THE OTTOMAN FUND LIMITED

Condensed Unaudited Interim Financial Statements and Half Yearly Report

For the six months ended 29 February 2012

THE OTTOMAN FUND LIMITED
CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

Chairman's Statement

Dear Shareholders:

Our net asset value per share as at 29 February 2012 was 70.6 pence as compared with 74.7 pence as at 31 August, 2011. The primary reasons for the reduction in NAV are write downs in the carrying values of Riva and the Alanya receivable. 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 have historically relied on 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. This time however the valuations diverged substantially and we have used an average of the two. We and our local advisors believe that the average of the two valuations most closely approximates what we would expect to realize upon sale or development. Shareholders should bear in mind however that there has been a dearth of comparable transactions given the size of Ottoman's assets.

	Savills 29 February 2012 ($)	**TSKB 29 February 2012 ($)**	**Average 29 February 2012 ($)**	**Average 31 August 2011 ($)**
Riva	77,500,000	114,200,000	95,850,000	110,675,000
Bodrum	29,220,000	36,000,000	32,610,000	34,536,000
Kazikli	6,950,000	9,195,500	8,072,750	8,450,000
Alanya	6,400,000	6,400,000	6,400,000	9,189,500
TOTAL	**120,070,000**	**165,795,500**	**142,932,750**	**162,850,500**

Since I wrote you last we have closed the sale of our interest in Kazikli and received the $9.5 million we were promised. This figure is approximately what Ottoman paid for the asset in 2006 and approximately what we have carried it at. We expect to distribute the cash proceeds from that transaction once they are upstreamed from Turkey to Jersey. We also continue to sell units at Alanya, and during the current financial year have sold 25 units with 48 remaining.

We are currently considering a revenue sharing deal with a large Turkish developer in connection with monetizing our Riva asset. The broad outlines of the structure are we would contribute our land and the developer would contribute financing and permitting, construction and marketing expertise. The revenues upon sale would then be split according to a formula. Demand for residential units in and around the Istanbul area continues to be robust while there is little demand for large tracts of undeveloped land. We may consider a similar arrangement in connection with our Bodrum asset as well.

I look forward to writing again when we release our annual report for the year ended 31 August 2012.

Respectfully yours,
John D. Chapman
Chairman
29 May 2012

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 29 February 2012, which comprises the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the 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 interim 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 ("IFRSs") as 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 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. 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 unaudited interim financial statements in the half-yearly financial report for the six months ended 29 February 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the AIM Rules for Companies.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
29 May 2012
Jersey, Channel Islands

(a) The maintenance and integrity of The Ottoman Fund Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed unaudited interim financial statements since they were initially presented on the website.

(b) Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE OTTOMAN FUND LIMITED
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Consolidated Statement of Comprehensive Income

	notes	(unaudited) Six months ended 29 February 2012 £	(unaudited) Six months ended 28 February 2011 £	(audited) Year ended 31 August 2011 £
Revenue				
Bank Interest		112,846	59,375	153,089
Total income		112,846	59,375	153,089
Operating Expenses				
Management fee	3	(128,725)	(178,904)	(311,890)
Other operating expenses		(307,686)	(462,209)	(917,995)
Inventory impairment	7	(4,390,277)	-	(4,144,485)
Loan impairment	8	(426,055)	-	(2,481,093)
Total operating expenses		(5,252,743)	(641,113)	(7,855,463)
Foreign exchange (losses)/gains		(212,524)	432,273	(1,318,641)
Loss before tax		**(5,352,421)**	**(149,465)**	**(9,021,015)**
Taxation	1(g)	(137,232)	-	-
Loss for the period		**(5,489,653)**	**(149,465)**	**(9,021,015)**
Other comprehensive income				
Foreign exchange on subsidiary translation		14,560	(722,605)	(284,154)
Other comprehensive income for the period		14,560	(722,605)	(284,154)
Total comprehensive loss for the period		**(5,475,093)**	**(872,070)**	**(9,305,169)**
Loss attributable to:				
Equity shareholders of the Company		(5,489,641)	(149,456)	(9,021,014)
Minority interests		(12)	(9)	(1)
		(5,489,653)	**(149,465)**	**(9,021,015)**
Total comprehensive loss attributable to:				
Equity shareholders of the Company		(5,475,082)	(872,003)	(9,305,157)
Minority interests		(11)	(67)	(12)
		(5,475,093)	**(872,070)**	**(9,305,169)**
Basic and diluted earnings per share (pence)	4	**(4.07)**	**(0.11)**	**(6.69)**

The accompanying notes on pages 7 to 15 are an integral part of the financial statements.

