Loss attributable to:				
Equity shareholders of the Company		(149,456)	(616,314)	(2,865,651)
Minority interests		(9)	(5)	(9)
		(149,465)	**(616,319)**	**(2,865,660)**
Total comprehensive loss attributable to:				
Equity shareholders of the Company		(872,003)	(380,958)	(2,607,248)
Minority interests		(67)	14	12
		(872,070)	**(380,944)**	**(2,607,236)**
Basic and diluted earnings per share (pence)	4	**(0.11)**	**(0.46)**	**(2.13)**

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheet as at 28 February 2011

	notes	(unaudited) Six months ended 28 February 2011 £	(unaudited) Six months ended 28 February 2010 £	(audited) Year ended 31 August 2010 £
Non-current assets				
Intangible assets	5	2,267	2,117	2,687
Plant and Equipment	6	5,575	13,624	7,548
Inventories	7	94,777,112	92,631,946	92,474,333
Loans and receivables	8	7,257,481	8,515,984	7,470,112
		102,042,435	101,163,671	99,954,680
Current assets				
Other receivables		1,032,698	1,071,485	1,055,067
Cash and cash equivalents		6,228,521	10,173,221	9,249,402
		7,261,219	11,244,706	10,304,469
Total assets		109,303,654	112,408,377	110,259,149
Current liabilities				
Other payables		(251,627)	(257,969)	(335,052)
Net assets		**109,052,027**	**112,150,408**	**109,924,097**
Equity				
Share capital	9	127,483,015	127,483,015	127,483,015
Retained earnings		(17,924,927)	(15,526,134)	(17,775,471)
Translation reserve		(506,039)	193,480	216,508
Equity attributable to owners of the parent		109,052,049	112,150,361	109,924,052
Minority interest equity		(22)	47	45
Total Equity		**109,052,027**	**112,150,408**	**109,924,097**
Net asset value per Ordinary share (pence)	10	**80.9**	**83.2**	**81.6**

These financial statements were approved by the Board of Directors on 24 May 2011.

Consolidated Statement of Changes in Equity

Group	Share capital £	Retained earnings £	Translation reserve £	Minority interest £	Total £
For the six months ended 28 February 2011 (unaudited)					
As at 1 September 2010	127,483,015	(17,775,471)	216,508	45	109,924,097
Loss for the period	-	(149,456)	-	(9)	(149,465)
Foreign exchange on subsidiary translation	-	-	(722,547)	(58)	(722,605)
At 28 February 2011	**127,483,015**	**(17,924,927)**	**(506,039)**	**22**	**109,052,027**
For the six months ended 28 February 2010 (unaudited)					
As at 1 September 2009	135,483,052	(14,909,820)	(41,895)	33	120,531,370
Return of capital	(8,000,037)	-	-	-	(8,000,037)
Loss for the period	-	(616,314)	-	(5)	(616,319)
Foreign exchange on subsidiary translation	-		235,375	19	235,394
At 28 February 2010	**127,483,015**	**(15,526,134)**	**193,480**	**47**	**112,150,408**
For the year ended 31 August 2010 (audited)					
As at 1 September 2009	135,483,052	(14,909,820)	(41,895)	33	120,531,370
Return of capital	(8,000,037)	-	-	-	(8,000,037)
Loss for the year	-	(2,865,651)	-	(9)	(2,865,660)
Foreign exchange on subsidiary translation	-	-	258,403	21	258,424
At 31 August 2010	**127,483,015**	**(17,775,471)**	**216,508**	**45**	**109,924,097**