Consolidated Balance Sheet

	notes	(unaudited) Six months ended 29 February 2012 £	(unaudited) Six months ended 28 February 2011 £	(audited) Year ended 31 August 2011 £
Non-current assets				
Intangible assets	5	1,809	2,267	2,180
Plant and equipment	6	4,259	5,575	3,949
Inventories	7	85,179,221	94,777,112	89,500,205
Loans and receivables	8	4,171,758	7,257,481	4,800,000
		89,357,047	102,042,435	94,306,334
Current assets				
Other receivables		1,020,558	1,032,698	944,508
Cash and cash equivalents		6,907,811	6,228,521	7,180,340
		7,928,369	7,261,219	8,124,848
Total assets		97,285,416	109,303,654	102,431,182
Current liabilities				
Advances received	12	(1,881,591)	-	(1,461,165)
Other payables		(260,001)	(251,627)	(351,100)
		(2,141,592)	(251,627)	(1,812,265)
Net assets		**95,143,824**	**109,052,027**	**100,618,917**
Equity				
Share capital	9	127,483,015	127,483,015	127,483,015
Retained earnings		(32,286,126)	(17,924,927)	(26,796,485)
Translation reserve		(53,087)	(506,039)	(67,646)
Equity attributable to owners of the parent		95,143,802	109,052,049	100,618,884
Minority interest equity		22	(22)	33
Total Equity		**95,143,824**	**109,052,027**	**100,618,917**
Net asset value per Ordinary share (pence)	10	**70.6**	**80.9**	**74.7**

The accompanying notes on pages 7 to 15 are an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 29 May 2012.

A R Gardner-Hillman

Antony R Gardner-Hillman

Andrew I Wignall

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Consolidated Statement of Changes in Equity

	Share capital £	Retained earnings £	Translation reserve £	Minority interest £	Total £
For the six months ended 29 February 2012 (unaudited)					
As at 1 September 2011	127,483,015	(26,796,485)	(67,646)	33	100,618,917
Loss for the period	-	(5,489,641)	-	(12)	(5,489,653)
Foreign exchange on subsidiary translation	-	-	14,559	1	14,560
At 29 February 2012	**127,483,015**	**(32,286,126)**	**(53,087)**	**22**	**95,143,824**
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 year ended 31 August 2011 (audited)					
As at 1 September 2010	127,483,015	(17,775,471)	216,508	45	109,924,097
Loss for the year	-	(9,021,014)	-	(1)	(9,021,015)
Foreign exchange on subsidiary translation	-	-	(284,154)	(11)	(284,165)
At 31 August 2011	**127,483,015**	**(26,796,485)**	**(67,646)**	**33**	**100,618,917**

The accompanying notes on pages 7 to 15 are an integral part of the financial statements.