Consolidated Statement of Cash Flows

Group	(unaudited) Six months ended 28 February 2011 £	(unaudited) Six months ended 28 February 2010 £	(audited) Year ended 31 August 2010 £
Cash flow from operating activities			
Net Loss for the period	(149,465)	(616,319)	(2,865,660)
Adjustments for:			
Interest	(59,375)	(68,329)	(152,141)
Depreciation	1,833	6,811	7,274
Amortisation	420	1,109	1,455
Previously capitalised expenses written off	-	-	342,134
	(206,587)	(676,728)	(2,666,938)
Net foreign exchange (gains)/losses	(903,776)	174,201	941,395
(Increase)/decrease in other receivables	22,369	(85,410)	(68,992)
Increase/(decrease) in other payables	(83,425)	(95,371)	(18,288)
Net cash outflow from operating activities before interest and tax	**(1,171,419)**	**(683,308)**	**(1,812,823)**
Interest received	59,375	68,329	152,141
Net cash outflow from operating activities	**(1,112,044)**	**(614,979)**	**(1,660,682)**
Cash flow from investing activities			
Purchase of inventories	(2,302,779)	(136,974)	(321,495)
Purchase of plant and equipment	-	(414)	(412)
Sale of plant and equipment	139	-	5,638
Purchase of intangible assets	-	-	(916)
New loans issued	(20,383)	-	-
Loan to developer	414,186	657,370	834,294
Net cash outflow from investing activities	**(1,908,837)**	**519,982**	**517,109**
Cash flow from financing activities			
Capital distribution	-	(8,000,037)	(8,000,037)
Net cash outflow from financing activities	**-**	**(8,000,037)**	**(8,000,037)**
Net decrease in cash and cash equivalents	**(3,020,881)**	**(8,095,034)**	**(9,143,610)**
Cash and cash equivalents at start of period	9,249,402	18,366,304	18,366,304
Effect of foreign exchange rates	-	(98,049)	26,708
Cash and cash equivalents at end of period	**6,228,521**	**10,173,221**	**9,249,402**

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

1. Accounting policies
The annual financial statements for the year ended 31 August 2010 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Committee of the IASB (IFRIC). The accounting policies adopted in the preparation of the half yearly financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2010.

The condensed consolidated interim financial information should be read in conjunction with the annual financial
statements for the year ended 31 August 2010, which have been prepared in accordance with IFRS.

This condensed consolidated interim financial information has been reviewed, not audited.

(a) Basis of preparation
The interim financial statements have been prepared on a historical cost basis, except for certain financial instruments detailed below.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

(b) Basis of consolidation
Subsidiaries
The interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 28 February 2011. The consolidated financial statements are prepared using uniform accounting policies for like transactions. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences up to the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Minority interests represent the portion of profit and net assets not held by the Group. They are presented separately in the consolidated statement of comprehensive income and in the consolidated statement of financial position separately from the amounts attributable to the owners of the parent.

Joint ventures
A joint venture is a contractual arrangement whereby the Group and another party undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the results on a line-by-line basis.

(c) Revenue recognition
Interest receivable on fixed interest securities is recognised using the effective interest method. Interest on short term deposits, expenses and interest payable are treated on an accruals basis. Revenue from sales of inventory is accounted for on a cash receipts basis when the significant risks and rewards of an asset have been transferred.

(d) Expenses
All expenses are charged through the income statement in the period in which the services or goods are provided to the Group except for expenses which are incidental to the disposal of an investment which are deducted from the disposal proceeds of the investment.

(e) Non current assets
Intangible assets
Intangible assets are stated at cost less any provisions for amortisation and impairments. They are amortised over their useful life of 6 years. The amortisation is based on the straight-line basis. At each balance sheet

date, the Group reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

General
Assets are recognised and derecognised at the trade date on acquisition and disposal respectively. Proceeds will be measured at fair value which will be regarded as the proceeds of sale less any transaction costs.

Plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets, other than land or properties under construction, over their estimated useful lives, using the straight line method on the following basis:

Leasehold improvements	3 years
Furniture and fittings	5 years
Computer hardware	4 years
Computer software	3 years

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories
Inventories are stated at the lower of cost and net realisable value. Land inventory is recognised at the time a liability is recognised – generally after the exchange of unconditional contracts.

Net realisable value will be determined by the Board as the estimated selling price in the ordinary course of business less costs to complete and selling costs.

In determining the net realisable value, the directors take into account the valuations received from the independent appraisers, market conditions at and (where relevant and appropriate) after the balance sheet date, and offers received from third parties by the Group.

The valuations of the properties performed by the independent appraisers are based on estimate and subjective judgements that may vary from the actual values and sales prices that may be realised by the Group upon ultimate disposal.

Loans and receivables
Loans and receivables are recognised on an amortised cost basis. Where they are denominated in a foreign currency they are translated at the prevailing balance sheet exchange rate.
Loans are reviewed for impairment by the Board on a semi-annual basis; any impairment is recognised through the income statement.

(f) Cash and cash equivalents
Cash and cash equivalents comprise current deposits with banks.

(g) Taxation
Profits arising in the Group for the 2010 year of assessment and future periods will be subject to Jersey tax at the rate of 0%. However, withholding tax may be payable on repatriation of assets and income to the Company in Jersey. The Group pays an International Services Entity fee and neither charges or pays Goods and Services Tax, this fee is currently £100 per annum for each Jersey registered company within the Group.

The subsidiaries will be liable for Turkish corporation tax at a rate of 20%. Additionally, a land sale and purchase tax may arise when land is sold or purchased.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

(h) Foreign currency
In these financial statements, the results and financial position of the Group are expressed in Pounds Sterling, which is the Group's presentational currency.

The results and financial position of the entities based in Jersey are recorded in Pounds Sterling, which is the functional currency of these entities. In these entities, transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary balances (including loans) that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

The results and financial position of the entities based in Turkey are recorded in Turkish Lira, which is the functional currency of these entities. In order to translate the results and financial position of these entities into the presentational currency (Pounds Sterling):

- non-monetary assets (including inventory) are translated at the rates of exchange prevailing on the dates of the transactions
- monetary balances (including loans) are translated at the rates prevailing on the balance sheet date and
- items to be included in the income statement are translated at the average exchange rates for the year unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.

Foreign exchange gains or losses are recorded in either the income statement or in equity depending on their nature.

(i) Share capital
Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction to reserves. Any redemption in shares is deducted from ordinary share capital with any transaction costs taken to the Income Statement.

(j) Critical accounting estimates and assumptions
The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions underlying management's estimation of net realisable value
Due to the low level of property transactions completed on an arms length basis which are comparable to those assets held by the Group, it is difficult to derive a true market value for the Group's assets.

The Board is focussed on obtaining appropriate realisation amounts for all of the Group's assets and is consequently prepared to wait for offers it deems acceptable.

Critical judgements in applying the Group's accounting policies
The Group did not make any critical accounting judgements during the current financial year.

2. Segment reporting
The chief operating decision maker (the "CODM") in relation to the Group is deemed to be the Board itself. The factor used to identify the Group's reportable segments is geographical area.

Based on the above and a review of information provided to the Board, it has been concluded that the Group is currently organised into one reportable segment: Turkey.

There are two types of real estate projects within the above segment; development land and new build residential property. There are three individual projects held within the development land category. The CODM considers, on a quarterly basis, the status of the overall position of both property types as part of an ongoing performance review.

The CODM receives regular reports on the Group's assets by the Investment Advisors, Civitas Property Partners S.A. During this financial year Civitas have provided detailed reviews each quarter of the Turkish economy and real estate market and also their strategic advice regarding the individual properties listed in the table on page 1. In addition the year end valuations provided by Savills and TSKB are reviewed and reported on by the investment advisor to the Board of Directors.

Other than cash and cash equivalent assets and related interest and charges, the results of the Group are deemed to be generated in Turkey.

3. Management fee

	Six months ended 28 February 2011	Six months ended 28 February 2010	Year ended 31 August 2010
	£	£	£
Management fee	**178,904**	**413,993**	**600,621**

Civitas Property Partners S.A. were appointed as Investment Advisors to the Group on 2 December 2009. The advisory fee structure is heavily incentive-based with an annual fixed component of €425,000 (renegotiated to €212,500 from 1 January 2011) and an incentive component based on a percentage of realisation value.

4. Earnings per share

Earnings per share are calculated by dividing the profit attributable to equity holders of the group by the weighted average number of ordinary shares in issue during the year.

	Six months ended 28 February 2011	Six months ended 28 February 2010	Year ended 31 August 2010
Loss attributable to equity holders of the group	**(£149,456)**	**(£616,314)**	**(£2,865,651)**
Weighted average number of ordinary shares in issue	**134,764,709**	**134,764,709**	**134,764,709**

Due to the options lapsed without exercise in December 2010, there is no dilution to the earnings per share. The earnings per share are calculated as (0.11) pence (28 February 2010:(0.46) pence; 31 August 2010:(2.13) pence).

5. Intangible assets

	Six months ended 28 February 2011	Six months ended 28 February 2010	Year ended 31 August 2010
	£	£	£
Opening net book value	2,687	3,226	3,226
Additions	-	-	916
Amortisation and impairment charge	(420)	(1,109)	(1,455)
Closing net book value	**2,267**	**2,117**	**2,687**

The intangible asset relates to a CRM program, with a useful life of 6 years. There has been no impairment during the year.