Consolidated Statement of Cash Flows

	(unaudited) Six months ended 29 February 2012 £	(unaudited) Six months ended 28 February 2011 £	(audited) Year ended 31 August 2011 £
Cash flow from operating activities			
Loss for the period	(5,489,653)	(149,465)	(9,021,015)
Adjustments for:			
Interest	(112,846)	(59,375)	(153,089)
Depreciation	696	1,833	3,599
Amortisation	371	420	507
Impairment of inventory	4,390,277	-	4,144,485
Impairment of loan	426,055	-	2,481,093
	(785,100)	(206,587)	(2,544,420)
Net foreign exchange losses/(gains)	378,040	(903,776)	(506,904)
(Increase)/decrease in other receivables	(76,050)	22,369	110,559
Increase/(decrease) in other payables	329,327	(83,425)	1,477,213
Net cash inflow/(outflow) from operating activities before interest, depreciation, amortisation and tax	**(153,783)**	**(1,171,419)**	**(1,463,552)**
Interest received	112,846	59,375	153,089
Taxation	(137,232)	-	-
Net cash inflow/(outflow) from operating activities	**(178,169)**	**(1,112,044)**	**(1,310,463)**
Cash flow from investing activities			
Purchase of inventories	(69,293)	(2,302,779)	(1,170,357)
Purchase of plant and equipment	(1,006)	-	-
Sale of plant and equipment	-	139	-
New loans issued	-	(20,383)	-
Repayment of loan	-	414,186	510,654
Net cash outflow from investing activities	**(70,299)**	**(1,908,837)**	**(659,703)**
Net increase/(decrease) in cash and cash equivalents	**(248,468)**	**(3,020,881)**	**(1,970,166)**
Cash and cash equivalents at start of period	7,180,340	9,249,402	9,249,402
Effect of foreign exchange rates	(24,061)	-	(98,896)
Cash and cash equivalents at end of period	**6,907,811**	**6,228,521**	**7,180,340**

The accompanying notes on pages 7 to 15 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 2011 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 condensed consolidated interim financial statements (the "interim financial statements") are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2011.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 August 2011, which have been prepared in accordance with IFRS.

These interim financial statements have 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 as detailed in this note.

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) (together "the Group") made up to 29 February 2012. 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 recognised when the significant risks and rewards of an asset have been transferred.

Notes to the financial statements (continued)

1. Accounting policies (continued)

(d) Expenses
All expenses are charged through the statement of comprehensive income 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

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.

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.

Plant & Equipment
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 over their estimated useful lives, using the straight line method on the following basis:

Leasehold improvements	3 years
Furniture and fittings	5 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 statement of comprehensive income.

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 Company.

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 realised by the Company upon ultimate disposal.

Impairment is recognised through the statement of comprehensive income at the time that the Board believes the net realisable value is lower than cost and will remain so for the foreseeable future.

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. Any foreign exchange difference is recognised through the income statement.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Loans and receivables (continued)
Loans are reviewed for impairment by the Board on a semi-annual basis; any impairment is recognised through the statement of comprehensive income.

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

(g) Taxation
Throughout the year under the Jersey "Zero/Ten" regime the Company was zero rated for Jersey taxation purposes. Profits arising in the Company for the 2012 year of assessment and future periods will be subject to tax at the rate of 0%. However, withholding tax may be payable on repatriation of assets and income to the Company in Jersey. The Company pays an International Services Entity fee and neither charges or pays Goods and Services Tax, this fee is currently £200 (2011: £200) 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 fee may arise when land is sold or purchased. Tax paid during the period relates to the tax year end of 31 December 2011.

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 Pound Sterling, which is the Group's presentation currency. The functional currency of the Company and Jersey subsidiaries is Pound Sterling; the functional currency for the Turkish subsidiaries is Turkish Lira.

The results and financial position of the entities based in Jersey are recorded in Pound 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) and non-monetary balances 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 presentation 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 statement of comprehensive income or in equity depending on their nature.

Notes to the financial statements (continued)

1. Accounting policies (continued)

(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 in the preparation of the financial statements. 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
In reflection of the economic environment and market conditions during the prior year which continued throughout to the period end, the frequency of transactions similar to the inventory and apartments on an arms length basis decreased compared to prior periods.

The Board have reviewed the independent valuations that have been provided and believe impairment is necessary to the inventory and the loan receivable. Please refer to note 7 and 8 for further details.

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

2. Segment reporting
The chief operating decision maker (the "CODM") in relation to the Group is considered 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; these are development land and new build residential property. There are three individual projects held within the development land type and one project in new build residential property. The CODM considers on a quarterly basis the results of the aggregated position of both property types as a whole as part of their ongoing performance review.