6. Plant and equipment

	Six months ended 28 February 2011	Six months ended 28 February 2010	Year ended 31 August 2010
	£	£	£
Opening net book value	7,548	20,021	20,021
Additions	-	414	412
Disposals	(139)	-	(5,638)
Depreciation	(1,834)	(6,811)	(7,247)
Closing net book value	**5,575**	**13,624**	**7,548**

7. Inventories

	Six months ended 28 February 2011	Six months ended 28 February 2010	Year ended 31 August 2010
	£	£	£
Opening book cost	92,474,333	92,494,972	92,494,972
Purchases at cost [(1)]	2,302,779	136,974	321,495
Previously capitalised expenses written off	-	-	(342,134)

Closing book cost	**94,777,112**	**92,631,946**	**92,474,333**

(1) This represents the purchase of 149,550 square metres of development land on the Bodrum peninsula, 931,739 square metres on the Riva coastline and 209,853 square metres, of which the Group has a 50% share, in the Kazikli village, in the district of Milas.

8. Loans and receivables

	Six months ended 28 February 2011	Six months ended 28 February 2010	Year ended 31 August 2010
	£	£	£
Opening Balance	7,470,112	9,014,112	9,014,112
New loans	20,383	-	-
Repayment of loan	(414,186)	(657,370)	(834,294)
Exchange gain revaluation of loan	181,172	159,242	(709,706)
Closing Balance	**7,257,481**	**8,515,984**	**7,470,112**

Previously, the third party loan in respect of the investment in the Riverside Resort in Alanya had been made to the developer, Okyapı İnşaat ve Mühendislik ve Özel Eğitim Hizmetleri Sanayi ve Ticaret Limited Şirketi (“Okyapı”).

On 3 December 2010, a fiduciary agreement and a settlement agreement were signed by all relevant parties which resulted in the loan due to the Group (€8,193,091 at the time of signing the agreement) and the titles of the apartments being assigned to Mandalina Yapı Turizm Sanayi ve Ticaret A.Ş. (“Mandalina”) for the ultimate benefit of the Group.

As at the period end, the amount due was £7,237,098 (2010:£7,470,112). No loan interest is accruing and repayments are based upon sales of the development.

9. Called up share capital
Authorised:

Founder shares of no par value	10
Ordinary shares of no par value	Unlimited

Issued and fully paid:	**£**
2 founder shares of no par value	–
134,764,709 ordinary shares of no par value	127,483,015

The 2 founder shares of no par value are owned by Herald Charitable Trust. These shares are not eligible for participation in the Company's investments and carry no voting rights at general meetings of the Company. The Company’s former broker, Numis Securities Limited, held an option to purchase 1.25% of the issued share capital of the Company at a price of £1 per share. This option lapsed without being exercised on the 5th anniversary of admission, being 28 December 2010.

Capital Management
As a result of the Group being closed-ended, capital management is wholly subject to the discretion of the Board and is not influenced by subscriptions or redemptions. The Group’s objectives for managing capital are to maintain sufficient liquidity to meet the expenses of the Group as they fall due; to invest in the Group’s current assets when the Board feels it will give rise to capital appreciation; and to return excess capital to shareholders.

10. Net asset value per share
The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £109,052,027 and 134,764,709 shares (28 February 2010 £112,150,408 and 134,764,709 shares; 31 August 2010 £109,924,097 on 134,764,709 shares).

11. Financial instruments
The disclosure of the Fund’s financial instruments has been limited to the consolidated financial position. This approach has been adopted as this covers all of the principle risks associated with the Group.

The disclosures below assume that the properties held by the Group are in US Dollars as this is the currency in which they are valued by Savills. In the opinion of the directors this is also the currency that any future disposals would occur in.

The principal risks the Group faces from its financial instruments are:

(i) Market risk
(ii) Credit risk
(iii) Foreign currency risk
(iv) Interest rate risk
(v) Liquidity risk

As part of regular Board functions, the Board reviews each of these risks. An analysis of financial assets and liabilities which identifies the risks to the Group of holding such items is given below.

(i) Market price risk
Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Group's operations. It represents the potential loss the Group might suffer through holding market positions as a consequence of price movements. The Group has no such exposures to market price risk.