The CODM receives regular reports on the Company's assets by the Investment Advisors, Civitas Property Partners S.A. During this financial period Civitas have provided detailed reviews as requested 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 period 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 29 February 2012	Six months ended 28 February 2011	Year ended 31 August 2011
	£	£	£
Management fee	**128,725**	**178,904**	**311,890**

Notes to the financial statements (continued)

3. Management fee (continued)

Civitas Property Partners S.A. ("Civitas") were appointed as Investment Advisors to the Group on 2 December 2009. The advisory fee structure is incentive-based with an annual fixed component of €212,500 and an incentive component based on a percentage of realisation value. The incentive fee paid for the period to 29 February 2012 was £35,474 (28 February 2011: £nil; 31 August 2011: £36,443).

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 29 February 2012	Six months ended 28 February 2011	Year ended 31 August 2011
Loss attributable to equity holders of the group	**(£5,489,641)**	**(£149,456)**	**(£9,021,014)**
Weighted average number of ordinary shares in issue	**134,764,709**	**134,764,709**	**134,764,709**

Due to the options lapsing without exercise in December 2010, there is no dilution to the earnings per share.
The earnings per share are calculated as (4.07) pence (28 February 2011:(0.11) pence; 31 August 2011:(6.69) pence).

5. Intangible assets

	Six months ended 29 February 2012	Six months ended 28 February 2011	Year ended 31 August 2011
	£	£	£
Opening net book value	2,180	2,687	2,687
Additions	-	-	-
Amortisation and impairment charge	(371)	(420)	(507)
Closing net book value	**1,809**	**2,267**	**2,180**

The intangible asset relates to computer software, with a useful life of 6 years. There has been no impairment during the period.

6. Plant and equipment

	Six months ended 29 February 2012	Six months ended 28 February 2011	Year ended 31 August 2011
	£	£	£
Opening net book value	3,949	7,548	7,548
Additions	1,006	-	-
Disposals	-	(139)	-
Depreciation	(696)	(1,834)	(3,599)
Closing net book value	**4,259**	**5,575**	**3,949**

Notes to the financial statements (continued)

7. Inventories

	Six months ended 29 February 2012	Six months ended 28 February 2011	Year ended 31 August 2011
	£	£	£
Opening book cost	89,500,205	92,474,333	92,474,333
Purchases at cost	69,293	2,302,779	1,170,357
Impairment of inventory	(4,390,277)	-	(4,144,485)
Closing book cost	**85,179,221**	**94,777,112**	**89,500,205**

This represents 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. See note 12 regarding the sale of Kazikli village.

The impairment above relates to Riva. The Directors believe the net realisable value (£59,876,010) at the period end was lower than cost and have therefore impaired the asset accordingly.

8. Loans and receivables

	Six months ended 29 February 2012	Six months ended 28 February 2011	Year ended 31 August 2011
	£	£	£
Opening Balance	4,800,000	7,470,112	7,470,112
New loans	-	20,383	-
Repayment of loan	-	(414,186)	(510,654)
Impairment of loan	(426,055)	-	(2,481,093)
Exchange (loss)/gain revaluation of loan	(202,187)	181,172	321,635
Closing Balance	**4,171,758**	**7,257,481**	**4,800,000**

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, as a means of achieving improved economic benefit for the Group, 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. Mandalina is not a part of the Group. In order to further protect the Group's interest in the Alanya apartments, the Group holds signed share transfer letters from the shareholders of Mandalina which may be executed at any time at the discretion of the Directors and would transfer ownership of the shares in the Mandalina from the existing shareholders to the Group.

The loan has been impaired to reflect the anticipated amount to be received based on the value of the Alanya apartments and future running costs of Mandalina which are deducted from the sales proceeds of the Alanya apartments before being remitted to the Group.

The valuation of the Alanya apartments used by the Directors in the assessment of the recoverability of the loan is based on estimate and subjective judgements that may vary from the actual values and sales prices realised upon ultimate disposal.

Notes to the financial statements (continued)

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

2 founder shares of no par value are held by Vistra Nominees I Limited. These shares are not eligible for participation in the Company's investments and carry no voting rights at general meetings of the Company.

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 capital to shareholders where possible.