(ii) Credit risk
The Group places loans with third parties and is therefore potentially at risk from the failure of any such third parties of which it is a debtor. Recovery of the loans at 28 February 2011 is dependent on successful completion and sale of properties by third party developers. Further details of loans made to developers can be found in note 8. The largest counterparty risk other than the loans with third parties is with the Group's bankers. Bankruptcy or insolvency of Deutsche Bank International Limited, Credit Europe Bank (Suisse) SA or Garanti Bank may cause the Group's rights with respect to cash held to be delayed or limited. There is no policy in place to mitigate this risk as the Board believes there is no need to do so.

The Board do not monitor the credit quality of receivables on an ongoing basis. Cash balances have been placed with Deutsche Bank International Limited, Credit Europe Bank (Suisse) SA and Garanti Bank due to their Moody's credit ratings of Aa3, Ba2 and Baa1 respectively.

Loans and receivables are represented by loans to and receivables from third parties.

Other receivables are represented mainly by prepayments and other debtors where no significant credit risk is recognised.

(iii) Foreign currency risk
The Group operates Sterling, Euro, US Dollar and Turkish Lira bank accounts. Exchange gains or losses arise as a result of the movement in the exchange rate between the date of the transaction denominated in a currency other than Sterling and its settlement. There is no policy in place to mitigate this risk as the Board believes it is not cost effective.

Currency rate exposure
An analysis of the Group's currency exposure is detailed below:

	Non-current assets 28 February 2011	**Net monetary assets 28 February 2011**	**Non-current assets 28 February 2010**	**Net monetary assets 28 February 2010**	**Non-current assets 31 August 2010**	**Net monetary assets 31 August 2010**
	£	£	£	£	£	£
Sterling	-	2,328,668	-	6,032,724	-	5,116,217
Euro	7,237,098	1,687,227	8,515,984	1,682,416	7,470,112	1,369,837
US Dollar	94,777,112	2,188,968	92,631,946	2,406,015	92,474,333	2,699,103
Turkish Lira	28,225	804,729	15,741	865,582	10,235	784,260
	102,042,435	7,009,592	101,163,671	10,986,737	99,954,680	9,969,417

(iv) Interest rate risk
Interest rate movements may affect: (i) the fair value of the investments in fixed interest rate securities, (ii) the level of income receivable on cash deposits, (iii) interest payable on the company's variable rate borrowings. There is no policy in place to mitigate this risk as the Board believes it is not cost effective.

The Company holds only cash deposits.

The interest rate profile of the Group excluding short term receivables and payables was as follows:

	Floating rate 28 February 2011	Non-interest bearing 28 February 2011	Floating rate 28 February 2010	Non-interest bearing 28 February 2010	Floating rate 31 August 2010	Non-interest bearing 31 August 2010
	£	£	£	£	£	£
Sterling	2,350,877	-	6,083,192	-	13,993,334	-
Euro	1,687,227	7,237,098	1,682,416	8,515,984	1,231,512	7,470,112
US Dollar	2,188,968	94,777,112	2,406,017	92,631,946	3,140,563	92,474,333
Tukish Lira	1,449	28,225	1,596	15,741	895	10,235
	6,228,521	102,042,435	10,173,221	101,163,671	18,366,304	99,954,680

(v) Liquidity risk
The Group's assets mainly comprise cash balances, loans receivable and development property, which can be sold to meet funding commitments if necessary. As at 28 February 2011, the Group does not have any other significant liabilities due.

The Group has sufficient cash reserves to meet any liabilities due.

12. Subsequent Events
On 1 April 2011 the Company entered into a conditional agreement to sell its entire interest in the Kazikli joint venture for a total consideration of $9.5 million in cash. The sale price is in excess of the Savills' valuation ($8,663,415) as published in the Company's 2010 Annual Report and Financial Statements. Under the terms of the sale agreement, the buyer is obliged to pay the Company twenty-five percent of the purchase price on signing with the remainder due upon the Company's fulfilment of certain conditions. The buyer has the right to rescind the transaction if the Company fails to fulfil these conditions within four months from the signing of the agreement.
In accordance with the Company's policy, all excess cash, including sale proceeds, will be returned to shareholders.

As at the date of approval of these financial statements, a deposit of $2,375,000 has been received. The remaining $7,125,000 will fall due when the asset is transferred to the buyer.

Enquiries:

Singer Capital Markets 0203 205 7500
James Maxwell/Matt

Company Secretary
Herald Fund Services Limited 01534 610 610