10. Net asset value per share

The net asset value per ordinary share is based on the net assets attributable to equity shareholders of £95,143,824 on 134,764,709 shares (28 February 2011: £109,052,027 on 134,764,709 shares; 31 August 2011: £100,618,917 on 134,764,709 shares).

11. Financial risk management

The disclosure on the financial risk management has been limited to the consolidated financial position. This approach has been adopted as this covers all of the principal 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 Group's financial instruments comprise loans, cash balances, receivables and payables that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, and receivables for accrued income.

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. As required by IFRS 7: Disclosure and Presentation, an analysis of financial assets and liabilities, which identifies the risk to the Group of holding such items, is given below.

Notes to the financial statements (continued)

11. Financial risk management (continued)

(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's third party loan in respect of the investment in the Riverside Resort in Alanya is potentially at risk from the failure of the third party. The largest counterparty risk is with the Group's bankers. Bankruptcy or insolvency of Deutsche Bank International Limited 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 does not monitor the credit quality of receivables on an ongoing basis. Cash balances have been placed with Deutsche Bank International Limited due to its Moody's credit rating of Aa3.

The Group's principal financial assets are other receivables and cash and cash equivalents. The maximum exposure of the Group to credit risk is the carrying amount of each class of financial assets. Loans and receivables are represented by loans to and receivables from third parties. Other receivables are represented mainly by prepayments and other receivables where no significant credit risk is recognised.

(iii) Foreign currency risk
The Group operates Pound Sterling, Euro, US Dollar and Turkish Lira bank accounts. Exchange gains or losses arise as a result of movements in the exchange rates between the date of a 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 such a policy would not be cost effective.

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

	Non-current assets 29 February 2012	Net monetary assets 29 February 2012	Liabilities 29 February 2012	Non-current Assets 28 February 2011	Net monetary assets 28 February 2011	Liabilities 28 February 2011
	£	£	£	£	£	£
Sterling	-	3,309,328	(48,992)	-	2,328,668	(61,533)
Euro	4,171,758	759	-	7,237,098	1,687,227	-
US Dollar	85,179,221	1,748,578	(1,881,591)	94,777,112	2,188,968	-
Turkish Lira	6,068	728,112	(211,009)	28,225	804,729	(190,094)
	89,357,047	5,786,777	(2,141,592)	102,042,435	7,009,592	(251,627)

	31 August 2011	31 August 2011	31 August 2011
	£	£	£
Sterling	-	1,874,849	(49,713)
Euro	4,800,000	1,912,374	-
US Dollar	89,500,205	1,758,716	(1,461,165)
Turkish Lira	6,129	766,644	(301,387)
	94,306,334	6,312,583	(1,812,265)

Notes to the financial statements (continued)

11. Financial instruments (continued)

(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 such a policy would not be 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 29 February 2012	Non-interest bearing 29 February 2012	Floating rate 28 February 2011	Non-interest bearing 28 February 2011	Floating rate 31 August 2011	Non-interest bearing 31 August 2011
	£	£	£	£	£	£
Sterling	3,325,637	20	2,350,877	-	1,875,580	26
Euro	734	4,171,783	1,687,227	7,237,098	1,912,336	4,800,038
US Dollar	3,385,910	85,189,973	2,188,968	94,777,112	129	92,719,957
Turkish Lira	-	190,800	1,449	28,225	17,855	154,625
	6,712,281	89,552,576	6,228,521	102,042,435	3,805,900	97,674,646

(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 29 February 2012 the Group does not have any significant liabilities due.

The Group has sufficient cash reserves to meet liabilities due.

12. Subsequent Events

On 4 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. 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 29 February 2012, payments of $3,000,000 (£1,881,591) had been received with a $6.5 million post-dated cheque dated 31 March 2012 also being received After numerous discussions with the buyer, the transaction was extended from 30 September 2011 to 31 March 2012 with a payment being received on 19 January 2012 of $625,000 as a further deposit on the transaction. The effective date of the sale of Kazikli and Mobella was 17 April 2012, at which time the loan due to Osmanli Yapi 3 from Mobella (£222,973) was written off. As at the date of approval of these financial statements, a distribution has been agreed in principle by the Board with final amounts to be announced.

Corporate Information

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